The Roof Over Our Heads

Hispanic Housing in the United States

Eileen Diaz McConnell and Timothy Ready
The Institute for Latino Studies, in keeping with the distinctive mission, values, and traditions of the University of Notre Dame, promotes understanding and appreciation of the social, cultural, and religious life of US Latinos through advancing research, expanding knowledge, and strengthening community.

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Eileen Diaz McConnell and Timothy Ready with thanks to Sung Chun for statistical assistance

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Preface

Esperanza USA is pleased to release this report, which is the first in a series on the current state of Hispanic housing. As the Hispanic population grows so too will the aspiration to realize the American Dream and own a home. As a provider of homebuyer education to thousands of Hispanics over the past decade, we have the experience to help individuals to achieve this aim. We are committed to increasing Hispanic homeownership because we know that homeownership builds community. It is, in fact, a major step in the development of a family, since all statistics show that homeowners have better health and are more participatory in community and government and that their children perform better academically. Through homeownership we also confirm our full citizenship as holders of property, one of the privileges of living in America.

This report helps us to identify and hopefully begin to address the impediments Hispanics face in obtaining housing in the United States. I am confident that with the support of the housing industry we can make homeownership a reality for an increasing number of Americans. We thank the University of Notre Dame for the work on behalf of Esperanza USA and the Council of Federal Home Loan Banks for their conviction and economic support of this important study. This is our first look at the data. As the new Home Mortgage Disclosure Act requirements are collected we will have the opportunity to further develop this study, bringing analysis that we believe will lead to innovative and practical recommendations for the public. Thank you for supporting the development of more opportunities for Hispanic homeownership.

Reverend Luis Cortés
President, Nueva Esperanza, Inc./Esperanza USA

The Council of Federal Home Loan Banks is pleased to be a sponsor and join with Esperanza USA and researchers at the University of Notre Dame for the release of this important study on the state of the nation’s Hispanic housing. The FHLBanks and their member financial institutions are partners in building stronger communities and committed to helping create new minority homeowners.

This study is timely. The changing demographic structure of the country’s population is redefining housing demand and creating new avenues for innovation and products targeting the Hispanic market.

This study is just the beginning. Housing challenges extend beyond low homeownership rates and this research will add depth and dimension to understanding the affordable housing challenges unique to Hispanics. We hope this research will contribute to creative and concrete policy recommendations and solutions for meeting the housing needs of one of the fastest growing segments of the nation’s population.

The Council of FHLBanks applauds Esperanza USA and the University of Notre Dame for bringing these issues to the forefront and for providing our elected officials, community and faith leaders, and housing industry practitioners with the information needed to develop an advocacy agenda to expand housing opportunities.

Sincerely,

John von Seggern
President
Council of FHLBanks
Eileen Diaz McConnell is assistant professor of sociology and Latina/Latino studies at the University of Illinois at Urbana-Champaign. She completed her doctorate in sociology at the University of Notre Dame in 2001 and was visiting assistant professor in Latino studies at Indiana University, 2001–2003. Her research interests include Latino population growth and change, especially the experiences of native- and foreign-born Latinos in the Midwest; Latino housing issues; and international migration. Dr. McConnell’s work has been published in *Latin American Research Review, Population Research and Policy Review, Social Forces,* and *Sociological Focus.*

She gratefully acknowledges the statistical assistance of Keri Niehans in compiling the present paper and the contributions of Mia Ives-Rublee to the literature review.

Timothy Ready is director of research at the Institute for Latino Studies at the University of Notre Dame. He has served as assistant vice president for the Association of American Medical Colleges, where he directed a ten-year national campaign to increase racial/ethnic diversity in US medical schools and created a network of community partnerships to increase the number of students pursuing careers in the health professions. He was also a faculty member in the Department of Anthropology at the Catholic University of America and has researched and written about Latino health and education issues.
In recent years Hispanics have become a potent force in the US housing market and they will become even more so in the coming years. As a result of rapid population growth and the youthfulness of the Hispanic population, 30 percent of the growth in US households between 1990 and 2003 is attributable to Hispanics. During the same period Hispanics accounted for one-fifth of the country’s growth in owner-occupied households and fully three-quarters of the growth in rented homes.¹

In many of the nation’s largest metropolitan areas, such as Los Angeles, the impact of Hispanics on the housing market is far greater. But even in the Midwest, far away from long-established population centers in the South and West, Hispanics are a force to be reckoned with. Between 1990 and 2003 Hispanics accounted for more than half (51 percent) of the total household growth in metropolitan Chicago and nearly a quarter of the growth in owner-occupied homes. During the same period, the number of Chicago-area dwellings rented by Hispanics increased by nearly 47,000—despite the fact that the total number of rented housing units in metro Chicago fell by more than 37,000.

