

## CHAPTER 6

# U.S. Latinos/as and the “American Dream”: Diverse Populations and Unique Challenges in Housing

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### INTRODUCTION

Housing has numerous impacts on the daily lives of individuals and families. For example, the cost of shelter influences what can be spent on other items such as education, transportation, or entertainment. Inferior-quality housing can lead to accidents and poor health. Housing conditions such as overcrowding influence whether household members have privacy and space to engage in various activities such as homework. Critical housing issues include the affordability of housing, the extent to which families are “cost-burdened” due to the high cost of housing, housing quality, the value and equity of owned-housing, and the stability of households, among others.<sup>1</sup> These matters have important consequences for children, families, communities, and the nation as a whole. Further, common practices such as redlining, a widespread banking policy after World War II through the 1970s that excluded racial and ethnic minorities from obtaining mortgage loans, real estate agents steering minorities to particular neighbourhoods, and other housing practices have had differential impacts on Americans by race and ethnicity (Squires, 1992) and have been particularly devastating for minorities, including Latinos (Diaz, 2005). Given this context, it is especially important to evaluate how housing outcomes continue to differ across racial and ethnic lines.

Housing issues matter for the substantial Latino population in the United States, their physical and mental health, and their ability to save and to accumulate wealth. Latinos are a significant

and fast-growing component of the housing market, because of international migration, fertility rates, and their relative youth. Indeed, between 1995 and 2005, Latino-headed households increased at a faster rate than non-Latino households, accounting for more than 27% of the total increase in U.S. households (JCHS, 2006). In the decade after 1995, Latino households grew by at least 50% in nearly every state in the country, accounting for *all* of the household growth in central cities, 26% in suburban households, and offset non-Latino declines in rural households (Ready, 2006).

Latinos have economic impacts in housing. They spent \$61 billion on shelter in 2000, about 20% of their total spending, their second highest expenditure after transportation (Humphreys, 2002). Latino buying power in housing is very concentrated, given that many Latino groups reside in just a few cities, especially Los Angeles (Mexicans, Guatemalans, Salvadorans, and Costa Ricans) and New York City (Puerto Ricans, Dominicans, and Colombians) (Lewis Mumford Center, 2002). The overall buying power of Latinos is increasing faster than any other group, more than tripling between 1990 and 2000 (Humphreys, 2002), and they represent an increasingly attractive market for mortgage lenders and the financial market overall (Gallagher, 2005; Grow et al., 2005). Reports indicate that even unauthorized Latino immigrants potentially could take out \$44 billion in home mortgages if given the opportunity (Paral & Associates, 2004). Banks, credit unions, and mortgage companies have tapped into this market by translating applications into Spanish, changing criteria for assessing credit, accepting alternative documents to driver's licenses and social security numbers, and marketing specifically to Latinos (Gallagher, 2005; Grow et al., 2005).

This chapter has two primary objectives. This first is to summarize the experiences of Latinos in housing, including the characteristics of their residences and neighborhoods, the costs of shelter, differences in rental versus owned-housing, homeownership rates, and the value and equity of Latino-owned homes. Where data are available, I identify variation within Latinos by country and by nativity and contextualize these patterns via comparisons with non-Hispanic Whites, Blacks, and Asians. Moreover, the chapter includes information about both the housing situation nationally and in cities with large Latino populations, including Chicago, Los Angeles, New York City, and Miami. Thus, the chapter highlights the extensive heterogeneity of Latinos in housing by nativity, group, and U.S. location.

The second objective is to describe the state of current housing research vis-à-vis Latinos. Despite the importance of housing for the social and economic well-being of this rapidly growing population, housing scholarship focusing on Latinos is at a relatively nascent stage, compared with research about non-Hispanic Whites and African Americans. The earliest Latino-focused work generally explored the history and development of Latinos in Southwestern cities or the experiences of Latino households and Latino neighborhoods known as *barrios* (e.g., Acuña, 1972; Barrera, 1979; reviewed in Diaz, 2005). Contemporary housing scholarship increasingly includes Latinos rather than examining only White-Black gaps in housing outcomes. I provide a brief overview of this literature, with a particular focus on the most developed of this research – homeownership and housing equity.<sup>2</sup> The chapter concludes with new housing challenges and directions for future research.

