

Understanding Homeownership Disparities Among Racial and Ethnic Groups

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1. Introduction – What is the homeownership gap?

With a rate approaching nearly 73%, Minnesota’s homeownership rate is over 8% higher than the national average of 64.6%. This robust number gives the state the distinction of having the highest homeownership rate in the nation (CFED, 2013). Yet, hidden within this healthy statistic is another-- showing that homeownership attainment is not distributed evenly. Minnesota also holds the distinction of having one of the greatest disparities among White and non-White households, ranking 48th in the nation (CFED, 2013).

The disparity in homeownership rates between White and non-White households is referred to as the “homeownership gap”. According to the CFED 2013 Scorecard¹, the nationwide homeownership rate is 64.6%, meaning that nearly two-thirds of all occupied housing units in the country are owner-occupied. However, the homeownership rate among White households is 72%, while the homeownership rate among households of color is 46.2%. Therefore, the nationwide homeownership gap is 25.8%. In Minnesota, the homeownership rate among White households is 77.5%, while the rate among households of color is just 38.2% - leaving a gap of 39.3%. A comparison of individual racial and ethnic groups to White households reveals greater variation. Black households, both foreign born and those born in the U.S., have the lowest rates of homeownership (and thus the largest gaps). Asian households have the highest rates of homeownership among non-White racial and ethnic groups in Minnesota.

Homeownership rates in Minnesota by racial and ethnic group, 2009-2011²

Racial/Ethnic Group	Homeownership rate	Difference compared to White households
American Indian	46.5	30.5
Asian (Southeast)	51.9	25.1
Asian (Other)	58.6	18.4
Black (foreign born)	23.0	54.0
Black (U.S. born)	26.0	51.0
Hispanic/Latino	43.5	33.5
White, non-Hispanic/Latino	77.0	-
Minnesota (all)	73.3	-

The underlying reasons that homeownership rates differ are complex. Demographic changes, particularly changes in household formation, can affect homeownership rates. Haurin, Herbert, and

¹ The CFED Scorecard uses 2010-2012 American Community Survey data

² Minnesota Compass

Rosenthal (2007) advise the use of care when interpreting changes in homeownership and discuss the importance of understanding the definition of homeownership rates, which are based on the number of owner-occupied housing units divided by the total number of households.

An increase in the homeownership rate occurs if the number of owners remains constant but the number of households shrinks. The number of households shrinks if two individuals living apart marry and live in a single dwelling or if two individuals living apart double up and share a single dwelling unit. If both households were renting before the move, this change boosts the homeownership rate even if the new couple lives in a rental unit. If the couple chooses to own, the homeownership rate is further increased.
(p.7)

While household formation changes affect homeownership rates, it is only one of the factors that contribute to homeownership attainment. The purpose of this study is to explore the existing research on homeownership disparities to develop a better understanding of why this gap exists and to provide policy recommendations that may help households of color overcome these barriers.

2. What do we know about homeownership for racial and ethnic minorities?

Legacy of discriminatory housing policy

For the past several decades, low-income and racial/ethnic minority homeownership has been a focus of local, state and federal housing policies (Schwartz, 2006). The emphasis represents a shift from an earlier time in the country's history when racial and ethnic groups, particularly Blacks, were denied access to homeownership *because of* housing policies. Beginning in the 1930s and continuing through the 1950s and 60s, FHA and Home Owners Loan Corporation (HOLC) federal mortgage programs, included race-based rating systems that linked race and ethnicity to geographic risk in lending. Additionally, FHA recommended racially restrictive covenants as a way to ensure racial stability (or segregation) within neighborhoods. A dual housing policy system emerged that supported homeownership for middle and upper-class White families and rental housing for racial and ethnic minorities (Rheingold, Fitzpatrick & Hofeld, Jr., 2001). This deliberate, restricted access to homeownership for non-White households continued until the Civil Rights Movement in the late 1960s. The Housing Act of 1968 made the practice of housing discrimination illegal and created the Section 235 program to improve homeownership opportunities for minority and low-income households (Gotham, 2000). While the 1968 legislation made it possible for non-White households to purchase homes it also created opportunities for Whites to purchase new homes in the suburbs. As non-White households purchased homes in inner city neighborhoods, White households continued to move out, reinforcing racially segregated housing patterns and leaving households of color with a reduced ability to accumulate wealth (Gotham, 2000).

