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Hispanics and Housing During the Economic Downturn

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Abstract

This paper focuses on how Hispanic home ownership and population growth has evolved in the Southern United States. The theme discussed is one of change and adjustment, looking closely at the 2010 U.S. Census, along with other resources, and how Hispanics have been adjusting into the local economy. The data also shows how Latino home ownership has influenced this outcome. It has been seen throughout the U.S. that the Hispanic population is growing quickly, but the two geographical areas that have seen the most immigration in recent decades have been in the West and South.

With so much of U.S. population growth connected to the rise in the Hispanic immigrant population, it has become even more important for Hispanics to successfully navigate this socioeconomic and cultural environment. One of the quickest ways of doing this is through home ownership. This gives people the opportunity to settle down and create a community. One of the major obstacles for Hispanic immigrants who are building their communities and families in the U.S. is that work is often connected to seasonal agriculture or construction. These factors both vary in terms of stability and quality of available work. It is important to look into how the Hispanic population uses housing tenure towards building a stronger future for their families in the U.S. and abroad.

Immigrant Hispanic population growth throughout the South has been some of the largest in the country. Home ownership rates have only slightly raised throughout this population boom. In recent months there has been an outcry from several states that feel that the immigrant population boom is negatively affecting their lives and that those who are living in these areas illegally need to leave. Many states have created anti-immigrant legislation that have left the immigrant Hispanic population concerned with discrimination, eviction or legal persecution. Some states have witnessed an exodus of immigrants which has affected some of the major commodities in agriculture and other businesses that traditionally employ immigrant laborers. As a result, houses have been foreclosed and immigrant families have left their homes in the middle of the night.

Hispanics showed significant purchasing power in the U.S. and have become an example of an ethnic group specifically targeted with sub-prime lending, also known as the Foreclosure Generation.

With so many different variables affecting the Hispanics in the South, how can we prepare the next generation of Hispanics to attain home ownership? First, there must be stronger

trust in the financial institutions in order for people to readily seek their help and advice on consumer borrowing. We can use both universities and nonprofit organizations in order to disseminate knowledge about strong financial decisions, and how one decision can set them on the right path towards a better financial future. Through closer ties and better financial knowledge, the next Hispanic generation can move towards the path of reaching higher rates of home ownership, stability and wealth.

Keywords: home ownership, immigrant population growth, immigrant laborers

Introduction

The United States has experienced a rise in immigration and home ownership among Hispanics. This rise in Hispanic immigration has been centralized in the West and Southwest for several decades, but since the 1990's Hispanic population growth has become increasingly important in the Southeast. The Nation's Hispanic population now stands at more than 50.5 million, making the U.S. the country with the second largest Hispanic population in the world (U.S. Census Bureau, 2011). With these gains in population there is an increasing concern with Hispanic home ownership. From 1980 through 2000 Hispanics had the lowest rate of home ownership among any major minority group, but since 2000, there has been such a growth in Hispanic home ownership that they have now begun to outpace other ethnicities (James, Atilas, & Robb, 2011, p. 177).

Home ownership is seen as one of the quickest ways to settle down and begin to create community. This is made apparent with so many different government programs devoted to increasing, researching and advancing home ownership throughout the U.S. There are economic and social advantages to owning a home including: 1) tax savings of owning instead of renting; 2) stronger foundation in community involvement; and 3) it has been noted to be one of the quickest ways to enter into the middle class. As Hispanics gain more purchasing power they will become an even more integral part of the U.S. economy. According to the Census Bureau's Current Population Survey (CPS), this has been shown through the gap that is present between Hispanic and White home ownership, 47.6% compared to 74.4% respectively. Although this is still a large gap over

the past two decades, there has been a reduction in differences between home ownership and different ethnicities. Hispanic home ownership in 1995 was 42.1% and rose to 49.8% in 2006. This shows a gap of 28.4% between Hispanics and Whites as of 1995 but that difference has decreased to 26.8% presently (Kochar, Gonzales, & Dockertman, 2009, p. 5). This shrinking of the gap between Whites and Hispanics shows the importance of home ownership in Hispanic households. In a study of Hispanics feelings toward home ownership it was found that from 1983-2004 the proportion of Hispanic renters listing "buying own home" as a top reason for saving money increased 7.6% to 30.1% (James, Atilas, & Robb, 2011, p. 198).

Hispanic Home Ownership and Availability

The rise in Hispanic home ownership did not last long since the dramatic decline of home ownership all over the country in 2000. The Hispanic population was hit especially hard. Not only has foreclosure rates for Hispanics been at record highs but the recession also diminished the amount of immigration into the country. Many recent immigrants enter the country at a low socioeconomic standing and they remain closely tied to their home culture, including staying with family and larger family households. Beyond simply entering the country, there are several barriers that Hispanics face regarding home ownership. These hardships can include the same aspects of home ownership that all people deal with when purchasing a home such as age, income and education. For the Hispanic population, factors such as immigration of family and financial barriers or lack of financial knowledge are also factors (James &

Atilés, 2008 p. 178).