Readers will note that housing information about this population is typically presented for all Latinos or for one or more of the three largest Latino groups (Mexicans, Puerto Ricans, and/or Cubans). Even research reports describing the state of housing in America generally (JCHS, 2006) or particularly about Latinos (McConnell, 2005; Ready, 2006; Vargas-Ramos, 2005) take this approach. This is partly due to the small sample sizes of Latinos in many national surveys, preventing analyses that are disaggregated by group. Additionally, important data sources, such as the American Housing Survey, do not collect information about detailed Latino groups, noting

instead the *nativity* of Latinos (born in the United States, Puerto Rico, or elsewhere). For these reasons, it is difficult to uncover information about housing outcomes for different Latino groups, especially the smaller ones. Clearly, this reality makes it difficult to provide a truly comprehensive portrait of Latino experiences in housing. In spite of these limitations, the chapter provides a snapshot of the diversity and challenges facing Latinas/os in housing.

## CHARACTERISTICS OF LATINO HOUSEHOLDS AND NEIGHBORHOODS

Latinos have unique household characteristics, which have important consequences for their experiences in housing. For instance, Latino household heads are younger than other groups. In 2003, the mean age of Latino household heads was 42 years old, significantly younger than the mean age of 46 years old for Blacks and 50 years old for Whites (McConnell, 2005). Latino households also are significantly larger than other types of household: 3.3 persons, compared with 2.5 and 2.4 for Black and White households, respectively, in 2003 (McConnell, 2005).

The majority of Latino households in 2000, about 80%, were comprised of families, individuals related by bloodlines or marriage; nearly 54% of all Latino households are married-couple families, as opposed to male- or female-headed households (Guzmán & McConnell, 2002). Latinos who live in extended families tend to do so because of their stage in the life course or to facilitate sharing of caretaking responsibilities for children and older individuals (Blank & Torrecilha, 1998). Living arrangements vary by national origin. For example, Mexican and Cuban immigrants are more likely to reside in extended living arrangements than those from Puerto Rico (Blank & Torrecilha, 1998).

Latinos are an overwhelmingly urban population, with nearly 94% of Latino households located in urban areas in 2000, compared with 75% of White households and 90% of Black households (U.S. Census Bureau, n.d.).<sup>3</sup> Approximately 47% of all Latino household heads live in the central cities of metropolitan areas, compared with 52% of Blacks and 23% of Whites (McConnell, 2005). Cuban households are the most urban (98%), followed by Puerto Rican households (97%), those of Mexican descent (92%), and other Latinos (94%) (U.S. Census Bureau, n.d.). These patterns are significant for Latinos, as characteristics such as age and residence in urban areas, within central cities, and/or suburbs are important factors in housing tenure (Coulson, 1999; Flippen, 2001) and housing equity (Flippen, 2004; Krivo & Kaufman, 2004).

The spatial locations of Latinos and the types of neighborhood in which they reside also are unique, with implications for their quality of life (Lewis Mumford Center, 2002). Trends in recent decades show that Latinos are generally more residentially segregated than non-Hispanic Whites but less segregated than African Americans. Latino neighborhoods are dynamic; between 1990 and 2000, more Latinos were added to neighborhoods with small proportions of other Latinos than to neighborhoods that were majority Latino (Suro & Tafoya, 2004). In 2000, the majority of Latinos, about 57%, resided in neighborhoods where Latinos comprised more than 7% of the population (Suro & Tafoya, 2004). The other 43% of Latinos resided in neighborhoods where the majority of the population is Latino. Living in a majority- or minority-Latino neighborhood varies by nativity, language(s) spoken, income, and other factors (Suro & Tafoya, 2004). For example, more than 75% of monolingual English-speaking Latinos lived in minority-Latino neighborhoods, whereas monolingual Spanish-speaking Latinos reside in both minority- and majority-Latino neighborhoods (Suro & Tafoya, 2004).

Like African Americans, Latinos live in neighborhoods characterized by lower average neighborhood median household incomes and higher rates of poverty compared with Whites and Asians, and the quality of their neighborhoods declined between 1990 and 2000 (Lewis Mumford Center, 2002). This association holds even for higher-income Latinos: Latinos in Los Angeles, Miami, New York City, and Washington D.C. dwell in neighborhoods with lower levels of human capital (lower percent of highly educated, professional, and employed neighbors) and higher levels of ethnic isolation, compared with non-Hispanic Whites (Lewis Mumford Center, 2002).

## CONDITIONS AND COSTS OF HOUSING

Housing challenges for Latinos extend to other aspects of shelter, such as crowding. Research consistently shows that Latinos are much more likely to live in crowded households than other groups, typically defined as more than one person per room in the unit. Indeed, 26% of Latino households in 2003 lived in crowded conditions, compared with 8% of African American households and 4% of White households (McConnell, 2005). Foreign-born Latinos tend to be even more crowded (35%) than U.S.-born Latinos (15%) and those born in Puerto Rico or other U.S. territories (24%) (McConnell, 2005). The proportion of Latinos living in overcrowded households varies dramatically by metropolitan area. For instance, in 2003, about 4% of Latino households were considered to be crowded in Miami, 12% in Phoenix, 28% in Chicago, and 41% in Los Angeles (McConnell, 2005; Vargas-Ramos, 2005). Such patterns underscore similarities and differences across housing experiences for Latinos.