Trends in homeownership among households of color

Gains in homeownership by racial and ethnic groups in the 1990s reduced the homeownership gap between White and non-White households, though a substantial gap remains (Kochhar, Gonzalez-Barrera and Dockterman, 2009). During the 1990s, first-time homeownership among non-White households increased. Using American Housing Survey data, Herbert and Belsky (2008) found that the number of Black first-time homeowners doubled from 1989- 1991 to the period 1995-1997, after which time the numbers of African-American first-time homebuyers stabilized. While the absolute numbers stabilized, the homeownership rate among Black households increased from 41.9% in 1995 to 49.4% in 2004 and then declined in 2008 to 47.5% (Kochhar, Gonzalez-Barrera and Dockterman, 2009). In Minnesota, the number of Black, U.S. born owner-occupied households increased from 8,501 in 1990 to 14, 609 in 2000. During this time, the homeownership rate increased from 30.3% to 34.6%. By 2006-2008, the number of households had increased slightly to 15,511, though the homeownership rate dropped to 30.5%.

Nationally, the number of Hispanic/Latino first-time homebuyers also saw a marked increase in the 1989-1991 period, rising 123% and continuing to increase through the 2003-2005 period (Herbert & Belsky, 2008). By 2006, nearly half of all Hispanic/Latino households were homeowners, up from 42.1% in 1995. After which the percentage of Latino homeowners dropped slightly to 48.9%. In Minnesota, the number of Hispanic/Latino homeowners more than doubled between 1990 and 2000, with 5,933 owner households in 1990 and 14,935 in 2000³. During this time, the homeownership rate declined due to the large increase in the total number of Hispanic/Latino households. In the 2006-2008 period, the number of Hispanic/Latino owner households in Minnesota increased again to 29,036 and the homeownership rate surpassed the 50% mark (at 51.7%).

Despite these increases in absolute numbers and homeownership rates over the past several decades, non-White households continued to lag behind White households in homeownership attainment during the recent housing boom. Mundra (2013) found that Hispanic/Latinos and Blacks had a significantly lower chance of owning their first home during the housing boom years when compared to White households. The greatest gains have been made by Asians, with a homeownership rate of nearly 60%. Nationally, Asians are the only minority group to achieve a rate above 50% (Herbert & Belsky, 2008).

Housing and neighborhood conditions

Examining differences in homeownership rates and housing values among White and Black homeowners, Denton (2001) found that low-income Black owners were more likely to live in high poverty neighborhoods, in neighborhoods with homes that were older and in need of repair and in homes with lower housing values than White homeowners. The research by Herbert and Belsky

³ Minnesota Compass, Homeownership rate by racial and ethnic group; Minnesota 1990-2011

(2008), examining the housing quality and neighborhoods in which racial and ethnic minority households purchase their homes, found that low-income minorities experienced substantial improvements in neighborhood conditions with the purchase of their homes, while moderate and higher-income minority households experienced only small positive changes. However, the authors note that “the areas where minorities purchased generally ranked lower on various socioeconomic dimensions than the areas where Whites purchased” (p. 90). Reid’s (2004) research on low-income racial and ethnic minority homeowners is consistent with Belsky’s research. Though levels of poverty, welfare use and the percent of single mothers remained high, Reid found that moving from renting to homeownership was linked to improved neighborhood conditions.

Equity, mortgage terms and costs

While evidence of racial disparities exists in home mortgage lending and approvals, attributing these disparities to discriminatory treatment is complicated. A variety of factors, including credit scores and debt loads, affect the ability to obtain a mortgage loan. Charles and Hurst (2002) found that despite a higher likelihood of mortgage application rejection among black mortgage applicants, negative treatment by financial institutions was not a factor in the difference between renter to homeowner transitions and that the rejection rate played a relatively minor role in explaining differences in Black and White homeownership rates. The authors found that though Blacks were much more likely to have their mortgage application rejected than similar White households there was no racial difference among those who had their mortgages approved. Rather, the authors attribute lower rates of homeownership among Blacks to a lower likelihood that they will initiate a mortgage application. They posit that anticipated differences in treatment in the mortgage application may discourage Black families from applying (p.30). Comparing interest rates of first-time buyers by income and race/ethnicity, Herbert and Belsky (2008) found that low-income and minority buyers paid slightly higher interest rates, on average, than higher income and White buyers. The authors did not see evidence linking minority buyers and the growth of subprime lending or other high risk loan terms in the data that extended to 2005. However they did find that a high percentage of minority homeowners had housing cost burdens.

