

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

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June 1, 2005

The statistical assistance of Sung Chun and Keri Niehans is gratefully acknowledged, as are the contributions of Mia Ives-Rublee. Thanks also to Tim Ready for his useful suggestions and feedback.

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 ar

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 governments should continue to support and strengthen existing predatory lending

INTRODUCTION

The “American Dream” is a very powerful concept in the United States.¹

Homeownership is an important

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

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 perc

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 f

other countries. However, in sn0 0 1506 38.5801 Tm()86 708.9 Tm(,)T68.62 r

(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

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,

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 Sta04.1 Tm(e)Tj1112.62 404.1 Tm()Tj12 0 0 12 115.74 404.1 Tm(Y)Tj1:

percent. The majority of White household heads in New York City are US bor

White household heads (75.5 percent). Approximately 48.3 percent of African American household heads are homeowners. The difference is not significantly different. Nativity also appears to be str

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

were 3.0 percent of all owner occupied
owner occupied households were 8.3 pe
Gains were even larger in Los Angeles
increasing from 14.2 percent in 1990 to
2000 (U.S. Census Bureau). Therefore

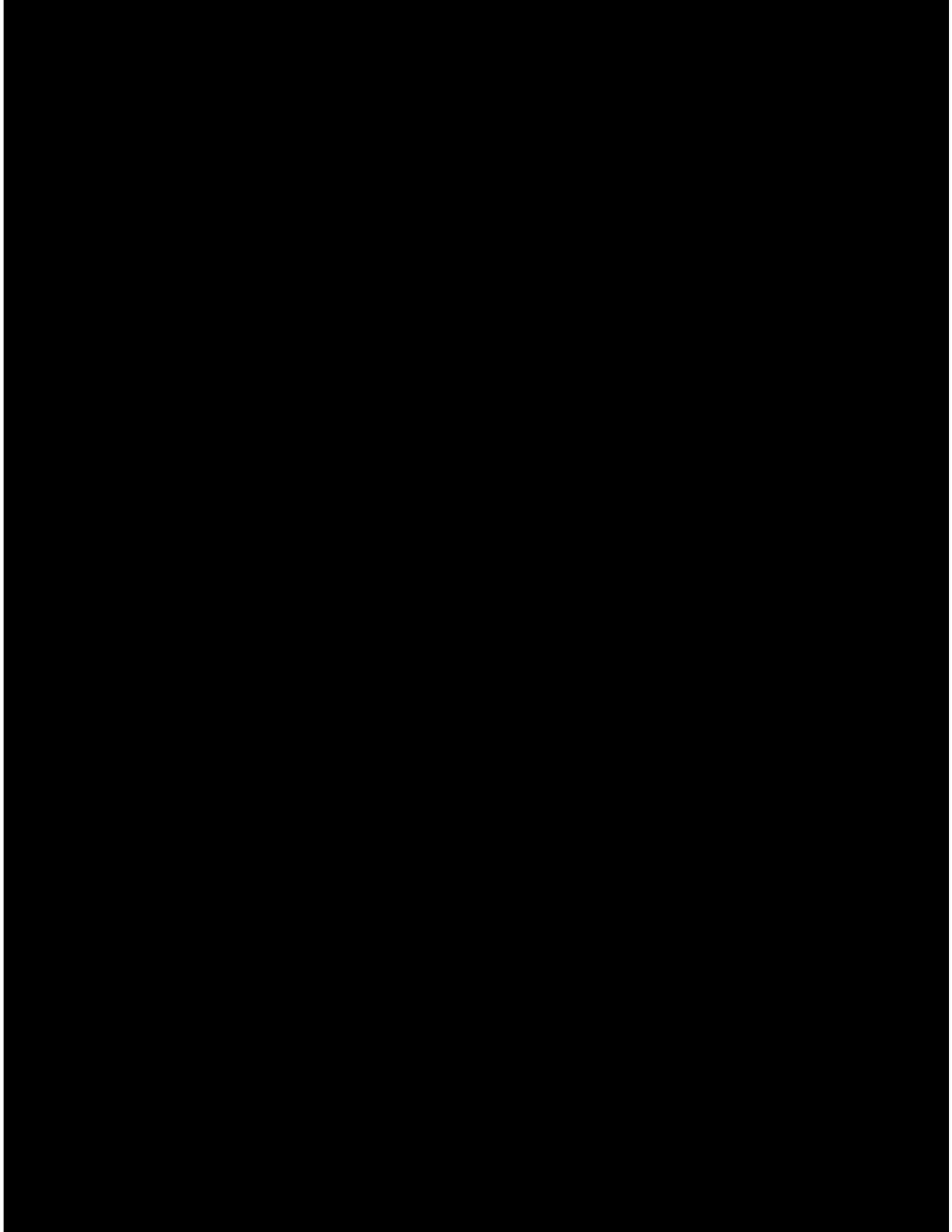
backed mortgages in the United States were approved for home mortgage loans in 2003, while 17.3 percent were denied loans.³³ Whites have higher probabilities of being approved for a conventional or government-backed mortgage, 80.2 percent, and lower probabilit

White households (\$1

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 difference

Latino households have lower household incomes than White households, but because housing costs are similar for both groups



home. Though 2003 AHS data estimates

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,

(\$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 Ri-

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 t

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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 (12 0 0 12 203.2 389.58 543.3 T512 193s 0 0 0

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

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

government programs. Participation in government provided first mortgages were not statistically different for Latinos and African Americans, with about 17.2 per

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

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housing and 2.6 percent living in crowded conditions. Foreign born Latinos about as likely to live in inadel

nearly 1/3 of all Latino households are crowded (31.0 percent) compared to 14.6 percent of crowded White

to live in crowded and inadequate housing than White

government-insured mortgage loans made to Latinos in r

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 i

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