Housing quality is another challenge. Nearly 10% of all households with Latino heads in 2003 lived in dwellings that were moderately or severely inadequate, perhaps lacking a complete kitchen, plumbing, or electricity, rodent activity, and other issues (McConnell, 2005). Although residing in these conditions is less prevalent for Latinos than for African Americans (12%), it is more than double the rate for Whites (4%) (McConnell, 2005). Moreover, compared with other racial and ethnic groups, Latinos are much more likely to live in older homes, structures with external structural deterioration, with unsafe water to drink, and to feel uncomfortably cold during the winter (Vargas-Ramos, 2005). Clearly, such housing environments pose significant problems for the physical and mental health of Latino families and communities.

Despite the inferior conditions of housing for Latinos, this population pays a high price for shelter. Latinos spent ~33% of their pretax income on housing expenditures in 2003, far higher than the 26% spent by non-Latinos (Bureau of Labor Statistics, 2005). This is partly due to the concentration of Latinos in high-cost areas.<sup>4</sup> Latinos overwhelmingly reside in urban areas, and, overall, urban residents spend a larger percentage of total average expenditures on housing than rural residents (34% and 27%, respectively, in 2003) (Bureau of Labor Statistics, 2005). Latinos are also concentrated in the most expensive metropolitan areas in the United States. For instance, they comprise ~29% of all households in Los Angeles, 14% in New York City, and 11% in Chicago (U.S. Census Bureau, n.d.).<sup>5</sup> Housing costs in these cities account for a higher percent of total annual average household expenditures in places such as New York City (38%) compared with national expenditures (33%) (Bureau of Labor Statistics, 2005).

Dealing with high housing costs is a challenge for Latinos. In New York City in 1990, Puerto Rican and Dominican renters spent ~41% and 43% of their household income on housing costs, twice the cost burden of African Americans in the city (Elmelech, 2004). In 1999, only 29% of Latino households could afford a median-priced home in California compared with 49% of Whites and 55% of Asians (Lopez-Aqueres, Skaga, & Kugler, 2003). Nationally in 2003, nearly

17% of all Latino households were severely cost-burdened due to housing, compared with less than 11% of White households, but as equally likely as Black households (McConnell, 2005).

Housing cost burdens can vary significantly by area and by group. For example, the proportion of Latino owners spending more than 50% of their income on housing is about 38% in San Jose, 17% in San Diego, and 22% in Los Angeles, far higher than for their African American counterparts (Lopez-Aqueres, Skaga, & Kugler, 2003). Housing affordability is problematic in the East, as well. Indeed, fully 35% of Puerto Rican households in New York City spend more than 50% of their income on housing costs. Foreign-born Latino households in New York City are also severely cost-burdened (28%), much higher than other racial and ethnic groups (McConnell, 2005). The rental market overall tends to be expensive and relevant for Latino immigrants, especially since 85% of immigrant Latinos reside in rental housing (Center for Puerto Rican Studies–CUNY, 2003).

Another challenge for Latinos is the availability of housing. In many places, there is too little housing to meet current or future demand. In 2001, the rental vacancy rate in California was more than 4% and the owner-occupied vacancy rate was 1%—far below the benchmark of 5% that indicates a housing shortage (Lopez-Aqueres, Skaga, & Kugler, 2003). Other locales have even lower availability of housing. Indeed, New York City has declared a “housing emergency” since 1966; in 2002, less than 3% of rental units were vacant, with even lower availability in rent-stabilized and low-rent units in the city (Center for Puerto Rican Studies–CUNY, 2003). Again, housing issues in states like California and New York are particularly relevant to Latinos, who are concentrated in those states.

## HOUSING TENURE

### Renting

Current statistics show that about half of all Latinos in the United States own and the other half rent. The number of Latino renter-occupied households increased by 25% between 1995 and 2005 (Ready, 2006). Although renting is common for Latinos, many are extremely interested in home-ownership, even in high-cost areas. In one recent survey of Mexican-heritage families renting in Los Angeles, Houston, and Atlanta 85% of Mexican renters surveyed in Los Angeles reported wanting to become homeowners, with the majority of those either actively in the process of purchasing a home or planning to do so within the next 5 years (Lee, Tornatzky, & Torres 2004).