There also appear to be differences in home values and return on investment for non-White homeowners. Previous research indicates that homeowners from racial and ethnic minority groups own homes of relatively lower values, even across income groups (Reid, 2004; Charles and Hurst, 2002). In Reid’s study, low-income minority homeowners owned homes valued at a little less than \$50,000, while middle and high-income minority homeowners had home values from \$62,000-\$64,000.

Ownership of lower-value homes may be one of the reasons that non-White homeowners tend to have lower financial returns from homeownership than White households. The financial return for low- and middle-income minorities, even when it is sustained over a decade or more, is often extremely small (Reid, 2004). Reid’s findings suggest that the return from appreciation for low-income minority homeowners is often less than other “riskless” investments, such as Treasury bills.

A study by Loving, Fink and Salter (2011) offers similar findings regarding home equity appreciation for Black households with lower incomes. However they found that Blacks with higher incomes did not experience the same disparity in home equity. The authors found that among those who were able to realize the greater increases in home equity, being Black was not detrimental.

Differences in entry into, stopping points and exits from homeownership

The transition into homeownership is less likely among racial and ethnic minority households (hence the homeownership gap) and when they do become homeowners, it occurs later in the life course (Boehm and Schlottmann, 2009). Several studies point to differential experiences once non-White households become homeowners. Boehm and Schlottmann (2004) found that first-time homeownership appears to be a stopping point in the housing careers of racial and ethnic minority households, with the likelihood of making progressive moves upward with the purchase of a second or third home very low.

Once they become homeowners, non-White households are less likely to sustain it. Black homeowners face a one-third to one-half probability that they will exit homeownership and return to renting, and only 6-7% of those who leave homeownership will become homeowners again (Boehm and Schlottmann, 2009). Conversely, White homeowners face a much lower probability of returning to renting, and a higher proportion exiting homeownership will become homeowners in the future (Boehm and Schlottmann, 2009). Several other studies also point to the difficulty that racial and ethnic minority households have in sustaining homeownership. Blacks had the lowest gains in first time homeownership during the housing boom years of 2004-2006 and also had the highest rate of exit from homeownership (Mundra, 2013). Immigrants tend to have more difficulty sustaining homeownership; U.S. citizenship appears to lower exits from homeownership (Mundra, 2013). Reid (2004) found that four years after buying a house, less than half of low-income minority households remained homeowners. This suggests that the homeownership gap is not only an issue of access to first-time homeownership but also one of homeownership sustainability. The lack of sustained homeownership also has implications for the accumulation of wealth and other benefits associated with homeownership.

3. Why is there a homeownership gap?

A review of the available research on the topic suggests that several demographic factors are the primary drivers of the gap in homeownership rates. Additional studies seek to explain the portion that is not explained by demographic factors. This section covers the primary factors associated with the homeownership gap. Following this discussion is an overview of studies that examine additional factors linked to lower rates of homeownership among non-White households.

Primary factors –Household characteristics

The difference in homeownership rates between White and non-White households is largely explained by differences in a few key characteristics. Household income, wealth, marital status and educational attainment are key characteristics associated with who will and will not make the transition into homeownership (Boehm & Schlottmann, 2009; Di and Liu, 2007; Toussaint-Comeau & Rhine, 2004)). While there are some differences between racial and ethnic minority groups, these characteristics appear to be consistent factors in determining homeownership attainment. Many research studies on the homeownership gap use Panel Study of Income Data (PSID), which tracks data on families over time. Using PSID, Boehm and Schlottmann (2009) examined the homeownership gap between Black and White households, finding that Black families were less likely than White households to make the transition from renter to homeowner due to substantially lower levels of education, income, net wealth and savings behavior. An earlier study by Boehm and Schlottmann (2004) found that higher levels of education and permanent income increased the likelihood of purchasing a home. In their review of studies on the Hispanic/Latino homeownership gap, Cortes, Herbert, Wilson and Clay (2007) conclude that “endowment” factors, such as income, education, family type, gender and housing market characteristics accounted for between half to three-quarters of the White-Hispanic/Latino homeownership gap. The majority of the remaining gap is explained by the large number of immigrants, who have added barriers in the home buying process (Cortes et al., 2007).

