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## **COVID-19's impact on the Latino Housing Market**

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### **Executive Summary**

In the United States, homeownership continues to be a hallmark of “the American Dream.”[1] Many Americans view homeownership as a symbol of prosperity and a key milestone in their lives. Owning one’s own home provides a multitude of economic benefits, providing homeowners with opportunities to build human capital and increase their economic mobility. Obtaining a home provides individuals and families the opportunity to “accumulate wealth by accessing credit, build equity, and reduce housing costs.”[2] However, in today’s housing market, it has become increasingly difficult for the vast majority of Americans to fulfill the dream of homeownership.

The nation’s housing crisis continues to be burdensome for many Americans. Specifically, 63,553,639 people in the U.S. who identify as Hispanic or Latino face increased housing market barriers. [3] Many low-and-middle income Latinos have faced long-standing challenges from housing stability and homeownership. The pandemic only worsened housing disparities in the mortgage market for Latinos. There must be increased government action such as increased housing services and programs for the Latino community to reduce racial and housing inequities.

### **Background**

#### ***American’s Housing Shortage and Costs***

The U.S. has a housing supply shortage, which causes a deficit in the housing market. According to the United States Census Bureau, as of the third quarter of 2023, there are approximately 15,340 [4] vacant housing units. Of the total housing stock, approximately 60 percent is owner-occupied and 30 percent is rented. The remaining 10 percent is vacant...[5] Meanwhile, “almost 1 in 5 were planning on buying a home in 2023,”[6] which means there were very few available houses for potential home-buyers entering the housing market during this same timeframe. This severe shortage poses economic hardships to potential home-buyers and renters, particularly those from marginalized communities.

In addition to supply shortages, rising interest rates and high inflation[7] also contribute to the barriers potential homeowners face when trying to buy a home. In 2022, the interest rate increased from 3 percent to 7 percent. This percentage leads to a 30 percent decrease in purchasing power.”[8] This has led to increases in homeowners’ monthly mortgage payments. Increases in interest rates impact home-buying purchasing power for Latinos With home prices on the rise individuals need

to save more for the initial down payment costs required to secure a mortgage. Additionally, they need to have higher incomes to be able to meet their ongoing payment obligations.[9]

#### **Latino Homeownership and Wealth Inequality**

These financial constraints have resulted in “sizable differences in homeownership rates across demographic groups, with the rate of homeownership for minority families lagging behind the national average.”[10] The lack of available homes and rising housing costs have contributed to discrepancies in homeownership rates, home values, and housing wealth for Latinos.[11] Thus, the housing sector is reinforcing an existing racial wealth divide: “for each dollar of wealth held by white families, Latino families have 19 cents.”[12]

Low-income Latinos often do not earn enough income to qualify for a mortgage. Wealth discrimination policies that contribute to the disproportionately high number of low-income Latinos therefore impact the results of their loan applications. In 2020, conventional loan denial rates were “19 percent for Latino applicants and 12 percent for non-Latino white applicants.”[13] In 2021, Latinos were “66 percent more likely to be denied conventional financing than their non-Latino counterparts.”[14]

With limited affordable homes for sale, Latinos are more likely to use Federal Housing Administration (FHA) loans as they are less likely to be denied purchase financing through FHA.”[15]

Based on these wealth inequalities [16] Latinos tend to be the most likely to live in multigenerational and multifamily living arrangements.[17] In 2022, “there were 5.9 million multigenerational Hispanic households, 31.4 percent of Hispanic households overall. Comparatively, only 18.0 percent of non-Hispanic households in the U.S. are multigenerational.”[18] This data demonstrates that Latinos face greater likelihood of living in multifamily housing out of economic necessity in comparison to other racial groups.

**Policies and Practices that Contribute to Racial Inequity**

Systematic barriers in accessing the housing market are apparent through exclusionary housing policies and practices, which reinforce the existing gaps in homeownership, wealth, and opportunity.[19] Discriminatory policies and practices are present in federal, state, and local laws, as well as the private market, including the mortgage industry [20] Unfair housing policies, including redlining, deed restrictions and restrictive covenants, discrimination in access to housing subsidies, exclusionary zoning, and urban renewal have contributed to discrimination against Latinos who seek to buy a home.[21]

The Federal Housing Administration (FHA), was established by Franklin D. Roosevelt through the New Deal’s National Housing Act of 1934. The FHA was established to increase homeownership, particularly for communities of color and guarantee mortgages to lessen the effects of the Great Depression.

However, the FHA mortgage practice was not equitable; it led to ‘redlining,’ which was a practice that further exacerbated racial wealth inequality in the U.S. A red line was drawn in certain neighborhoods, specifically in Black and Latino communities. Those neighborhoods were viewed as “hazardous” by the government-sponsored Homeowners’ Loan Corporation, and the Federal Home Loan Bank, which refused to lend to Latino borrowers. The practice of redlining restricted Latino residents from owning property and building generational wealth, and also limited their ability to move out of hazardous neighborhoods, reinforcing segregation. As a result of these policies, the modern American housing market has intentionally been more accessible for whites since the early 20th century. [22].

