

An Update on Minnesota's Homeownership Gap

EMHI Summit

Michael Grover* and John Patterson

December 8, 2010

* The views expressed here are those of the author and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.



Presentation Overview

- Emerging market homeownership rates declined between 2008 and 2009
 - Reversing a previous upward trend
 - Particularly large decline for African-American/Black and Hispanic households
- Over the last four years, mortgage originations have declined dramatically – especially for emerging market households.
- On the positive side, the rate of subprime loan originations and application denials for emerging market households is becoming more in line with white households.
- In the future, emerging market households will become a greater factor in the mortgage market.



Homeownership Data



American Community Survey

- In full release in 2005
- In 2009, roughly 3.7% of households were sampled and surveyed in Minnesota:
 - Occupied and vacant housing units that were interviewed by mail, telephone, or personal visit methods between January 1 - December 31.



Defining “Emerging Markets”

- Includes all Hispanic / Latino
- Black / African American
- American Indian / Alaska Native
- Asian
- Native Hawaiian or Pacific Islander
- Multiple and Some other race categories

→ NOTE: Please answer BOTH Questions 7 and 8.

7. Is Person 1 Spanish/Hispanic/Latino? Mark the "No" box if not Spanish/Hispanic/Latino.

No, not Spanish/Hispanic/Latino Yes, Puerto Rican
 Yes, Mexican, Mexican Am., Chicano Yes, Cuban
 Yes, other Spanish/Hispanic/Latino — Print group: _____

8. What is Person 1's race? Mark one or more races to indicate what this person considers himself/herself to be.

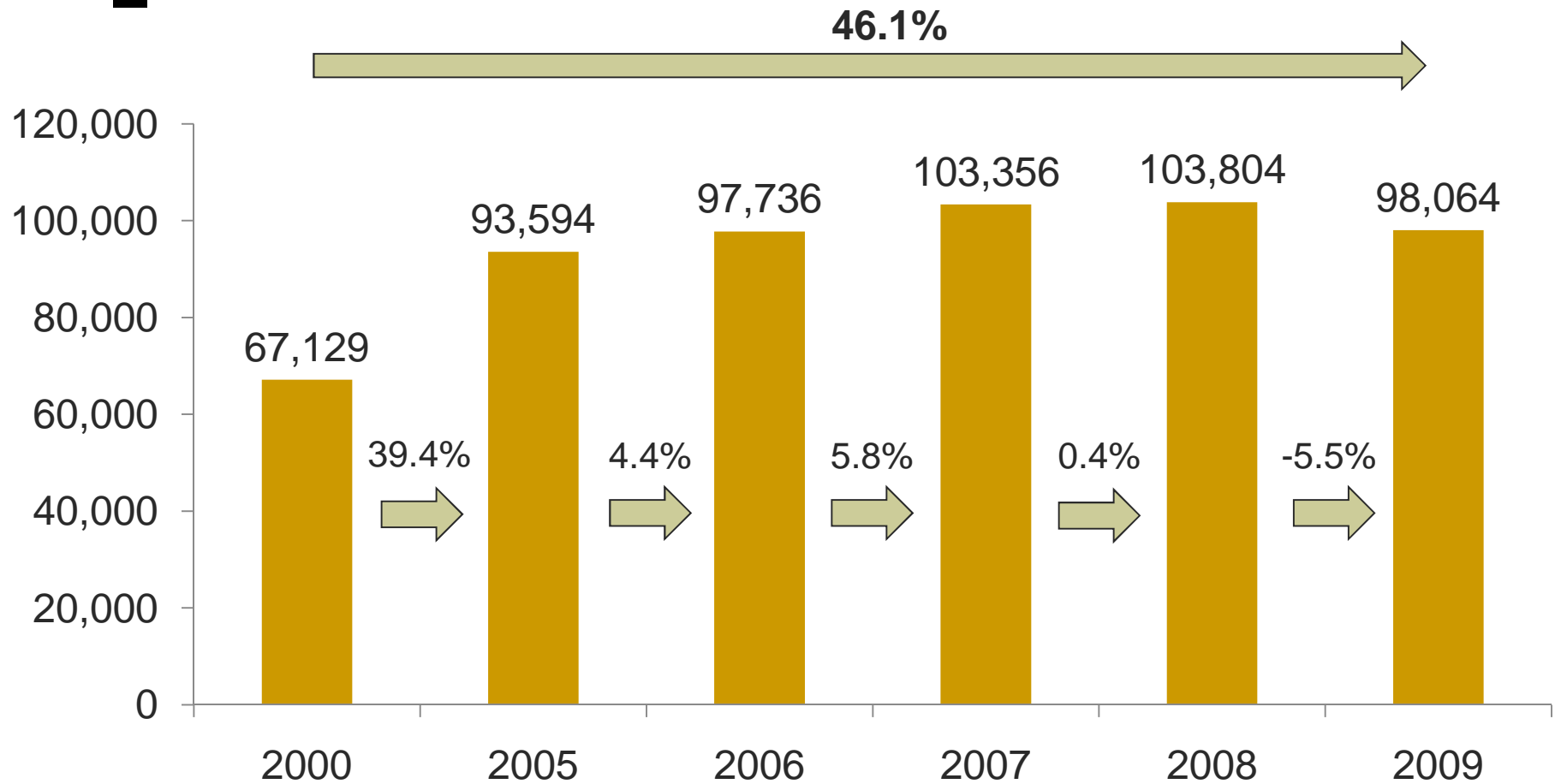
White
 Black, African Am., or Negro
 American Indian or Alaska Native — Print name of enrolled or principal tribe: _____

Asian Indian Japanese Native Hawaiian
 Chinese Korean Guamanian or Chamorro
 Filipino Vietnamese Samoan
 Other Asian — Print race: _____ Other Pacific Islander — Print race: _____

Some other race — Print race: _____



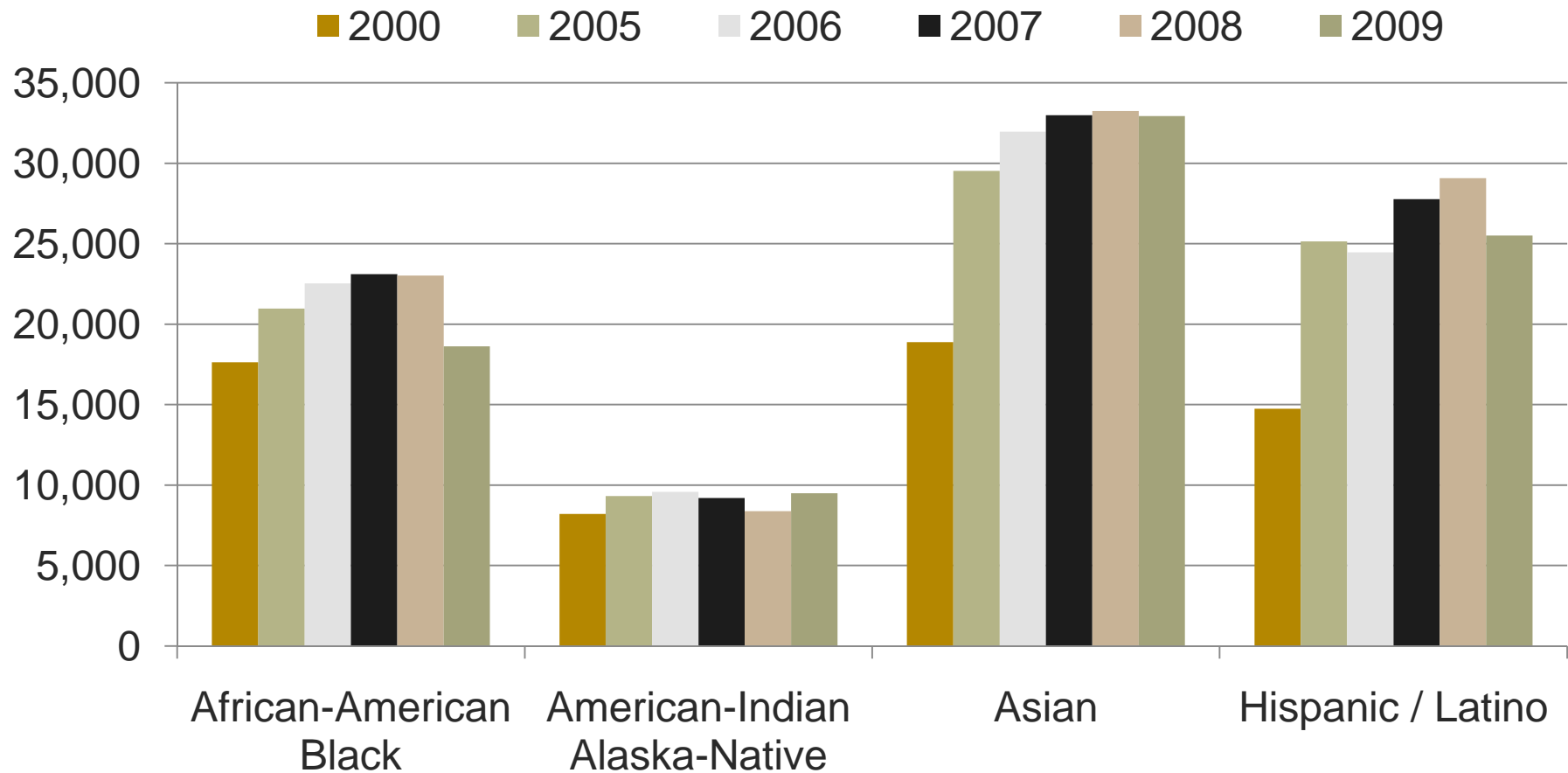
Emerging Market Homeowners



Source: U.S. Census Bureau, 2000 Census and American Community Survey (2005-2009)