There are substantial differences between Latino household heads who own their homes and those who rent. Latino household heads who rent are about 37 years old, 10 years younger than Latino household heads who own their own homes. They are also more likely to be foreign born, to be recently arrived immigrants, and to earn nearly half of what their home-owning peers do (\$32,122 vs. \$63,636) (McConnell, 2005). Given the lower income of Latino renters, their monthly housing costs are significantly higher. Indeed, Latino renters spend about 38% of their monthly income on housing, whereas Latino homeowners spend 27% (McConnell, 2005).

Despite this cost burden, Latinos are much less likely to receive rent subsidies than their non-Latino peers (Vargas-Ramos, 2005) and are the largest proportion of those on waiting lists for public housing or housing vouchers in cities such as New York (Center for Puerto Rican Studies–CUNY, 2003). Moreover, Latino households who rent are significantly larger and are more likely to live in crowded conditions (McConnell, 2005).

## Owning

Homeownership is an important component of the “American Dream,” a commonly used measure of national progress and achievement in the United States. Extensive research demonstrates the positive benefits associated with owning one’s home for individuals, families, and communities, as it is an important avenue for the creation of wealth (Alba & Logan, 1992). In fact, it is the “cornerstone” of household wealth in America (Di, 2005). Owning a home in a neighborhood with high levels of owner-occupied homes has a positive relationship with housing values and the social distribution of wealth. Housing tenure is strongly associated with individual and household well-being (Flippen, 2001). Homeownership also has societal impacts, as neighborhoods with higher proportions of homeowners are more likely to have well-kept properties, lower crime rates and more community participation in local organizations than neighborhoods with lower tenure rates (e.g., Dietz, 2002).

Homeownership is currently at the highest rate in U.S. history: ~69% in the last quarter of 2005 (Callis & Cavanaugh, 2006). Reflecting other forms of stratification in society, there are significant racial and ethnic disparities in housing tenure. For instance, in the fourth quarter of 2005, non-Hispanic Whites have homeownership rates of 76% (Callis & Cavanaugh, 2006). In recent years, Latinos and African Americans have the lowest rates of homeownership of all racial and ethnic groups in the United States: 50% and 48%, respectively (Callis & Cavanaugh, 2006). This can change from year to year; in 2003, the Latino homeownership rate was 47%, lower than African Americans (U.S. Census Bureau, n.d.).

There is extensive heterogeneity within the homeownership patterns of the Latino population by national origin, nativity, and region in the United States. In 2000, homeownership rates were ~20% for Dominicans, 34% for Puerto Ricans, 48% for Mexicans, and 57% for Cubans (U.S. Census Bureau, n.d.). Homeownership rates also differ by nativity. For example, 2003 American Housing Survey data shows that 54% of U.S.-born Latinos in 2003 were homeowners, compared with 31% of Puerto Ricans and 42% of foreign-born Latinos (McConnell, 2005).

Similar to overall gains in U.S. homeownership rates, Latino households also have made significant progress in housing tenure. Latino homeowners increased from 3% of all owner-occupied households in 1990 to 6% in 2000. Naturalized Latin American immigrants increased their homeownership rates from 56% in 1994 to 62% in 2002; noncitizen Latin American immigrants increased their homeownership from about 30% in 1994 to more than 32% in 2002 (Callis, 2003). In the 10 years after 1995, Latinos experienced an overall 81% growth in owner-occupied housing compared with a 19% increase for non-Hispanic households (Ready, 2006). Latino achievement of homeownership is related to various factors, such as the 34% drop in mortgage interest rates between 1991 and 2000 and the growth of the Latino middle class (Lopez-Agueres et al., 2003).

Latinos are taking out mortgages in record numbers, increasing from about 157,000 mortgage loans in 1993 to more than 528,000 ten years later, a 236% increase over the decade (FFIEC, 2004). This increase was the highest of any racial and ethnic group in the United States. Government-backed home-purchase loans to Latinos increased nearly 68% between 1993 and 2003 (FFIEC, 2004). Overall, in 2003, ~12% of all mortgage loans went to Latino applicants, 8% went to Black applicants, and 70% went to White applicants (FFIEC, 2004). Despite such gains, Latinos continue to have denial rates for home-purchase loans that are substantially higher than for their non-Hispanic White peers. More than 17% of all Latino applicants for both conventional and government-backed mortgages in the United States were denied for home mortgage loans in 2003, compared with 11% for Whites (McConnell, 2005).