Family formation

Several studies have linked family status and housing tenure. Di and Liu (2007) found that marital status and family size were significant variables positively associated with the probability of homeownership. The authors found that married couples and households with children generally had higher rates of homeownership than other family types and households without children. Boehm and Schlottman (2009) found that single adults are much less likely to become homeowners. Racial and ethnic group differences in family formation appear to contribute to differences in homeownership when compared to White households. Reid (2004) found that almost half of all low-income minority homeowners were single mothers with children, compared to 25 percent of White homeowners. White households have significantly higher percentages headed by couples when compared to Black households (Boehm and Schlottmann, 2009). Marriage is considered a strong determinant of homeownership among Hispanic/Latino households (Cortes et al., 2007; Toussaint-Comeau, 2004).

Wealth

Several studies have taken a closer look at the relationship between homeownership and wealth, a significant factor in predicting homeownership attainment. Two studies suggest that savings behavior is more important than the ability to amass large sums of money. Boehm and Schlottmann (2009) found that the existence of a family savings account correlated with homeownership attainment. A study on the potential of down payment assistance by Herbert and Tsen (2007) suggests that rather modest savings of \$1,000 or less had a significant impact on the probability of homeownership.

Previous research suggests that a large portion of Black and Hispanic/Latino renters have no or very low levels of net wealth (Haurin, Herbert and Rosenthal, 2007). Haurin et al. posit that low-wealth households may choose to remain as renters rather than take on the financial risk associated with homeownership. While households of color have lower levels of wealth, they may be required to come up with larger down payments when purchasing a house. A study by Di and Liu (2007) suggests that racial and ethnic minority households require greater amounts of wealth than do White households in attaining homeownership. The authors hypothesize that lenders may require greater financial contributions to compensate for real or perceived financial risk. Other possible explanations are that non-White households prefer to make larger down payments or that minorities are disproportionately concentrated in high cost markets.

Racial and ethnic minority homeowners tend to have fewer resources available for down payments. About one-fourth of the non-White first-time buyers in the study by Herbert and Belsky purchased their homes with a down payment of less than five percent, slightly higher than the percentage of White first time buyers (21%). Charles and Hurst (2000) found that the vast majority of Black homeowners had down payments that were comprised of their own savings, only a small portion received help from family. White homeowners were four times more likely to receive help from parents to make a down payment. However, a study by Hilber and Liu (2008) found that the impact of parental wealth on differential homeownership rates was negligible. A study by Haurin and Morrow-Jones (2010) suggested that lack of assistance with down payments was not an important constraint. However, as lending requirements have become more stringent in the wake of the housing crisis, the importance of down payment assistance from family members may have increased.

Age

The rate of homeownership tends to increase with age, which has important implications for the homeownership gap when looking at the age distribution of White and non-White individuals in the United States. Minority populations tend to be younger than non-Hispanic/Latino Whites. The median ages for Blacks, Asian and Hispanic/Latino populations in the United States are all in the late twenties to mid-thirties. Asians have the highest median age at 35.5 years and Hispanic/Latinos the lowest at 27.3 years. The median age of the non-Hispanic/Latino White population is considerably higher at 42.1 yearsⁱ. This means that many households of color are at an age when households typically purchase homes. The most common age for first-time homeownership is in the 25 to 34 age

category, with about 75% of all first time buyers making the transition between ages 25 to 44 (Herbert and Belsky, 2008). However, non-White first-time homebuyers tend to be older than White first-time homeowners (Herbert and Belsky, 2008). Comparing first-time homebuyers by race and ethnicity, Herbert and Belsky found that while only 30 percent of White first-time buyers were age 35 or older, 52 percent of Blacks and 45 percent of Hispanic/Latinos were in 35 and older age categories (p. 67). The combination of a younger non-White population and delays in homeownership attainment are likely contributing to the homeownership gap. Entering first time homeownership at a later age also means that racial and ethnic minorities have less time to accumulate wealth and realize the benefits of homeownership (Herbert and Belsky, 2008).