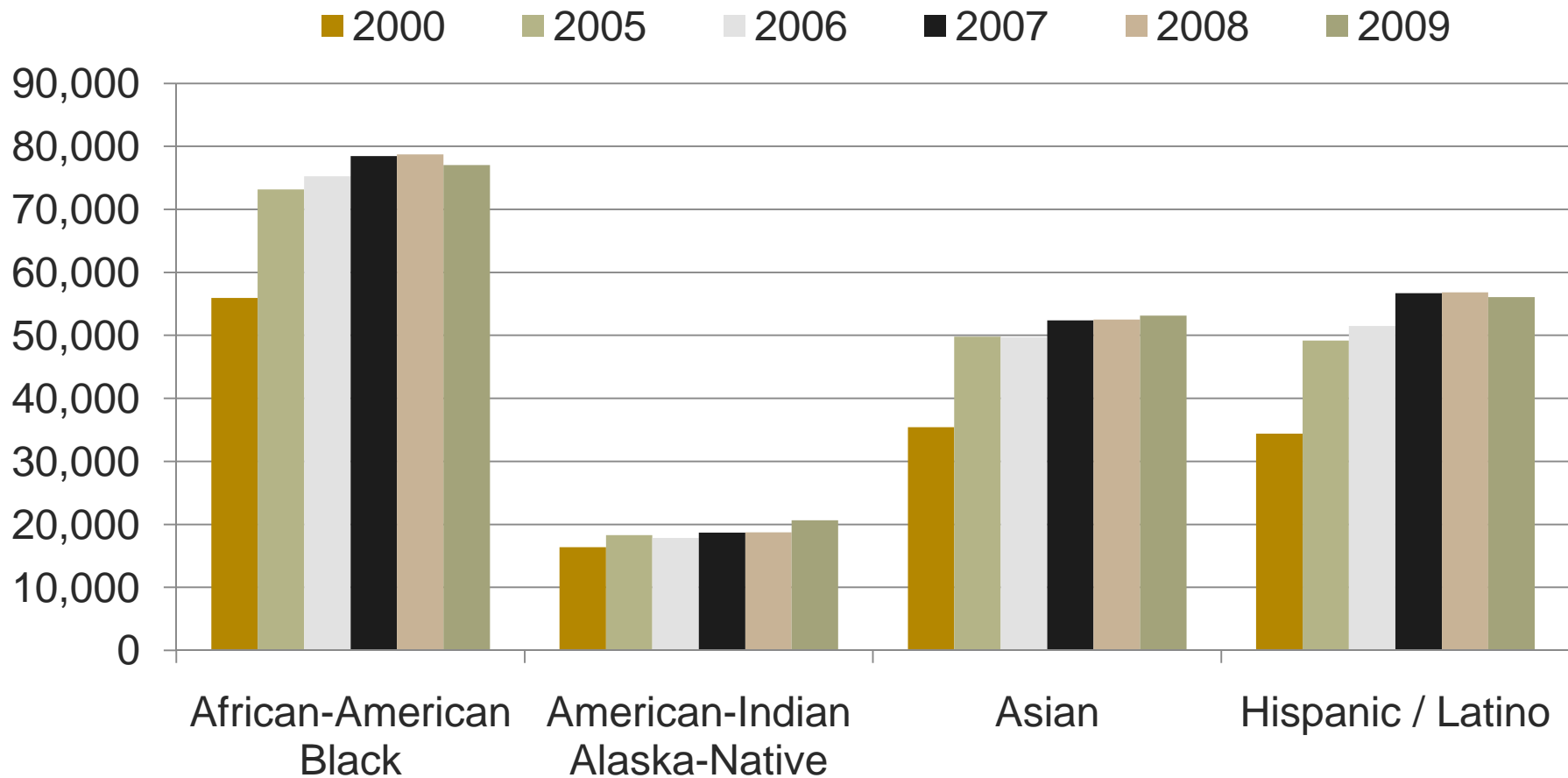
Homeowners by Race and Ethnicity



Source: U.S. Census Bureau, 2000 Census and American Community Survey (2005-2009)



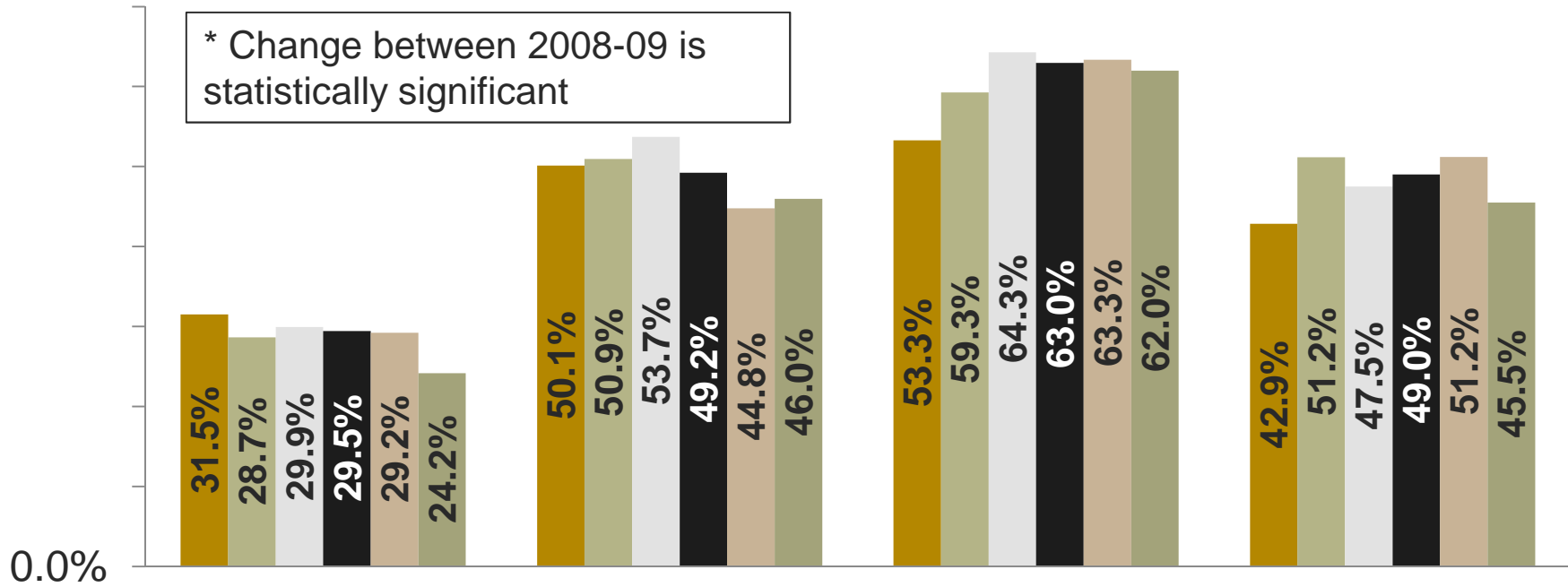
Households by Race and Ethnicity



Source: U.S. Census Bureau, 2000 Census and American Community Survey (2005-2009)



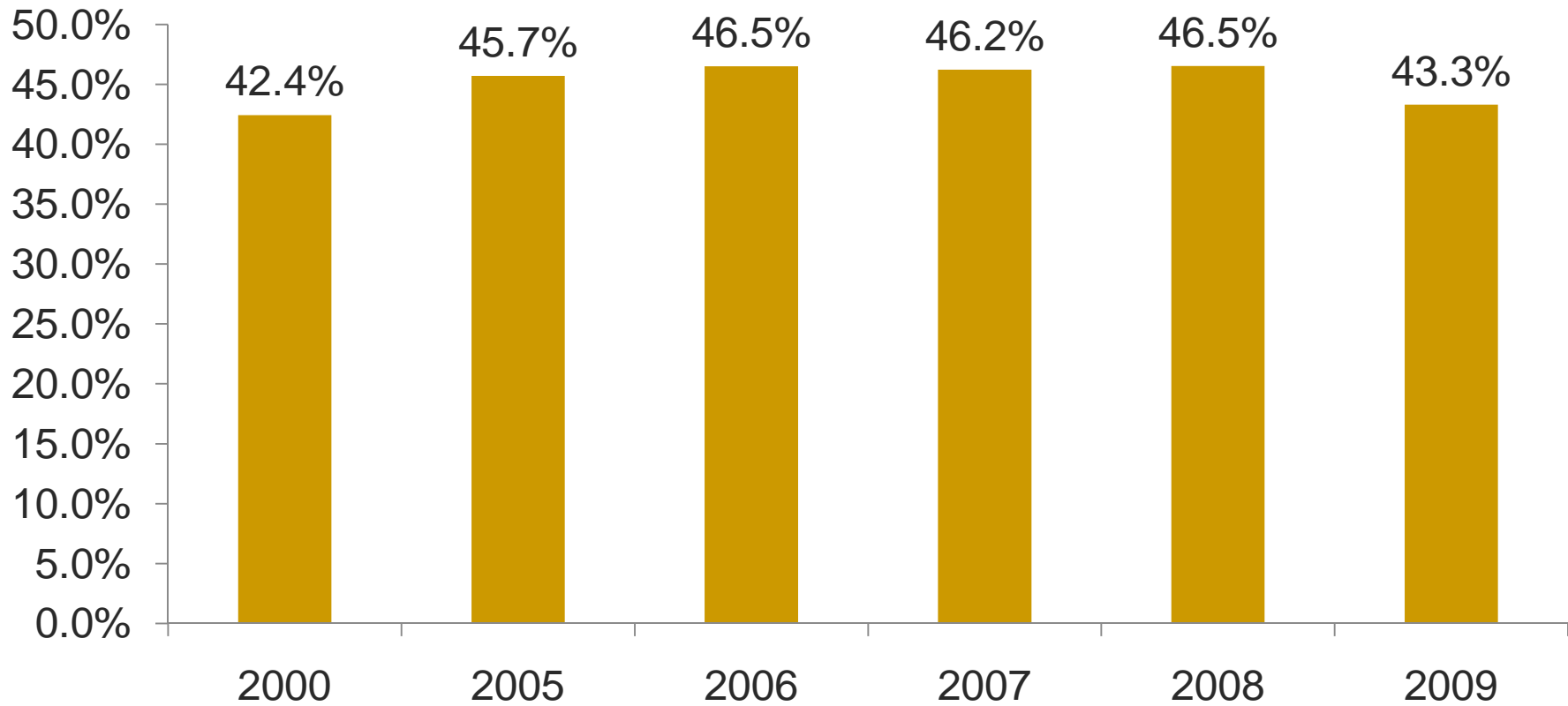
Homeownership Rates by Race and Ethnicity