## Analyses of Homeownership

The majority of housing scholarship that includes Latinos has been devoted to housing tenure and, not surprisingly, shows that this population experiences a level of disadvantage that is similar to African Americans (Alba & Logan, 1992; Krivo, 1986). About half of the studies focusing on the determinants of homeownership disaggregates Latinos by national origin, such as Mexicans, Puerto Ricans, Cubans, and Dominicans (e.g., Alba & Logan, 1992; Borjas, 2002; Elmelech, 2004; Krivo, 1995; McConnell & Marcelli, 2007; Rosenbaum & Friedman, 2004); the other half includes variables for nativity, citizenship, and/or year of arrival to the United States and do not disaggregate Latinos (e.g., Coulson, 1999; Flippen, 2001; Friedman & Rosenbaum, 2004; Painter, Gabriel, & Myers, 2001).<sup>6</sup>

In general, housing scholarship demonstrates strong positive relationships between homeownership and human capital variables such as income, education, English proficiency, nativity, time in the United States if foreign born, life-course factors such as marital status and the presence of children, and contextual variables such as cost of housing, urban versus suburban, and region (e.g., Alba & Logan, 1992; Borjas, 2002; Coulson, 1999; Flippen, 2001; Krivo, 1995; McConnell & Marcelli, 2007; Toussaint-Comeau & Rhine, 2004). For example, U.S.- and foreign-born Latinos with higher incomes have higher levels of homeownership, whether their heritage is Mexican, Puerto Rican, Cuban, or “Other Hispanic” (e.g., Alba & Logan, 1992; Flippen, 2001; Krivo, 1995; Rosenbaum & Friedman, 2004).

Similarly, stage in the life cycle is also relevant to Latino homeownership. Older individuals, those who are married, and those with children have higher odds of housing tenure. Such results apply to all Hispanics (e.g., Krivo, 1995), Hispanic immigrants (e.g., Clark, 2003; Flippen, 2001), Mexican immigrants specifically (McConnell & Marcelli, 2007), and recent Hispanic movers (Blank & Torrecilha, 1998). Homeownership clearly is linked with key transitions in families and households over the life course and with individual and family characteristics.

In considering housing tenure for immigrants, researchers associate homeownership with assimilation. As immigrants participate in the process of assimilation (e.g., obtain a better job, increase their pay and social capital) and decide to remain in the country (Alba & Logan, 1992), they are more likely to become homeowners. Studies consistently document the positive link of U.S. nativity with Latino homeownership (e.g., Clark, 2003; Coulson, 1999; Lee, Tornatzky, & Torres, 2004; Ready, 2006). This is not surprising, because to qualify for a mortgage, applicants generally need a sizable down payment, a social security number, proof of wages for the previous year, previous tax returns, of current stable employment, homeowner’s insurance, and must meet other requirements. Time in the United States is another measure of assimilation, and immigrants with longer residence in the country have higher rates of homeownership (e.g., Borjas, 2002; Callis, 2003; Clark, 2003; Elmelech, 2004).

In the current social, economic, and political context surrounding immigration, especially Mexican migration, documentation to live and work in the United States can be vitally important for housing tenure. Recent data collected by the U.S. Census Bureau indicates that naturalized Mexican immigrants have homeownership rates of 69%, compared with 34% of noncitizen Mexican immigrants (Callis, 2003). Legal status has important implications for homeownership, even if Latino immigrants are “assimilated” in other ways. Indeed, it is deemed to be one of the most important factors for immigrant homeownership (Clark, 2003; Coulson, 1999; Toussaint-Comeau & Rhine, 2004). Barriers to homeownership for unauthorized immigrants often includes

not having financial transaction accounts, lacking credit, or not having acceptable identification to open accounts or take out a mortgage. Consequently, numerous studies show that, even after accounting for factors such as income, English skills, years since migration, and characteristics of the location, U.S. citizenship is positively associated with owning a home for Latino immigrants (Clark, 2003; Coulson, 1999; Toussaint-Comeau & Rhine, 2004).<sup>7</sup>

The housing literature to date indicates that factors such as neighborhood composition and housing costs also are associated with homeownership. One study found that Latinos are less likely to be homeowners in neighborhoods with higher proportions of coethnic residents, perhaps because of low levels of resources in the form of high proportions of poor and non-English-speaking households (Toussaint-Comeau & Rhine, 2004). However, other analyses indicate that higher levels of Latino U.S.- and/or foreign-born residents in a neighborhood can serve as resources for Latino immigrants and, consequently, promote higher rates of homeownership. This positive relationship holds for Latinos of Mexican and/or Cuban descent (Alba & Logan, 1992; Borjas, 2002), but a higher coethnic context is linked with lower homeownership for Puerto Ricans and “Other Hispanics” (Alba & Logan, 1992; Krivo, 1995). Perhaps the tendency of Latinos to rely on coethnics to recommend trustworthy agents and lenders (Lee, Tornatzky, & Torres, 2004) can be helpful in many locales, but not in high-cost areas such as New York City, where Puerto Ricans are likely to reside with coethnics.