The dramatic rise in Hispanic households has been fueled both by natural population growth and by a large influx of immigrants from Latin America in search of the American Dream. This report will examine the importance of housing to the fulfillment of the American Dream for Hispanic Americans. The status of Hispanics with regard to six indicators will be examined in relation to that of non-Hispanic Black and White Americans.² Similarities and differences between US-born, foreign-born, and in some cases, Puerto Rican-born³ Hispanics also will be examined.

More than half (51 percent) of Hispanic household heads are foreign born, while only 44 percent were born in the United States. The remaining 5 percent were born in Puerto Rico.

¹ Unless otherwise indicated all the information presented here is based primarily on the 2003 American Housing Survey (AHS), except for the data in the section on mortgages, which are drawn from the 2003 Home Mortgage Disclosure Act (HMDA) report of the Federal Financial Institution’s Examination Council. The AHS, carried out jointly by the US Bureau of the Census and the Department of Housing and Human Development, is administered annually to approximately 50,000 randomly selected households throughout the United States. The 2003 HMDA report contains data from nearly 8,000 financial institutions on more than 30 million loan records. Census 2000 data, the Housing Vacancy Survey/Current Population Survey, and the American Community Survey administered by the US Census Bureau are also used where noted.

² For simplicity, non-Hispanic Whites and non-Hispanic Blacks will usually be identified simply as White and Black in this study.

³ Data for Puerto Rican–born householders will be presented at the national level and for metropolitan New York. More than one-third of Puerto Rican–born householders live in metro New York, but they are relatively few in number in Los Angeles and Chicago. Puerto Ricans are US citizens by birth and thereby different from foreign-born Hispanics. The American Household Survey does not differentiate among US-born Hispanic respondents by their national origins.
More than 60 percent of foreign-born Hispanic householders are from Mexico. In contrast, the overwhelming majority of non-Hispanic White and Black householders were born in the United States, 96 percent and 93 percent respectively.

The six indicators mentioned above are:
- Homeownership rates
- Mortgage lending
- Home values
- Housing costs
- Housing adequacy
- Crowding

Any discussion of the state of Hispanic housing also must take into consideration regional differences in housing markets and in the composition of the Hispanic population. In addition to presenting national data, this report also presents information on the six indicators in each of three major metropolitan areas—Los Angeles, New York, and Chicago. According to Census 2000, these three together are home to more than one-third of all Hispanic Americans, with 19 percent of all Hispanics living in Los Angeles, 11 percent in New York, and 4 percent in Chicago.

The concentration of foreign-born Hispanics is even greater, with nearly four in ten (39 percent) foreign-born Hispanic householders living in these three urban areas. Approximately two-thirds of Hispanic householders in Los Angeles and Chicago are foreign born. In New York 50 percent of Hispanic householders are foreign born and an additional 19 percent were born in Puerto Rico. More than half of Hispanic New Yorkers have roots in the Caribbean region (principalily Puerto Rico and the Dominican Republic), while most Hispanics in Chicago and Los Angeles are of Mexican origin.

4 For further information and more statistical details a companion paper (McConnell 2005) is available at http://www.nd.edu/~latino/research/publications.htm.

Homeownership

The ‘American Dream’ is a very powerful concept that not only attracts immigrants to our nation but also is a strong motivator for residents of this country. Whether their ancestors lived in the United States for generations or they are newcomers, for most homeownership is an important part of this dream.

Homeownership is an important part of the American Dream.

Becoming a homeowner entails such core American values as independence and investment in the future. It is also strongly associated with individual and household well-being (Flippen 2001) and the well-being of neighborhoods and communities (Painter, Gabriel, and Myers 2000). Homeownership rates in the United States are at their highest levels in history. In 2004 approximately 69 percent of all Americans owned their own homes. That same year, the homeownership rate for Hispanic Americans also reached a new high (US Census Bureau, 2005a).

Although more Hispanics own their own homes than ever before, Hispanic householders still are much less likely than their non-Hispanic White counterparts to own their own homes. Approximately 47 percent of Hispanic household heads were homeowners in 2003, compared with 76 percent of White household heads. Black household heads were about as likely to be homeowners as Hispanics. Among Hispanics, it is not surprising that those born in the United States are much more likely to be homeowners than are the foreign born and those born in Puerto Rico. US-born Hispanics are more likely than Black Americans to own their own homes, but still are much less likely to be homeowners than are White Americans.

5 Homeownership data for 2004 were the most recent available when this report was produced. However, the most recent comprehensive housing datasets were from 2003. In the remainder of this report, unless otherwise indicated, all data are for 2003.
Homeownership is strongly associated with family and community well-being...