Source: U.S. Census Bureau, 2000 Census and American Community Survey (2005-2009)



Emerging Market Homeownership Rates

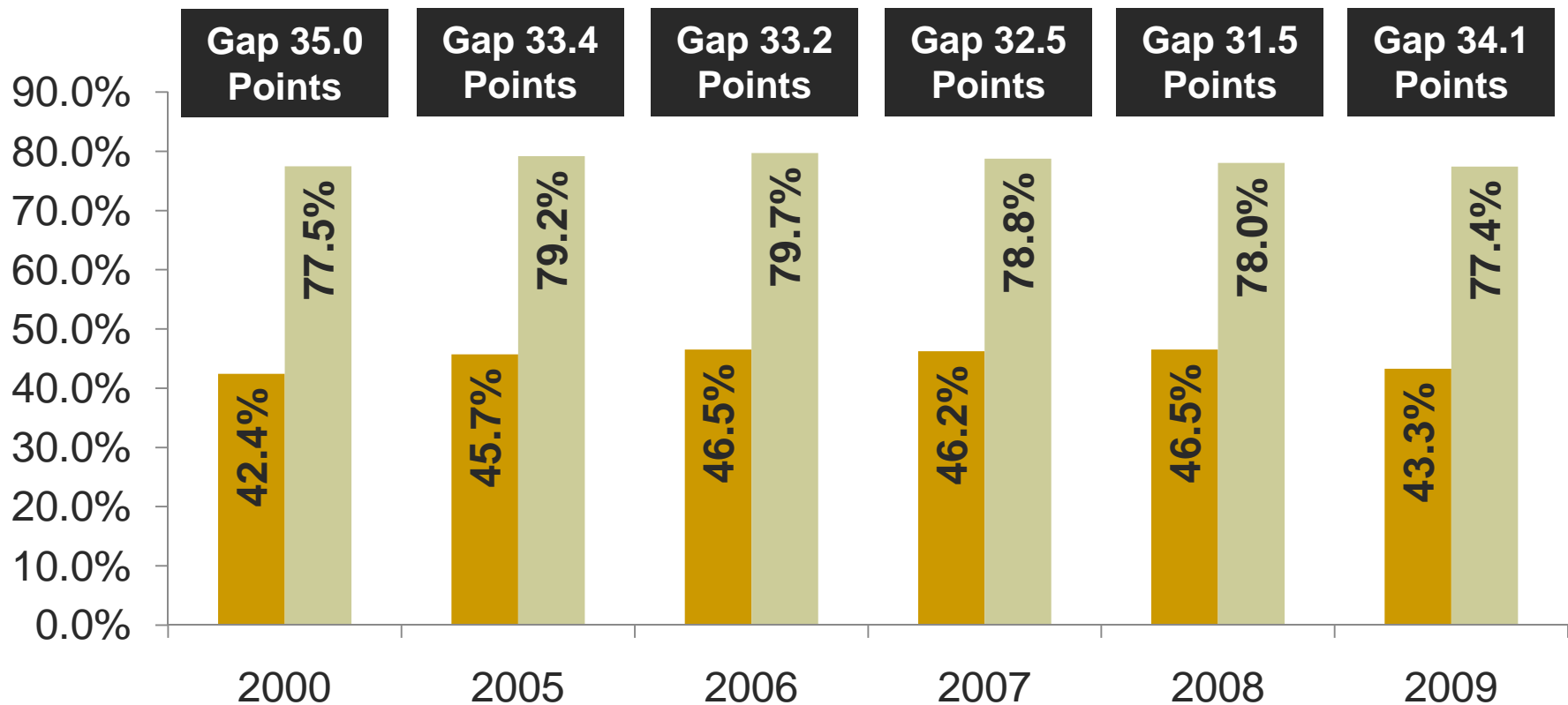


Source: U.S. Census Bureau, 2000 Census and American Community Survey (2005-2009)



Homeownership Gap

■ Emerging Market ■ White, Non-Hispanic



Source: U.S. Census Bureau, 2000 Census and American Community Survey (2005-2009)



[For Further Analysis]

- 2008 to 2009 decline in home ownership rates for some EHMI groups by age and income categories
 - For example, the largest drop in home ownership rates for African Americans occurred for:
 - the 45 to 54 age group — decline from 46 to 31 percent.
 - And for those with a family income between \$40-60,000 — decline from 57 to 32 percent.
- More analysis needed to make sense of these 2008 to 2009 changes



Minnesota Relative to the Nation in 2009

- Highest overall homeownership rate (73.7%)
- 5th highest homeownership rate for White, Non-Hispanic households (77.4%)
- 40th highest Emerging Market homeownership rate (43.3 percent)
- 5th largest gap in homeownership rates (34.1 percentage points)

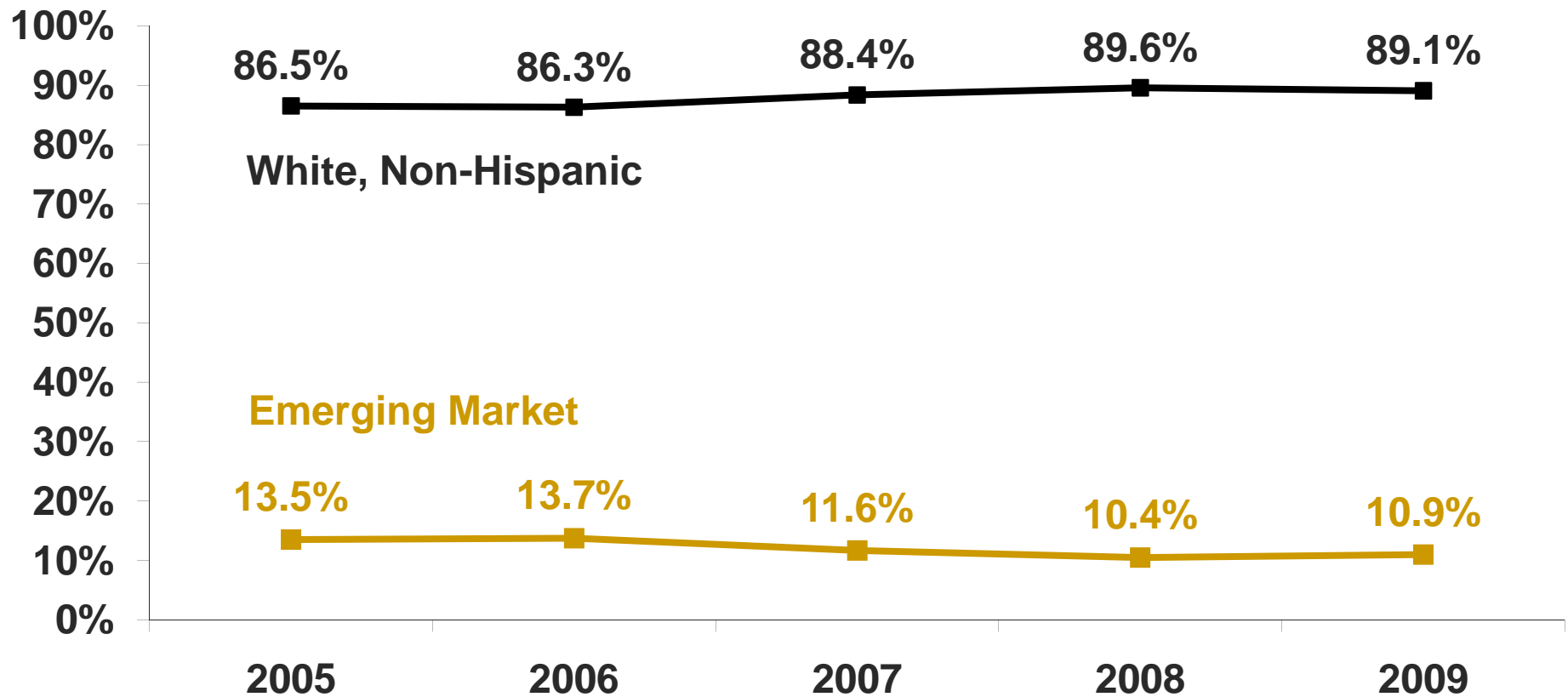
Source: U.S. Census Bureau, 2000 Census and American Community Survey (2005-2009)