Indeed, the unique geographic concentration of Latinos in high-cost areas is particularly important for their homeownership. Research shows that as the value of housing increases, the likelihood of ownership for Mexicans, Puerto Ricans, Cubans, and other Hispanics decreases (Krivo, 1995), which partially explains why Latino homeownership rates are higher in affordable areas such as the South and the Midwest, compared to the Northeast and West (Flippen, 2001). Unfortunately, housing prices are rising nationwide; the average home price increased from \$139,000 to nearly \$209,000 between December 2000 and December 2005 (Ready, 2006). Rising home prices are eroding housing affordability in large housing markets such as Phoenix, Washington D.C., and Los Angeles (JCHS, 2006). Clearly, this is an issue that is relevant for both Latinos and non-Latinos.

Homeownership studies show that after controlling for many influential variables, immigrants from the Dominican Republic, Mexico, and Cuba, Puerto Ricans and Dominican Americans are still less likely to be homeowners than U.S.-born Latinos or non-Hispanic Whites (Borjas, 2002; Elmelech, 2004). Other research shows important variations by generation status for Latinos (Rosenbaum & Friedman, 2004) or that Mexicans, Puerto Ricans, and Cubans would have substantially higher housing if they had the mean socioeconomic status of African Americans (Alba & Logan, 1992). Such intriguing findings point to the need for additional research on Latino homeownership by national origin, nativity, and citizenship.

## **Analyses of Housing Values and Equity**

There are significant racial and ethnic inequalities in numerous aspects of owned-housing, including value and equity. The financial value of homeownership is important to low-income and minority households because it “helps temper the racial inequality in the wealth distribution” (Di, 2005:293). For most American homeowners, the value of their home is a significant source of their net wealth. However, for Latinos and African Americans, it comprises nearly two-thirds of their total wealth, a much higher proportion than for non-Hispanic Whites (Kochhar, 2004). In addition to having fewer sources of wealth, Latinos generally have far lower levels of wealth



overall. Latino households in 2002 held a median net worth of ~\$8,000, less than 10% of the median wealth of White households (\$89,000) (Kochhar, 2004). Part of the Latino-White wealth gap is due to the much lower homeownership rates of Latinos compared with their non-Hispanic White counterparts. Indeed, the comparison of wealth for Latino renters versus owners is startling. In 2001, Latino renters had a median net worth of \$2,650, whereas Latino owners had a median net worth of \$70,560, a ratio of 1:27 (Di, 2005).

Lower levels of overall wealth for Latinos also stems from the relatively low median values of Latino-owned housing, ~\$106,000 for Latinos in 2000. In contrast, the median value of single-family detached homes was \$123,000 for non-Hispanic Whites and nearly \$200,000 for Asians (U.S. Census Bureau, n.d.). African American-owned homes were worth less, ~\$81,000. The worth of Latino-owned homes would be even lower if they did not live in the West, a region with high housing values (Flippen, 2001). Housing values for homes owned by Latinos vary by metropolitan statistical area. For example, Latino-owned homes in 2000 were worth about \$154,000 in Washington, D.C.; \$128,000 in Miami; \$159,000 in Los Angeles; and \$178,000 in New York City (U.S. Census Bureau, n.d.). Similar to national patterns, Latino-owned homes in each of those cities were worth less than those owned by non-Hispanic Whites or Asians. In Washington, D.C. and Miami, Latino-owned homes were worth more than those owned by African Americans but worth less in Los Angeles and New York City (U.S. Census Bureau, n.d.).

There is significant diversity in the real estate equity among Latinos. For example, all Latinos held ~\$36,000 in real estate wealth in 1992 constant-dollars, varying from ~\$31,000 for Puerto Ricans, \$42,000 for U.S.-born Mexican Americans, and \$57,000 for U.S.-born “Other Hispanics” (Cobb-Clark & Hildebrand, 2006a). Foreign-born Latinos have lower home equity than U.S.-born Latinos; and among immigrants, those who lack citizenship or are recent arrivals have lower equity (Krivo & Kauffman, 2004). For example, Cuban immigrants have real estate equity of ~\$57,000; Central and South American immigrants possess about \$40,000; Mexican immigrants have ~\$24,000 and the U.S.-born population (of any race) has about \$69,000 (Cobb-Clark & Hildebrand, 2006a, 2006b). Mexican, Central American, and South American immigrant groups have lower real estate equity than European and Asian immigrant households, even after accounting for income, timing of immigration, and citizenship status (Cobb-Clark & Hildebrand, 2006b).