**Homeownership Rate for Latinos**

Homeownership rates by race demonstrate a racial homeownership gap. “Black and Hispanic households are more than twice as likely to rent than white households.”[23] Furthermore, the Hispanic (of any race) homeownership rate is significantly lower than the Non-Hispanic White.[24] This homeownership disparity is connected to wealth disparities, as homeownership is more attainable for households with greater income

Lack of affordability therefore disproportionately impacts Latinos seeking homeownership, resulting in a 25 percent disparity when compared with their white counterparts in the purchase of a home. [25]

According to the United States Census Bureau, as of the third quarter of 2023, the Hispanic (of any race) homeownership rate was significantly lower than the rate of non-Hispanic White.[26] Rates for both Hispanic (of any race) and non-Hispanic White were not significantly different from those from the third quarter 2022 rates, [27] indicating a lack of opportunity.

Over the past two years, there has been minimal progress toward increasing individuals’ access to homeownership. Over the past two years, homeownership rates have remained stagnant. According to the United States Census Bureau, the homeownership rate in the third quarter of 2023 (65.9 percent ) was not statistically different from the rate in the third quarter 2022 (65.9 percent).[28] See Figure 1 below:

**COVID-19 and the Household Wealth Disparity**

The COVID-19 pandemic instigated a wave of financial hardship in the United States. In 2020, “those who

Figure 1: Quarterly Homeownership Rates for the United States: 1999-2023



Source: United States Census Bureau

have fallen behind at least three months on their mortgage increased 250 percent to over 2 million households, and is now at a level not seen since the height of the Great Recession in 2010.”[29]

The Latino population was specifically impacted during this time. [30]In December 2020, Latino renters and homeowners were overdue on housing payments and faced increased risk of experiencing foreclosure or eviction. Compared to their white counterparts, Latinos were “more than twice as likely to report being behind on their payments.”[31]

On top of these financial difficulties, health outcome inequalities also contributed to hardships for the U.S. Latino population. Since Latinos are more likely to live in multigenerational and multifamily living arrangements, in the midst of the pandemic, it can be difficult for these communities to comply with public health measures such as social distancing.

As a result, Latinos disproportionately experienced both financial and health difficulties, facing an increased likelihood of “job loss, reduced hours or the death of a family member”[32] compared to their white counterparts. Across all income groups, “Hispanic homeowners were more likely than white homeowners to report that they were behind on their payments.”[33]

During the Covid-19 pandemic, many Latino households were eligible for housing stability services. Housing stability services include “eviction prevention and eviction diversion programs; mediation between landlords and tenants; housing counseling; fair housing counseling; housing navigators or promotoras that help households access ERA programs

or find housing; case management related to housing stability,”[34] among others.

These housing support services are intended to increase housing stabilization, but Latinos face unique barriers to accessing housing assistance programs. Latinos make up “18% of the U.S. population but as much as 27% of those living below the poverty line, they account for 19% of all households living in subsidized housing. This rate aligns with their share of the total population, but not with their income eligibility for HUD programs.”[35] As a result, Latinos are underrepresented in HUD services, and even when facing a greater poverty rate. According to the National Latino Housing Coalition, “Latinos account for up to 27% of the population in poverty, they account for 24% of households in public housing, 18% of households with Housing Choice Vouchers, and 16% of households in project-based Section 8 homes. As of 2019, Latinos comprised 22% of the population experiencing homelessness.”[36] Latino communities’ underutilization of accessing housing subsidies and services contributes to their housing challenges.

### **Conclusion & Recommendations**

In the United States, policy-based interventions are needed from the federal, state, and local levels to decrease the racial homeownership gaps. To increase housing stability there must be effective short-term and long-term policy solutions. Low-income Latinos need increased opportunities to secure and sustain homeownership. Policies from lawmakers must be inclusive by investing in racially segregated communities to support homeownership growth. For economic change in the housing sector:

- 1.Housing policies need to expand affordable and decent housing units (e.g., The Housing Trust Fund (HTF). This provides grants to states and state-designated entities to “produce and preserve affordable housing for extremely low-and very low-income households.”[37])
- 2.Zoning reform to allow more housing development. This can increase affordable and equitable housing.
- 3.Increase assistance to first-time Latino homebuyers. Reserved funds can improve mortgage default performances for Latino homeowners by reducing “credit impacts and defaults during temporary hardship and enable servicer intervention before missed payments.”[38]

The affordable housing crisis has limited low-income Latino families from accessing homeownership. Before COVID-19, many low- and middle-income Latinos were affected by housing challenges. The pandemic exacerbated pre-existing inequities in the rental and mortgage market, which contributed to housing insecurity for Latinos. Rising housing costs have widened the wealth inequality for Latinos. Federal, state, and local policymakers need to co-create equitable housing policies with a Latino focus to increase their access to securing homeownership.

## Endnotes

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