Mortgage Origination Data



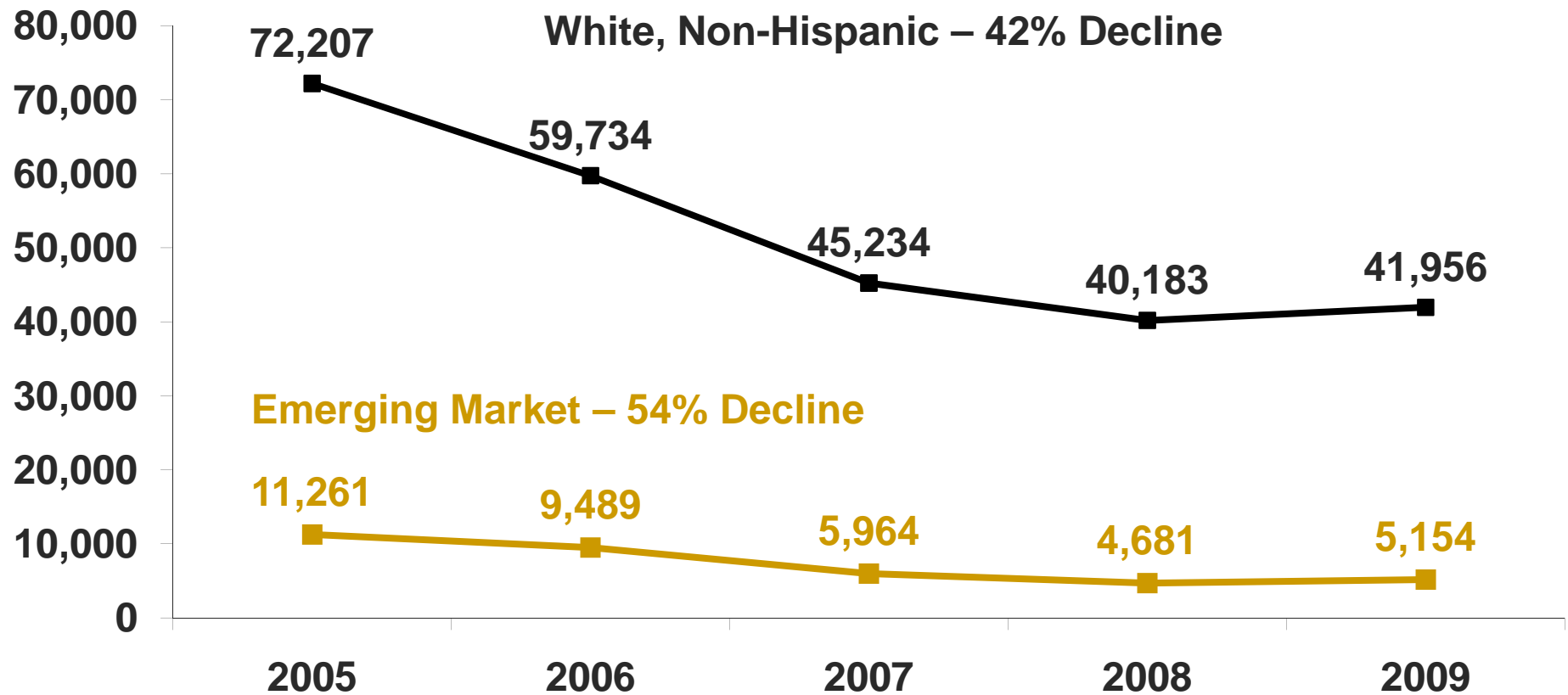
MN: Percentage of Loan Originations, by Race/Ethnicity



Source: Home Mortgage Disclosure Act (HMDA); Based on first-lien originations for home purchases of one to four family housing (including manufactured) for owner occupation.



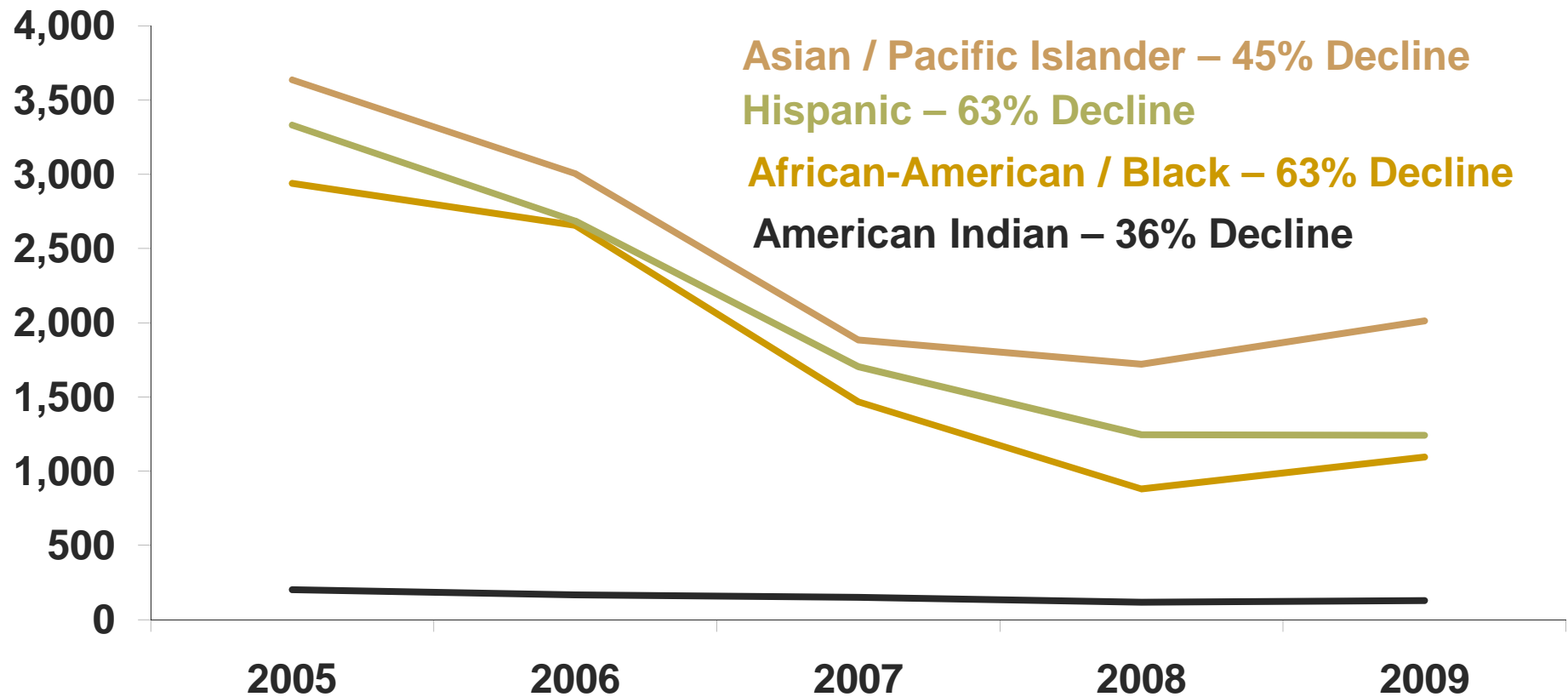
MN: Loan Originations



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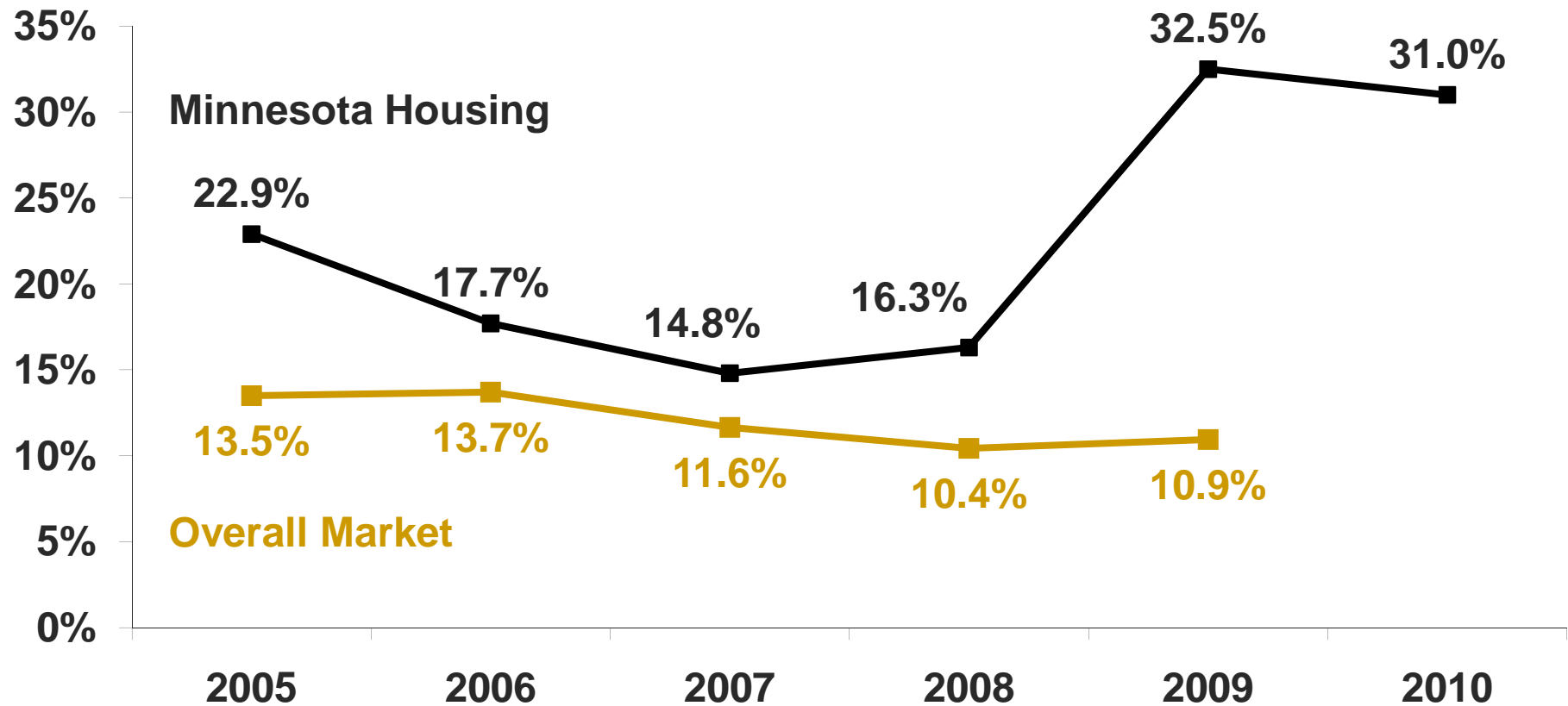
MN: Loan Originations by Race and Ethnicity



Source: Home Mortgage Disclosure Act (HMDA); Based on first-lien originations for home purchases of one to four family housing (including manufactured) for owner occupation.