On average, Latino homeowners have lower home equity than non-Hispanic Whites, partially due to the population’s relative youth, lower household incomes, and education (Flippen, 2004; Krivo & Kauffman, 2004).<sup>8</sup> Yet, analyses show that even after controlling for important factors such as age, marital status, education, and locational characteristics, Latinos still have lower home equity than non-Hispanic Whites (Flippen, 2001). Explanations for the White-Hispanic equity gap include lower returns to high income and education for Latinos than Whites and lower prevalence in employment that provides benefits or stability (Flippen, 2001). Also difficult for Latino homeowners is that, despite increasing access to homeownership, their homes are not experiencing the same level of appreciation over time as homes owned by Whites (Flippen, 2004). This situation is similar to the lower home equities and appreciations of African Americans, due in part to the racial and ethnic compositions of their neighborhoods (Flippen, 2004).

Another area of concern is access and cost of homeowner’s insurance to protect the value of their homes. Latinos and other minorities tend to pay higher premiums per \$1,000 of the value of their home and, consequently, are less able to afford comprehensive homeowner’s insurance coverage compared with Whites (Van Kerkhove, 2005). Paired-test studies examining the practices of major insurers document that Latino and other minority applicants are unfairly treated, referred to other insurers, and receive higher quotes for the same levels of insurance as Whites (Squires, 1997). This form of discrimination undoubtedly affects the security of Latino housing

wealth in the event of natural or man-made disasters, and the lower equity and appreciation of Latino-owned dwellings significantly decreases the ability of both groups to accumulate housing wealth and to transfer wealth to future generations.

## NEW CHALLENGES IN HOUSING

Numerous changes have occurred in the mortgage market, which have implications for future levels of Latino homeownership. Perhaps the most important change in housing overall is the increasing unaffordability of housing. Indeed, between 2000 and 2005, median home prices rose 23% for new single-family homes, 28% for existing single-family homes, and 43% for existing condominiums and co-ops (JCHS, 2006). Increasing costs impact renters, owners, native- and foreign-born alike, with particularly dire consequences for low-income and immigrant families (Lipman, 2005).

A related issue is the rapid and dramatic growth of the subprime mortgage market (Williams, Nesiba, & McConnell, 2005), rising from 5% of the conventional mortgage market in 1994 to fully 20% by 2005 (Fishbein & Woodall, 2006; JCHS, 2006). Since 2001, the volume of subprime loans increased from \$210 billion to \$625 billion in 2005 (JCHS, 2006). Subprime loans are higher risk loans for those who earn relatively low incomes, have poor credit scores, and/or have high debt-to-income ratios. The share of home-purchase loans in metropolitan areas made by subprime lenders, or those who lend to individuals with poorer credit, in low-income, predominantly minority communities has shot up dramatically (Fishbein & Woodall, 2006). The number of subprime mortgages increased more than eightfold for Latino homebuyers between 1995 and 2001 nationwide (ACORN, 2002), likely due to “steering” to subprime loans, especially if they do not meet automated underwriting guidelines for qualifying for prime loans because of their financial behavior or do not live in areas with commercial banks offering prime loans (Chandrasekhar, 2004). By 2005, nearly 38% of Latino mortgages were subprime, compared with about 22% of White borrowers (Fishbein & Woodall, 2006).

The expansion of the subprime mortgage market might have provided more access to home loans for more Latinos and other groups; however, the higher interest rates and fees associated with such loans can significantly increase the cost of owning a home and reduce wealth accumulation (Williams, Nesiba, & McConnell, 2005). Moreover, some subprime loans practices qualify as “predatory lending” because of unethical and usurious practices (Chandrasekhar, 2004). By 2005, nearly 41% of all conventional loans made to Latinos were high-cost, nearly double the proportion for Whites and more than triple the proportion for Asians but lower than the rate of African American homebuyers taking out conventional loans (55%) (National Community Reinvestment Coalition, 2006). Latino homeowners in some locales are even more likely to have such loans: 30% of Latino homeowners in 2004 in San Antonio, Texas and Hartford, Connecticut; 24% in Chicago, and 20% in Miami have subprime loans (Ready, 2006). These numbers are of concern because subprime loans are seven times more likely than prime loans to be delinquent or in foreclosure (JCHS, 2006), putting Latino homeownership and housing equity in serious jeopardy.