The youthfulness of Hispanic householders is another factor that likely contributes to Hispanics’ low rate of homeownership. The median age of Hispanic householders is 40, compared 49 for Whites and 45 for Blacks. Homeownership rates generally increase with age, reaching their peak among persons 50 and older.

Homeownership rates vary by metropolitan area, with the highest tenure in Chicago and the lowest in New York City. More than half of Hispanic householders in Chicago own their own homes compared to only 16 percent of Hispanic New Yorkers and 40 percent of Hispanics in Los Angeles. Despite the substantial variation for all racial and ethnic groups across the three urban areas, Hispanics have much lower homeowner rates than Whites in each, and have rates that are similar to, and in the case of New York, substantially lower than those of Blacks.

Homeownership rates in the United States are at their highest levels in history.
Mortgage Lending

The home mortgage industry has played a major role in fulfilling the American Dream of homeownership by greatly increasing lending activities in recent decades. In 1981 only 1.28 million home loans were made in the United States; by 2003 41.56 million loans were made to US homeowners (FFEIC 2004). That year approximately 12 percent of all mortgage loans went to Hispanic applicants, 8 percent went to Black applicants, and 70 percent went to White applicants (FFEIC 2004). Between 1993 and 2003 the numbers of mortgage loans made to Hispanic homebuyers increased from 157,434 to 528,529, a whopping 236 percent increase in ten years (FFEIC 2004). This rate of increase was the highest for any racial and ethnic group in the United States.6

6 For comparison, all home purchase loans to Blacks increased 106 percent over the decade, from 162,379 to 334,658 in 2003 (FFEIC 2004).
The 2003 Home Mortgage Disclosure Act data confirm past research showing racial differences in the approval and denial rates to applicants for home mortgage loans.\(^7\) In 2003, 71 percent of Hispanic applicants for all home mortgages (private-sector or government-backed) were approved, while 17 percent were denied loans.\(^8\) Whites have a higher probability of being approved, 80 percent, and a lower probability of being denied, 11 percent. Blacks have the lowest approval rates, 66 percent, and the highest denial rates, 22 percent, of any group. Origination and denial rates for each city are presented below. Chicago has the highest approval rate for Hispanic applicants.

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

8 Percentages for approval and denial rates do not add up to 100 percent because some applicants withdraw their applications or have their cases closed before completing the process.

- Hispanics still have lower mortgage approval rates than non-Hispanic Whites.

- Chicago has a slightly higher approval rate for Hispanic applicants than the other metro areas.
Part of the financial security of homeownership lies in the value of the home, which a recent study estimates to be about 27 percent of the total wealth of American households and 55 percent of household net wealth for minority households (Di 2003). Despite the fact that the median income of Hispanic homeowners ($33,000) is far lower than that of Whites ($45,000), the median current market value for homes owned by Hispanics is very close to that of homes owned by Whites.

The similarity between Whites and Hispanics in housing values is in part attributable to the fact that Hispanics are much more likely to live in urban areas, where housing costs are higher. Ninety-four percent of Hispanic households are located in urban areas compared to only 75 percent of those of Whites. The median market value of homes located in urban areas (MSAs) is $154,758 compared to $90,337 for those located elsewhere.

By examining housing values in each of the three metropolitan areas, we see that within each area the value of homes owned by Whites is substantially higher. For example, the median value of White-owned homes in Chicago far exceeds that of Hispanic-owned homes. This significant gap, $55,000, is far larger than the $10,000 White-Hispanic housing value-gap nationwide.

The median value of Hispanic-owned homes in Los Angeles is $250,000. While higher than the median value of Hispanic homes nationwide or in Chicago, it is 61 percent lower than the median value of White-owned homes in Los Angeles. US-born, Puerto Rican–born, and foreign-born Hispanics have homes that are worth about the same amount.
Housing Costs

The nation’s Hispanic population is disproportionately concentrated in relatively expensive urban housing markets for both buyers and renters, yet the median income of Hispanics is significantly lower than that of Whites. As a result, Hispanics spend a much higher percentage of their income on housing. Indeed, Hispanic households nationwide spend, on average, 26 percent of their income on housing compared to only 19 percent for Whites. Further, foreign-born and Puerto Rican–born Hispanics are significantly more cost burdened than US-born Hispanics.

**Hispanics spend a higher percentage of their income on housing.**

Hispanics also are much more likely than Whites to be severely cost-burdened—that is, to pay more than half of household income in housing expenses. However, US-born Hispanics are only slightly more likely to be severely cost burdened than Whites (13 percent to 11 percent). In contrast, a much higher proportion of foreign-born and Puerto Rican– born Hispanics are severely cost burdened, with 25 percent of the Puerto Rican born paying at least half of their income for housing.