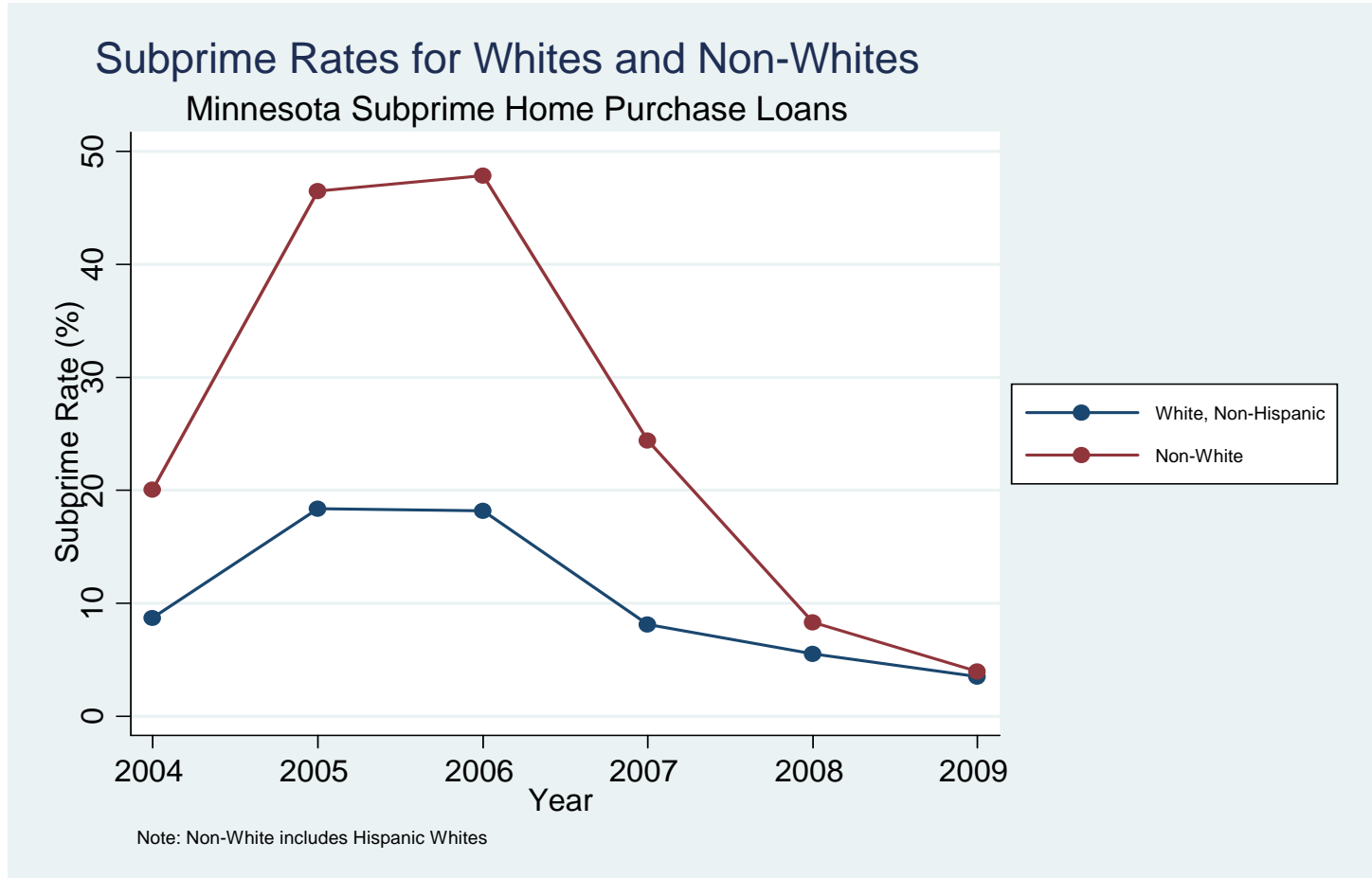
Emerging Market Originations – MN Housing vs. Overall Market



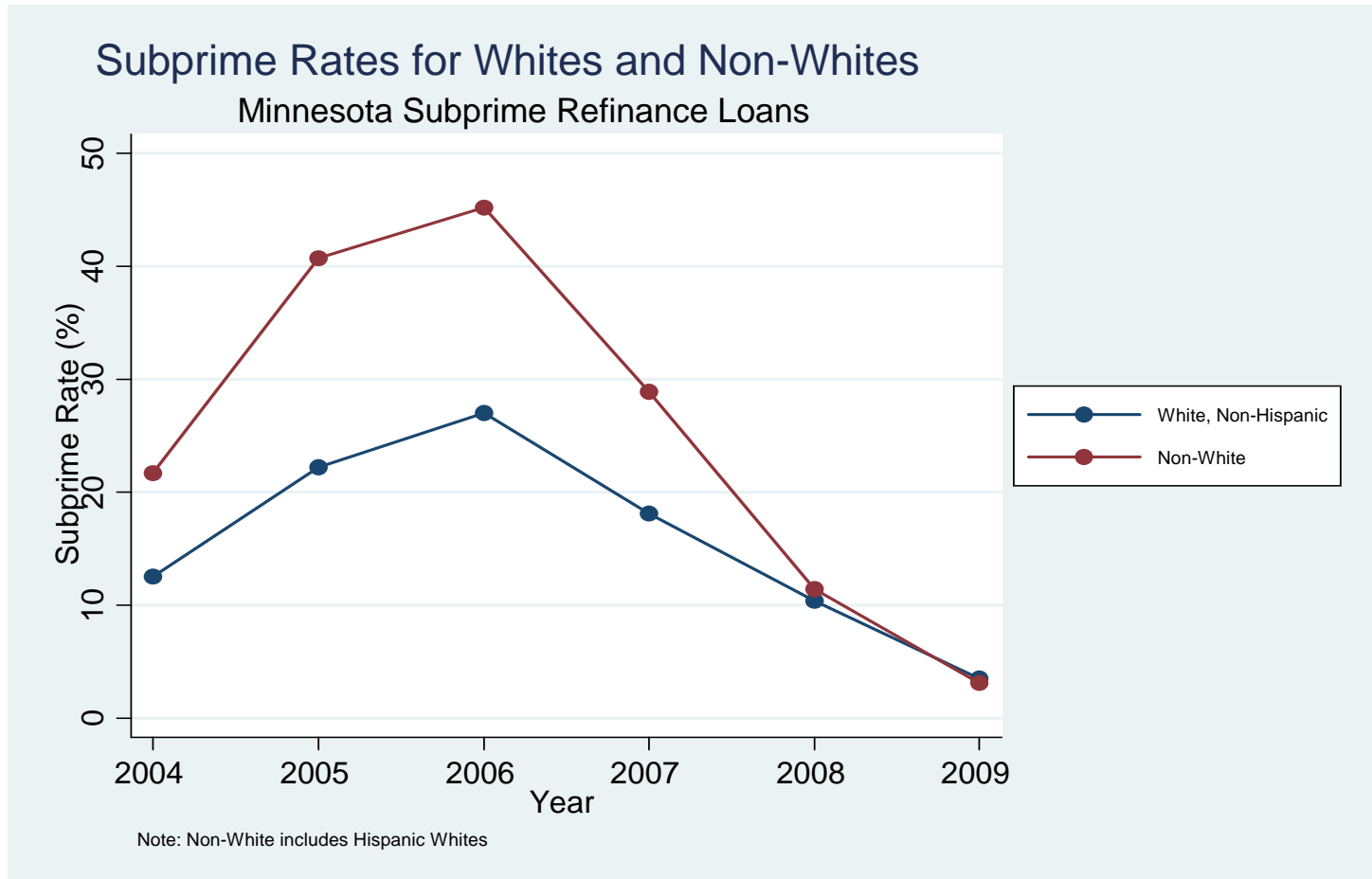
Source: Home Mortgage Disclosure Act (HMDA) and Minnesota Housing