Other contributing factors

Knowledge about the home buying process

Several studies have examined the role of home buying knowledge and experiences with financial institutions and lower homeownership rates among households of color. Lack of knowledge about the home buying process may contribute to lower homeownership rates, particularly among Black households. In a study by Haurin and Morrow-Jones (2010), Black renters interested in becoming homeowners reported a lack of information, specifically how to buy a home, how to get a real estate agent, and how to get a mortgage, as barriers to homeownership. A series of ethnographic studies exploring homeownership and financing among immigrants and racial and ethnic minorities found that potential and current homeowners lacked complete knowledge of the home buying process; common information gaps included the lack of understanding about mortgage financing and the role of real estate agents (Ratner, 1997). The lack of home purchasing knowledge was present across study sites and racial/ethnic groups.

Credit and attitudes about financial institutions

Access to credit provided by mainstream financial institutions is an essential aspect of homeownership attainment. Credit constraints significantly reduce the chance that an individual or household will own a home (Barakova et al., 2003). While research examining credit scores and homeownership rates is lacking, a look at previous research on credit scores by racial and ethnic groups provides insight into the role of credit as a barrier to homeownership. The Federal Reserve Board Report to Congress on Credit Scoring report (2007) found large differences in credit scores among racial and ethnic groups, with Whites and Asians having similar and substantially higher credit scores than Hispanic/Latinos and Blacks. The study found that “income, wealth and holding of financial assets were substantially lower for Black and Hispanic/Latino families than for non-Hispanic/Latino Whites. Debt-payment burdens and propensities for unemployment are also higher for Blacks and Hispanics” (p. 17). While the study did not allow for an examination of other

characteristics, the authors posit that differences in educational attainment and credit market experience may explain some of the differences among groups.

Other studies suggest that credit issues and attitudes about financial institutions are barriers to obtaining a mortgage. In a study of Black renters, by Haurin and Morrow-Jones (2010) bad credit along with lack of income and no down payment were cited most frequently as barriers to homeownership. Previous research suggests that a lack of awareness about how credit history is evaluated by lenders may serve as a barrier to homeownership. Hamilton and Cogswell (1997) found that the African-American and Hispanic/Latino renters in their study had inaccurate perceptions about the type of credit history required to qualify for a mortgage. These misperceptions may explain the lower application rates among households of color identified by Charles and Hurst (2002). A study by Young (1997) identified a cultural gap between banks and rural, working class participants. Young found that perceived race and class barriers, in which banks are considered an uncertain terrain, kept the African-American participants in the study from applying for bank loans. The study cites the importance of “cultural brokers” – people who possess an understanding of financial institutions and share the same culture as their clients – in reducing this gap. Young also found that the lack of participation in mainstream credit and lending institutions by older generations meant that younger generations, who were more reliant on mainstream consumer credit, had to learn about financial education on their own.

Discrimination in the home buying process

Any examination of the homeownership gap must consider the role of discrimination in homeownership attainment. Discrimination can occur at several points in the homebuying process making it difficult, if not impossible, to quantify the impact of housing market discrimination on overall homeownership rates. A recent study prepared for HUD used paired testers to detect discrimination in the housing search process. The study found that Black and Asian homebuyers were shown significantly fewer homes and given less information and assistance than equally qualified Whites, however there were no differences in treatment between Hispanic/Latino and White homebuyers (Turner et al., 2013). This same study found that the racial composition of recommended neighborhoods was similar among White and non-White homebuyers.

4. Homeownership and non-White households in Minnesota: Key household characteristics

This section examines the four household characteristics that are associated with homeownership attainment – income, education, age and household type. Household wealth, a key factor in homeownership, was not a variable in the datasets used in this study nor was data on credit, which is an important aspect of obtaining a mortgage loan. While the data on income, educational attainment and household type in this study provides an incomplete description of the factors related to homeownership, the disparity in these three areas suggests that the homeownership gap in Minnesota is likely the result of multiple, cumulative disparities between White and non-White households. The analysis also points to variations between racial and ethnic groups.