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*The indicator employed here is the ratio of monthly housing costs to monthly household income. 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.*
Housing costs impose more of a burden on Hispanics despite the fact that Hispanic households are much more likely than others to be composed of additional family and nonfamily members, many of whom contribute to the household budget. Forty-five percent of Hispanic households in the United States contain additional members beyond the householder, spouse or partner, and children, compared to only 30 percent of all households. Thirty-two percent of Hispanic households contain other relatives and 13 percent contain nonfamily members.

Hispanic renters are far more likely to be burdened by housing expenses than are Hispanic homeowners. On average, Hispanic renters pay 34 percent of their income on housing costs compared to the 22 percent of income devoted to housing costs by Hispanic homeowners.

A look at the data for the three metropolitan areas shows that all groups spend a higher proportion of their income on housing—especially in Los Angeles and New York—than is the case nationwide. However, the data also show that Hispanics in each of the three cities are more cost burdened than Whites. Further, foreign-born Hispanics are significantly more cost burdened than US-born Hispanics. Puerto Rican-born householders in New York are the most cost burdened of all—with 35 percent spending more than half of their income on housing.

The cost burden gap between Whites and Hispanics diminishes substantially, though it does not disappear, when the three metropolitan areas are examined separately. This suggests that much of Hispanics’ housing cost burden is explained by their concentration in relatively expensive housing markets.
Adequacy of Housing

Nearly 10 percent of all Hispanic-headed households are in moderately or severely inadequate condition—more than twice the percentage for White households. However, Hispanics are significantly less likely than Blacks to live in inadequate housing. Puerto Ricans are substantially more likely to reside in inadequate housing than US-born Hispanics, and US- and foreign-born Hispanics have similar rates of inadequate housing (around 9 percent).

Inadequate housing is far more problematic for Hispanics in New York City than in Chicago or Los Angeles. Nearly 20 percent of Hispanic-headed households in New York City are moderately or severely inadequate, significantly higher than for White and Black households. Twenty-six percent of Puerto Rican–born householders live in inadequate housing, the highest percentage of any group. As is true nationally, US- and foreign-born Hispanics in New York City are about as likely to have inadequate housing.

Rental housing is far more likely to be inadequate than owner-occupied housing. Nationally, 12 percent of Hispanic-headed rental housing units are considered inadequate, compared to 6 percent of Hispanic owner-occupied housing. The very low homeownership rates for Hispanic residents of New York likely is an important factor in explaining the prevalence of Hispanic-headed inadequate housing units there.
Hispanics are more likely than Whites to live in inadequate, crowded conditions.

**Crowding**

Hispanics are significantly more likely to live in crowded households than other groups. Indeed, 26 percent of Hispanic households are classified as crowded, compared to 8 percent of Black and 4 percent of White households. Foreign-born Hispanics are more likely to live in crowded housing than their US- or Puerto Rican–born peers. More than 36 percent of foreign-born Hispanic households are crowded compared to 15 percent of those of US- and 16 percent of those of Puerto Rican–born Hispanics. Hispanic residents of Los Angeles are the most likely to live in crowded quarters.

Following the Census definition, a household is categorized as crowded when there is more than one person per room in the unit.
The housing arrangements of Hispanics, rates of homeownership, and mortgage lending issues are of great importance to the economic advancement of this rapidly growing and heterogeneous segment of the population and, indeed, to the country as a whole. This report provides a brief overview of the state of Hispanic American housing relative to non-Hispanic White and Black Americans. It also provides a glimpse at the very substantial differences in the state of Hispanic housing in three major metropolitan areas across the country and for Hispanics who were born in the United States, Puerto Rico, and other Latin American countries.

The report documents the various housing difficulties that Hispanic Americans face. Hispanics have lower homeownership rates, lower housing values, spend higher proportions of their household income on housing costs, experience higher denial rates for mortgage loans, and are much more likely to live in crowded and inadequate housing than Whites. Although some of the disadvantageous housing circumstances of Hispanics are a function of their concentration in certain parts of the country and in particular urban areas, their housing disadvantages relative to White householders remain when each of the three metropolitan areas profiled here are examined separately. The state of housing for Puerto Rican residents of New York is a case in point: Puerto Rican–born New Yorkers have alarmingly high housing costs, very low household incomes, and homeownership rates that are fully 56 percent lower than for Blacks and 75 percent lower than for Whites in the same metropolitan area.

However, other data reported here show how Hispanic Americans are also making gains, especially with regard to homeownership. Hispanic homeownership rates have continued to rise in recent years, partly due to the massive increase in the numbers of mortgage loans to Hispanics. It is essential that public and private sector organizations in communities around the country redouble their efforts to ensure that Hispanics’ burgeoning needs for safe, affordable, and high quality shelter are met—not just for owner-occupied housing but for rental as well. Learning more about the current state of Hispanic housing is an essential step toward the achievement of that goal.
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