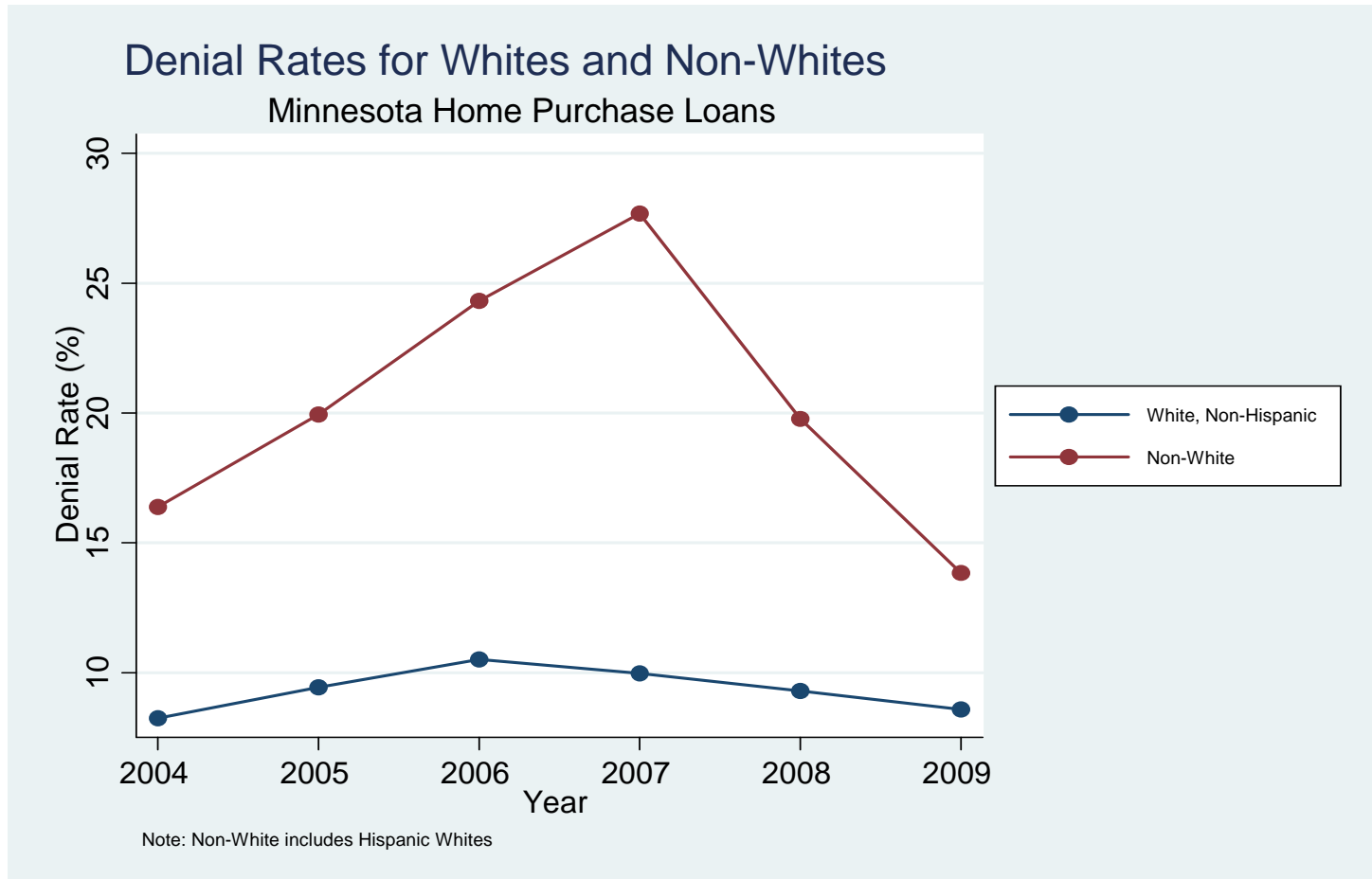
Decrease in Subprime Lending Since 2006 - Purchase



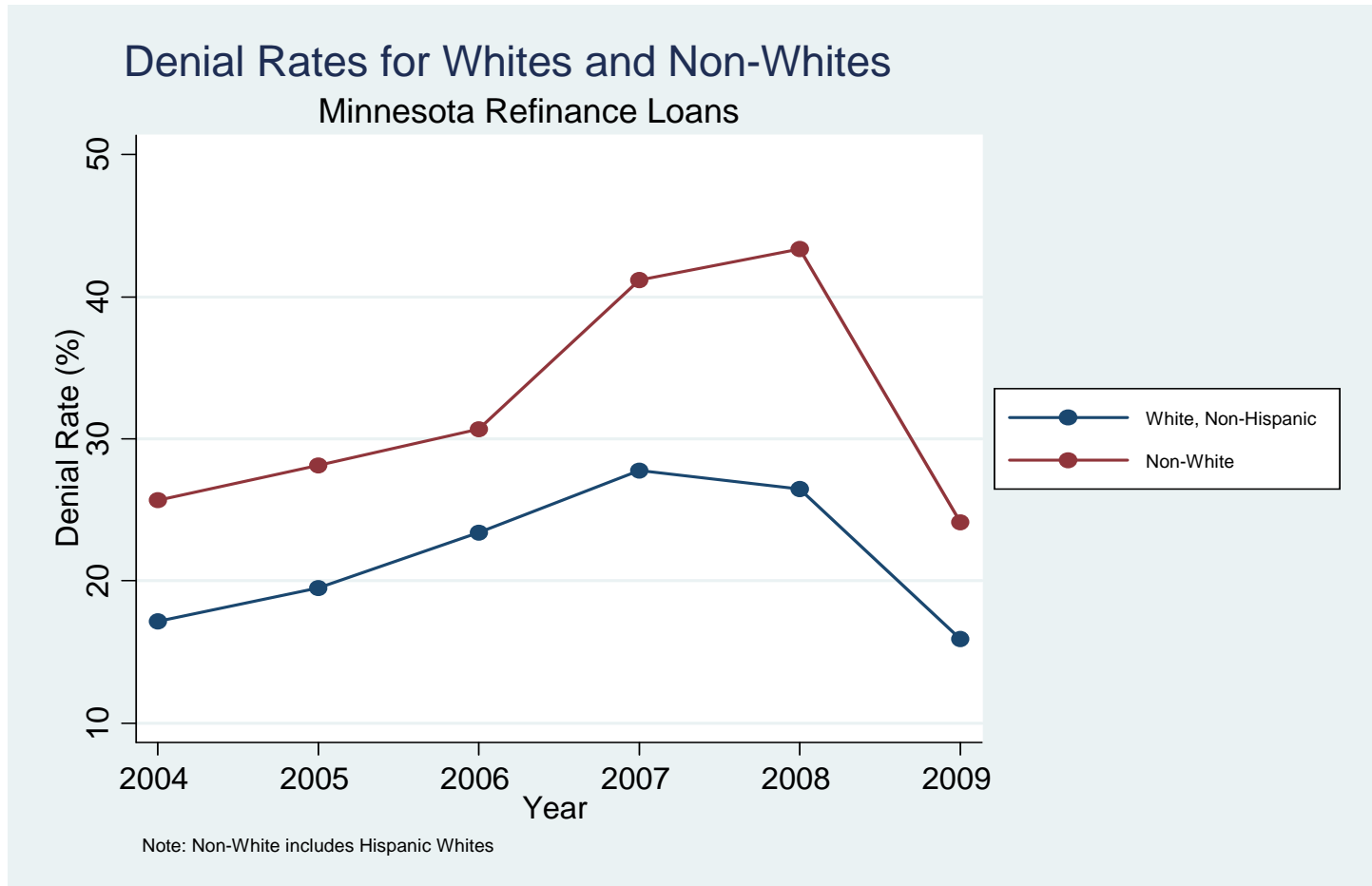
Decrease in Subprime Lending Since 2006 - Refinance



Denial Rates Decline Since 2008 - Purchase



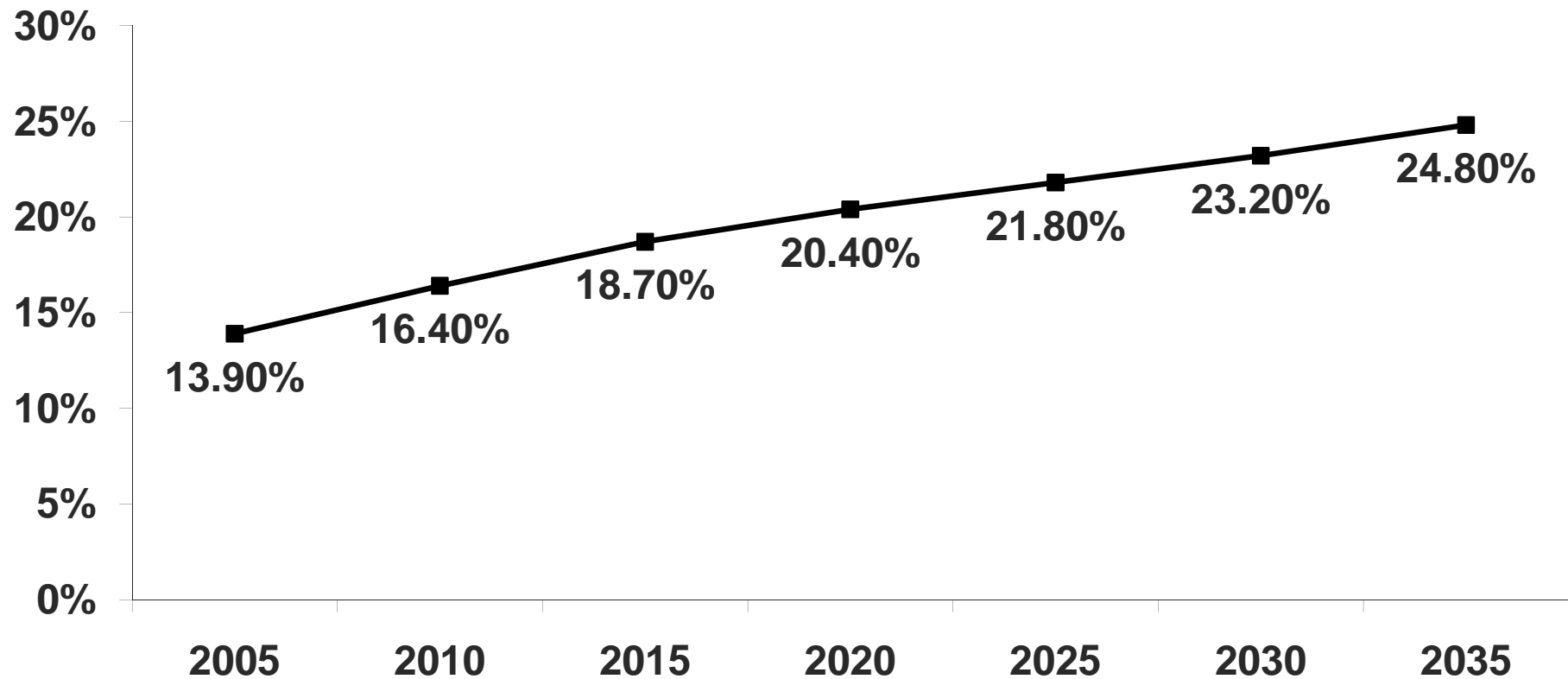
Denial Rates Decline Since 2008 - Refinance