Household income

There is wide variation in median household income levels by race and ethnicity. Black households have the greatest disparity, with a median household income that is less than half the household income of White households. American Indian and Hispanic/Latino households have slightly higher median incomes, with American Indians at 55% of the median household income of White households and Hispanic/Latino households at 59% that of White households. For Black households, the median household income is slightly lower than the qualifying income needed to afford the current median priced home in the Minneapolis-St. Paul MSA (\$189,000). The median household income for American Indian and Hispanic/Latino households is within qualifying range with half of the households at or above the annual income needed to afford a median priced home. For White and Asian households, home sale prices are affordable to a much wider range of households. When comparing homeownership rates by race/ethnicity and income, the homeownership gap tends to decrease as income increases, however non-Whites have lower rates at all income levels (Schuchman, 2012). This suggests that other factors, such as credit and wealth, are affecting the ability of non-White households to purchase a home.

Median household income (in 2011 adjusted dollars) by race and ethnicity

	Minneapolis-St. Paul MSA	Minnesota
American Indian/Alaska Native	37,946	29,571
Asian	64,096	61,367
Black	28,993	28,415
Hispanic/Latino	41,157	39,139
White, non-Hispanic/Latino	69,626	60,237
Median (overall)	64,687	57,439

Educational attainment

Lower levels of educational attainment among racial and ethnic groups are likely a factor in Minnesota’s homeownership gap. White (non-Hispanic) individuals in Minnesota have much higher high school graduation rates than American Indians, Blacks and Hispanic/Latinos. Asians, the population with the smallest gap compared to Whites, have a graduation rate that is 10 percent lower than Whites. It makes intuitive sense that higher levels of education would be linked to earnings and job stability. However, it appears that completing high school may hold the greatest weight. Holding all other factors constant, Cameron and Tracy (1997) found that individuals who did not finish high school were significantly less likely to make the transition to homeownership. The authors found that differences in educational attainment beyond high school did not affect who would make the renter to owner transition. More recent studies, cited earlier in this paper, have also identified educational attainment as a determinant in homeownership attainment.

Average high school graduation rate, 2010-2012

	7 county metro (%)	Minnesota (%)
American Indian	37.3	44.0
Asian	72.2	72.2
Black	47.8	48.8
Hispanic/Latino	47.5	50.5
White, non-Hispanic/Latino	82.2	83.3
Median (overall)	73.2	76.7

Age

Looking at median ages by race and ethnicity as well as household types provides an insight into differences that may impact homeownership rates. The average age of first-time homeowners has increased over time but has remained between 30 to 32 years over the past several decades (Cameron and Tracy, 1997; Powell, 2013). Minnesota’s racial and ethnic minorities are markedly younger than the White, non-Hispanic population. All racial and ethnic groups included in this analysis have median ages that are lower than the median age of the first-time homebuyer. While this may explain part of the homeownership gap, it also underscores the importance of reducing key disparities and increasing access to homeownership as these populations age.

Median age by race, 2009-2011

	Twin Cities MSA (%)	Minnesota (%)
American Indian	29.0	28.4
Asian	27.3	27.2
Black	26.9	26.6
Hispanic/Latino	24.3	23.5
White, non-Hispanic/Latino	39.2	40.1
Median (overall)	37.1	37.5

Household type

Marital status is positively associated with homeownership attainment (Di and Liu, 2007). Reflecting national trends, some racial and ethnic minority populations in the Twin Cities metro area and the state as a whole have lower percentages of married-couple households. American Indians and Blacks have about half the proportion of married-couple households as Whites and substantially higher rates of female householders. Hispanic/Latinos have higher marriage rates, lagging only 10 percent behind White households.

Household type by race/ethnicity, Minnesota 2009-2011

	Married- Couple Family	Male Householder, No wife present	Female Householder, No husband present	Nonfamily households (Singles, unrelated)	Total
American Indian	28.1	10.5	29.2	32.2	100.0
Asian	57.1	5.9	11.3	25.7	100.0
Black	24.3	8.0	28.6	39.1	100.0
Hispanic/Latino	43.6	11.8	20.3	24.3	100.0
White	53.3	3.6	7.8	35.4	100.0

Household type by race/ethnicity, Minneapolis-St. Paul MSA 2009-2011

	Married- Couple Family	Male Householder, No wife present	Female Householder, No husband present	Nonfamily households (Singles, unrelated)	Total
American Indian	31.9	8.8	26.6	32.8	100.0
Asian	58.7	5.5	11.7	24.1	100.0
Black	24.1	8.1	29.2	38.6	100.0
Hispanic/Latino	43.7	11.7	19.6	25.0	100.0
White	52.7	3.4	8.0	36.0	100.0