There is increasing evidence that the housing market has softened, with high housing inventories and rising interest rates (Llana, 2006). This is especially problematic for the millions of homeowners who have borrowed against their homes, with the expectation that their homes would appreciate in value. Moreover, many recent homebuyers took out interest-only

mortgages or mortgages at introductory teaser rates that reset after 2 or 3 years (Tedeschi, 2006). Approximately \$1 trillion dollars in outstanding mortgages, out of a total of \$9 trillion dollars, will reset in 2007 (Derus, 2006). Many of these homeowners will not be able to afford the “true” cost of the mortgage. Indeed, a recent estimate of national trends suggests that approximately “19 percent of the 7.7 million adjustable rate mortgages (ARMs) taken out in 2004 and 2005 are at risk of defaulting” (Tedeschi, 2006). Default notices, the first step in the foreclosure process, were up more than 100% in California and California counties such as Ventura, San Diego, and Orange in the third quarter of 2006, compared to the same period in 2005 (Steitfield & Zimmerman, 2006). If such dire predictions become reality, this will have devastating consequences for Latinos and others, felt at both the local and national levels.

### **DIRECTIONS FOR FUTURE RESEARCH**

As outlined in this chapter, Latinos face housing challenges along multiple lines, with implications for Latino families and communities and, indeed, for the nation as a whole. Much more research is needed to fully document how Latinos fare in housing. Future research should be directed toward the following:

1. Examine the housing situations and outcomes for “other” Latino groups. This gap in the literature is partially due to limitations in housing datasets and/or small sample sizes. Scholars need better and more data on Latinos, which includes providing more detailed information about Latinos in important sources such as the American Housing Survey. When the data are available, researchers should, whenever possible, disaggregate Latino samples by national origin, nativity, and legal status.
2. Explore additional geographic areas in housing studies. Clearly, recent Latino demographic growth across the country and the heterogeneity in housing across locales indicate the need for housing studies in more locales across the country. The housing landscape is rapidly changing in “new” areas experiencing high Latino population growth, such as North Carolina, Nevada, Georgia, and in rural areas. Investigating housing outcomes in such locales will provide a more comprehensive portrait of the experiences of Latinos in housing.
3. Investigate how the important changes occurring in the mortgage market, such as increased marketing to Latinos, the rapid increase in the subprime mortgage market, home equity loans, and growing foreclosure rates, will impact current and future homeownership, housing foreclosures, and home equity/appreciation.
4. Identify possible sources of housing discrimination, such as treatment by landlords, financial institutions, and lending personnel; and conduct qualitative and quantitative studies that can detect steering by real estate agents and mortgage brokers.
5. As housing scholarship about Latinos develops further, the research must be disseminated to policy makers. Targeted housing policies should address the specific housing needs and challenges of different racial and ethnic groups in different areas of the United States and outline the “best practices” for increasing homeownership and home equity. A “one-size-fits-all” approach to improving housing conditions and increasing household wealth is not likely to be as successful as attending to the unique situations of Americans, whomever and wherever they might be.

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## NOTES

1. Many housing issues that are relevant for Latinos are beyond the scope of this chapter such as the following: the history of redlining and other racist practices; the dismantling of the low-income housing opportunities and the experiences of Latinos in public and affordable housing; explanations for the location decisions of Latinos; the causes and consequences of living in *colonias*, unincorporated settlements with no or few basic services; and the connections between homeownership in Latin America and the United States.
2. This chapter briefly summarizes research about other housing outcomes for Latinos: living arrangements (Blank, 1998; Blank & Torrecilha, 1998), housing quality (Friedman & Rosenbaum 2004), and housing costs and crowding (e.g., Elmelech 2004; Krivo 1995).
3. References in the text to the U.S. Census Bureau were dynamically generated using American Factfinder. See the References section for more details.
4. Diaz (2005) outlines additional explanations for the crushing costs of housing for Latinos.
5. 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 household figures show.
6. One study incorporates the two strands: Papademetriou and Ray (2004) examine the determinants of homeownership for Mexican and Central American immigrants combined, compared with other immigrant groups.
7. One study (McConnell and Marcelli, 2007) does not find a statistically significant association between legal status and homeownership for Mexican immigrants. That project examined Mexican immigrant homeownership only in Los Angeles County, and various factors, including the unique context of Los Angeles and recent changes in the mortgage market, could explain their results.
8. Flippen (2001) and Krivo and Kaufman (2004) do not disaggregate the Latino population but do include variables that differentiate between Latinos, such as region, income, nativity, and citizenship.

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