The Future: Demographic Data



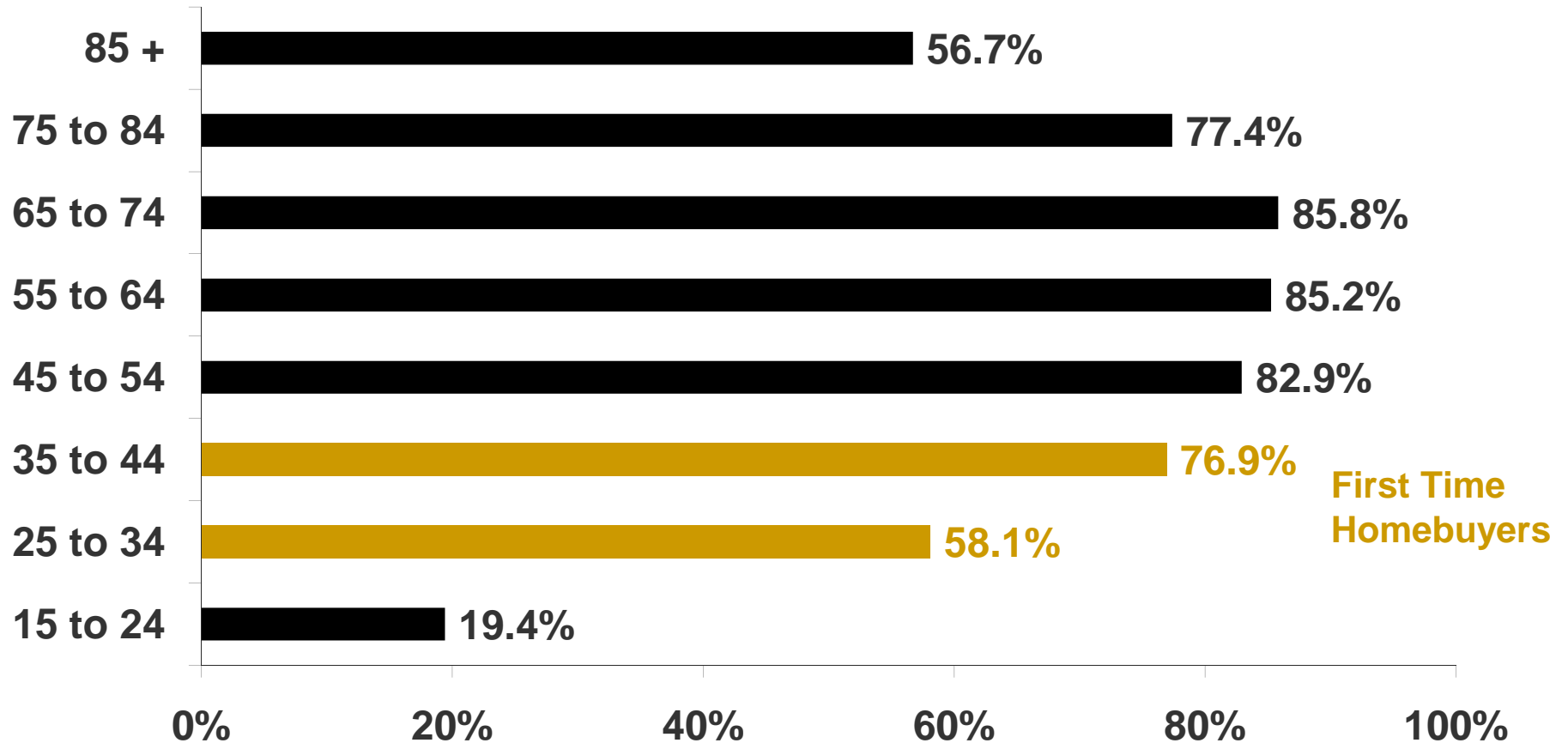
MN: Emerging Market Projection – Percentage of Population



Source: Minnesota State Demographic Center, *Minnesota Population Projections by Race and Hispanic Origin, 2005 to 2035* (January 2009)



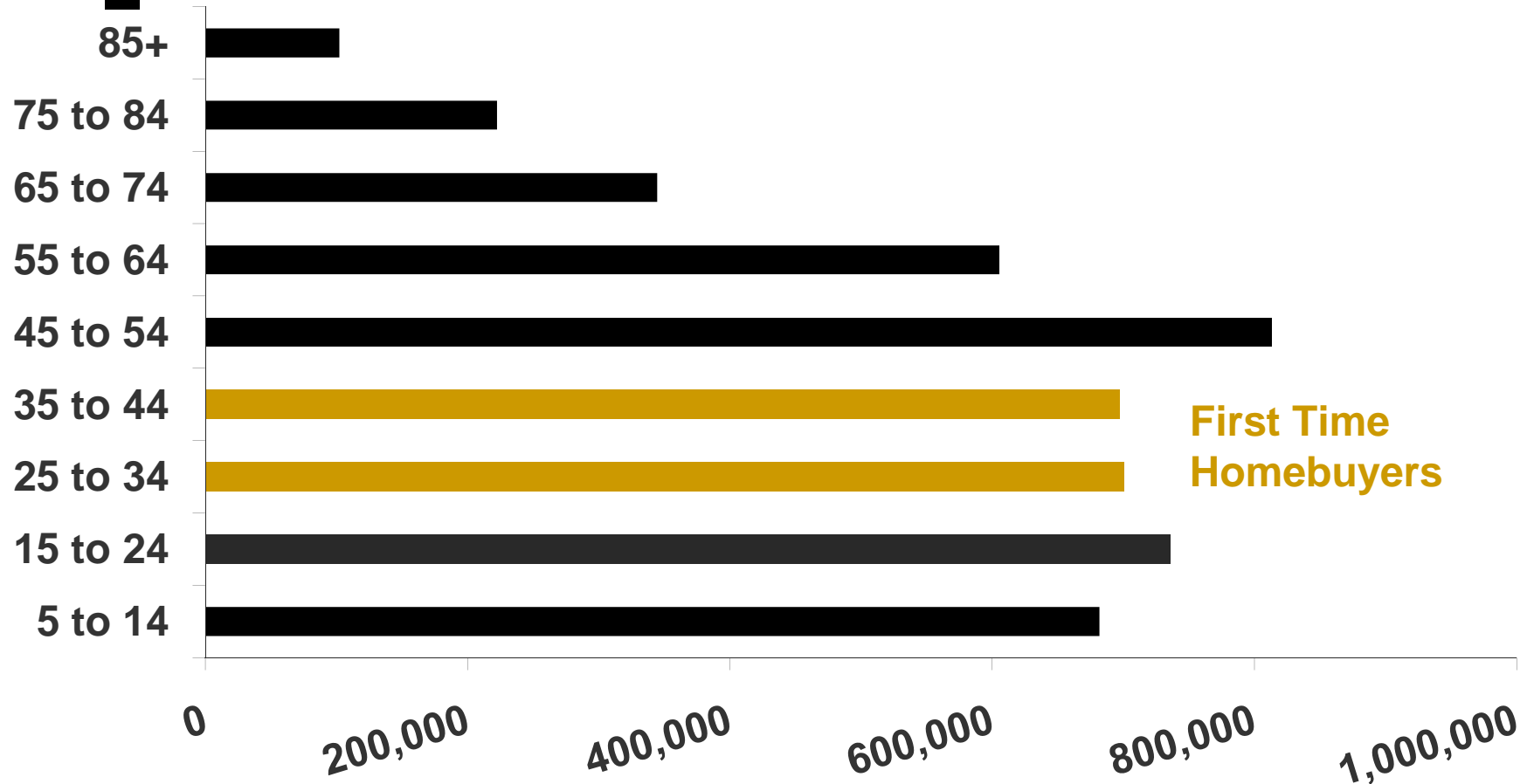
MN: Homeownership Rates by Age of Household Head, 2009