5. Summary and recommendations

The impact of cumulative disparity

The homeownership gap is not just a housing problem. The reasons for homeownership disparities among White and non-White in Minnesota are both complex and multifaceted. The findings in this report highlight the importance of looking at individual racial and ethnic groups. Asian populations in Minnesota have the highest rates of homeownership among all non-White racial and ethnic groups. They have come closer to achieving parity in homeownership when comparing rates by income level, though this group was also hardest hit by the foreclosure crisis (Schuchman, 2012). American Indians, Blacks and Hispanic/Latinos have markedly lower household income levels and lower levels of educational attainment. Yet it is important to keep in mind that when comparing homeownership rates among White households and households of color by educational levels, income levels and age there are still gaps. Schuchman (2012) compared homeownership rates in the Twin Cities among White households compared to Black, Hispanic and Asian households by age, educational attainment and income. While homeownership rates generally increase with age, increases in household income and higher levels of education, there are consistent gaps in homeownership rates when comparisons are made among households of similar age groups, income levels and educational attainment.

The findings from this review of literature and analysis of data on key demographic factors suggests that the homeownership gap is the result of cumulative disadvantage among key determinants of homeownership as well as additional factors (credit issues, lack of homebuying knowledge, discrimination) that contribute to disparate rates of homeownership. While lower income levels among non-White households in Minnesota may be due in part to the distribution of these populations, which are younger than White households in Minnesota, the lower educational attainment and higher levels of poverty suggest more systemic inequality. Boehm and Schlottmann (2009) describe the importance of disparate household characteristics on homeownership attainment for Blacks. This likely holds true for other racial and ethnic groups.

...Even without changing anything else about the way in which African American households function or are treated in the housing market – if family income, education and net wealth and saving behavior could be brought in line with the levels of these factors for White households – dramatic reductions in the homeownership gap should be possible (p. 632).

Lack of understanding on the role of credit and assets

The research reviewed in this paper suggests that the homeownership gap is the result of a combination of factors. However, the analysis of data on known determinants of homeownership is lacking information about what are likely significant barriers in the ability to achieve homeownership. More research is needed to understand the role that credit and household wealth play in homeownership attainment among households of color.

Ability to sustain homeownership

Finally, one of the important findings from the review of previous research is the rate at which racial and ethnic minority households exit homeownership. There has been very little research in this area and thus the extent to which Minnesota's minority homeowners reflect this trend is unknown.

Policy recommendations

The findings of this report suggest that the homeownership gap is complex and includes factors that are, in many ways, beyond the control of the housing industry. However, this should not be misinterpreted as a hopeless situation. While the reduction of inequalities in income, educational attainment and wealth is perhaps the best way to reduce the homeownership gap, eliminating systemic disparities is a longer-term goal. However, there are many steps that can be taken to improve homeownership opportunities for non-White households in Minnesota. White households in Minnesota have been able to achieve homeownership at much lower income levels and lower educational levels, which suggests that barriers may be overcome. Furthermore, the younger age distribution of Minnesota's racial and ethnic minority population represents opportunity as the next generation of homeowners ages.

- **Provide a model of “supported homeownership”.** The findings from this report point to the need for pre-purchase education and counseling, especially targeted to middle and higher-income households of color, to help navigate the homebuying process and post-purchase support to reduce exits from homeownership. Blending pre- and post-purchase support with non-profit, affordable homeownership may further increase opportunities for non-White households to buy and keep their homes. Community land trusts offer one such model that has demonstrated success in moving low-income households into sustainable homeownership by combining affordable homeownership with an ongoing relationship with a non-profit organization.
- **Build outreach and awareness of homeownership education and ancillary programs.** Research on attitudes and experiences with financial institutions suggests that racial and ethnic groups in Minnesota would benefit from services, such as pre-purchase and credit counseling, that will help break down barriers in the homebuying process and financing of a home. Given the importance of wealth in homeownership attainment, awareness of and access to down payment assistance programs and IDA savings programs is important.
- **Educate consumers on fair housing practices.** Discrimination is often difficult to detect. Empowering consumers with knowledge about their rights under fair housing is an important step.

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ⁱ Social Explorer Tables: ACS 2008 to 2010 (3-Year Estimates)(SE), ACS 2008 -- 2010 (3-Year Estimates), Social Explorer; U.S. Census Bureau