Source: Census Bureau, American Community Survey, 2009



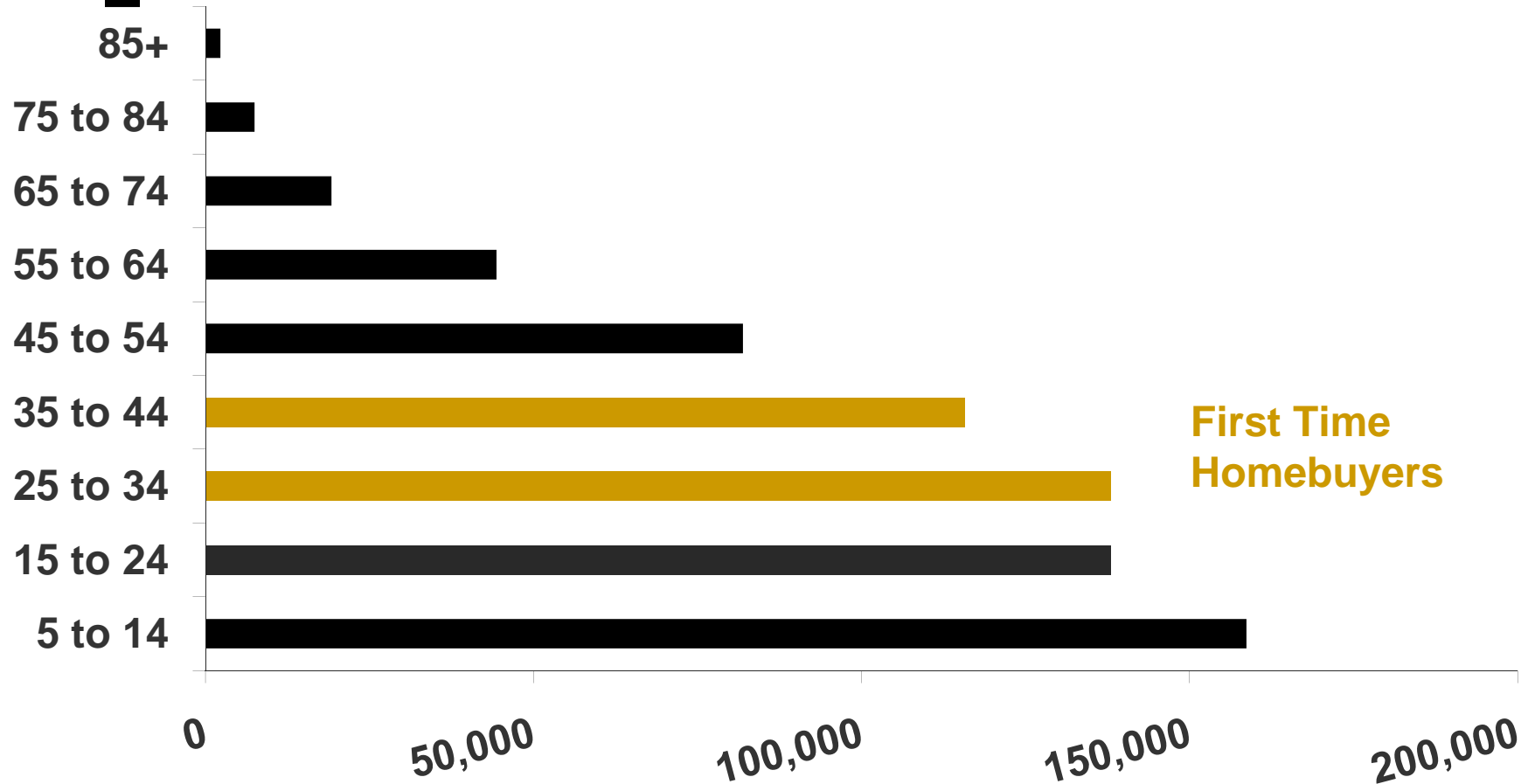
Minnesota: Population by Age, 2009



Source: Census Bureau, American Community Survey, 2009



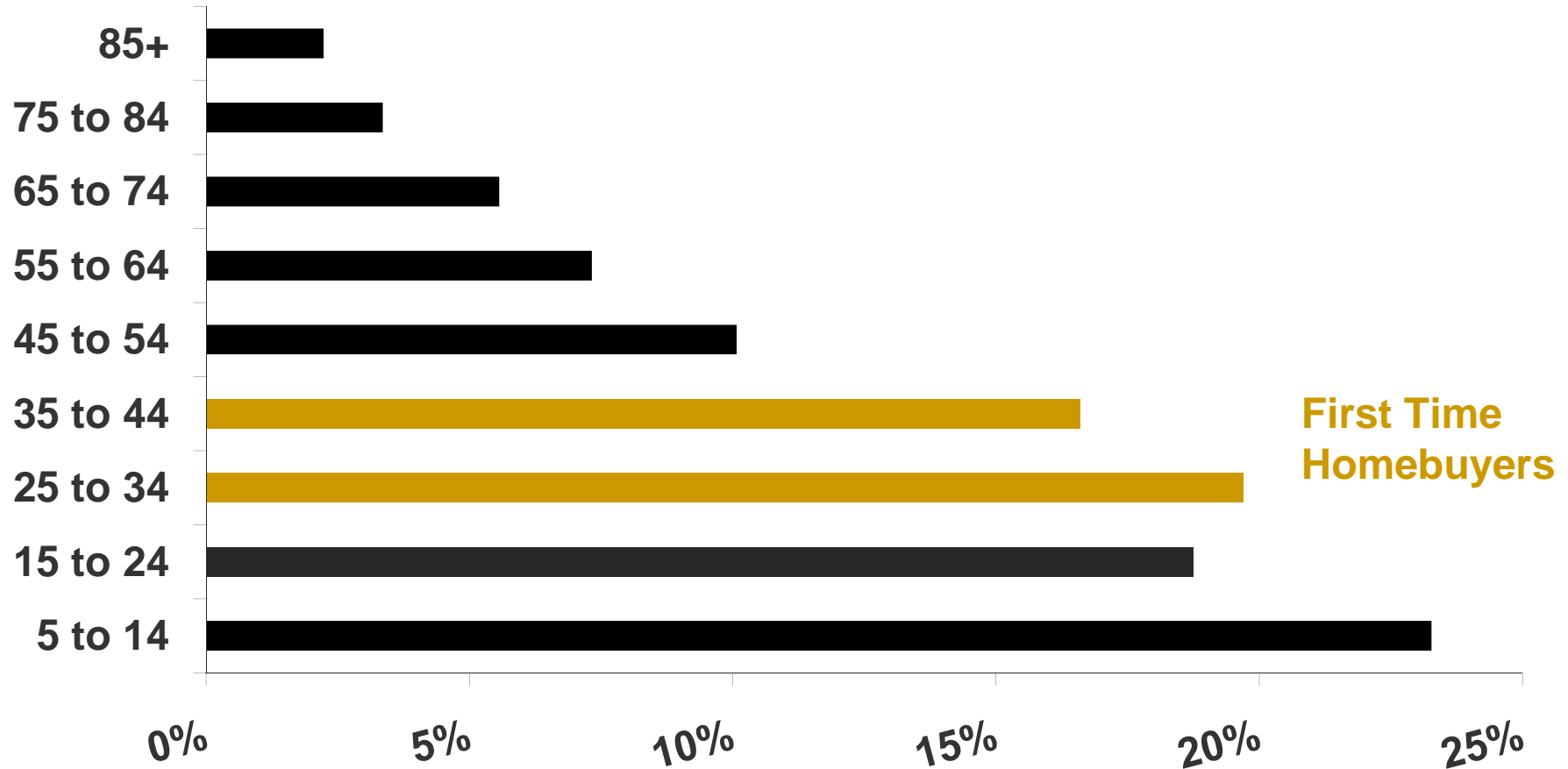
Minnesota: Emerging Market Population by Age, 2009



Source: Census Bureau, American Community Survey, 2009



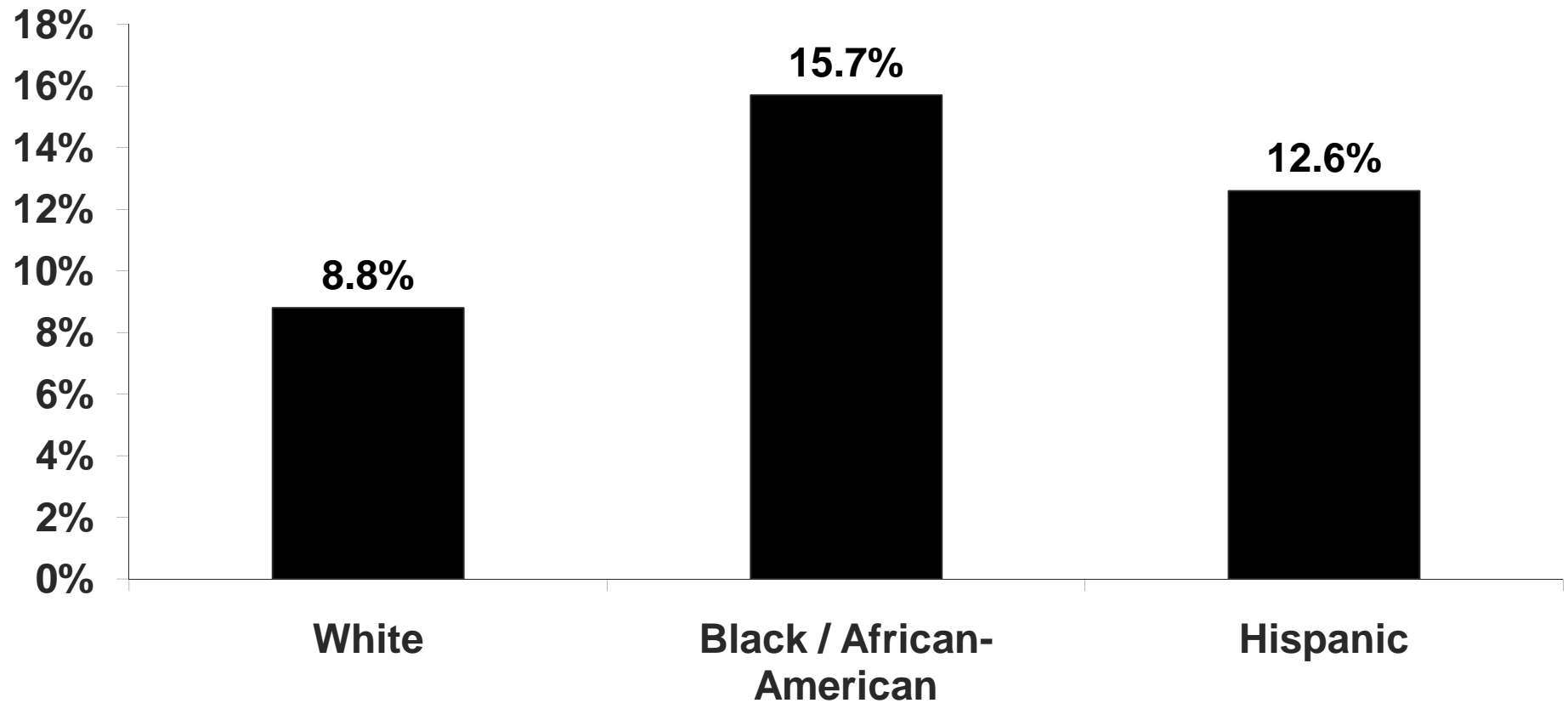
Minnesota: Emerging Market Share of Age Group, 2009



Source: Census Bureau, American Community Survey, 2009



US: Unemployment Rate by Race and Ethnicity, Oct. 2010



Source: Bureau of Labor Statistics, Current Population Survey, October, 2010



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