Since many Hispanics enter the country through major cities, they face expensive housing and an urban lifestyle. Both factors can be deterrents to owning a home along with the issue of segregation from other populations. Cross-group analyses by the U.S. Census found that Hispanics are the second most segregated group in the United States and the trend is not reversing (Wienberg & Iceland, 2002). This segregation can be looked at as another barrier to home ownership since the areas that Hispanics are most segregated in are urban areas where there is less home ownership.

Finances

Financial barriers such as lack of financial knowledge and subprime mortgages in particular, have placed Hispanics in a difficult place, making the population more likely to lose their homes due to foreclosure. One of the most often cited reasons as to why Hispanics do not reach home ownership is the lack of financial knowledge (Bowdler & Smith, 2010; James & Atilés, 2008; Mansick, 2006). Throughout Latin America many people do not have bank accounts or understand the practices of American mortgage lending. One example of this would be the wide use of check cashiers, payday lender, and short-term loan usage among Hispanic immigrants, preventing the development a strong credit rating (James & Atilés, 2008, p. 181). This lack of use involving bank accounts has been seen more through the Hispanic immigrant and other foreign born populations, but is also something that affects Hispanic Americans who have always resided in the U.S. In the coming years, the lack of financial knowledge is expected to decline with the median income of Hispanics on the rise (\$38,039). Educational attainment is also rising with 63% of Hispanics 25 years of age and older graduating high school (U.S. Census Bureau, 2011).

Beyond a lack of financial knowledge there is the strong tendency for Hispanics to send remittances to families in their home country. It has been estimated that nearly 60% of foreign-born Hispanics

send remittances at least four times a year, averaging out to more than \$3,000 annually (De Vasconcelos, 2004 p. 1). These remittances may also be linked to the fact that buying a house in the U.S. is a long and arduous journey that is very expensive compared to many countries in Latin America where housing may be cheaper or easier to attain (not necessarily a comparable one).

Throughout the early years of 2000 Hispanics were accepted for home purchase loans and were able to buy homes at a surprising rate. Focus must be placed on the types of loans that were offered and what types of loans were used with Hispanic populations. In 2007 alone, 27.6% of home loans that were given to Hispanics were higher-priced loans; this is compared with only 10.5% of the same loans given to Whites (Kochar et al., 2009 p. 1). Although there has been a substantial amount of research that looks into whether or not Hispanics were more likely to receive higher-priced mortgages, the results have been seen as inconclusive. Even with this inconclusive research one can attribute this subprime lending as positive since it did raise home ownership rates among ethnicities, Hispanics and Blacks in particular. Higher-priced mortgages can also be viewed negatively because many of the foreclosure across the country were related to subprime lending practices.

Renting In the Hispanic Community

For new arrivals and those who have yet to buy a home, renting is a key step in the process of buying a house. Renters throughout the nation are of diverse ethnicities and have accounted for 89% of the increase in renters from 2000 to 2010 (Joint Center for Housing Studies, 2011a p. 3). It has been proposed that there is a four-stage framework that can be used to examine the transition of Hispanics into home ownership. These stages include: 1) renting without plans to buy; 2) renting with plans to buy, but not actively saving; 3) renting while saving for a home; and 4) owning a home (James & Atilés, 2008 p. 177). With this framework James & Atilés (2008) found that Hispanic renters are more likely to be saving in order to buy a home than non-Hispanic populations,

however, they are less likely to advance from the saving to owning stage.

As the Hispanic population in the United States continues to grow and begins to become an integral part of the socioeconomic status of the U.S., we may begin to see a drop in the amount of rentals among Hispanics and a rise in home ownership. As Hispanic immigrants move away from being temporary residents and savings continue to increase, we are likely to see a rise in the number of homes that are purchased. If the populations that have immigrated to the U.S. in the 1980's and 1990's continue to save, and begin hitting ages of 30-40, we are likely to see higher home ownership.

Hispanics In the South

In 2012, the Hispanic population of the United States increased by 15.2 million since 2000. This accounts for over half of the total population increase of 27.3 million in the same time period (Enis, Rio-Vargas, Albert, 2010 p. 2). The increase in the Hispanic population varied according to the nation of origin, with the Mexican population increasing 54%, and accounting for about three-fourths of the Hispanic population growth. Cubans, Puerto Ricans, Guatemalans, and El Salvadorians constituted the majority of the rest of growth in the Hispanic population. With such a large increase, every region in the U.S. saw increases in the Hispanic population, with the West and South having the majority of this growth. As of 2010, the West had 41% of the Hispanics in the U.S. living in the region, while 36% lived in the South (Enis et al., 2010 p. 4).

Although significant growth has been seen nationwide, the South has experienced growth at a more rapid rate in recent years than any other area. From 2000-2010 the South saw a growth in the Hispanic population of 57%, even though the total growth of population for the South was at only 14% (Enis et al., 2010, p. 6). This shows that the growth in the Hispanic population in the South was almost four times that of the total population growth. This is a substantial growth, especially for an area that had seen little growth in their Hispanic population in the

1980's and 1990's, excluding Florida and its Hispanic population of Cuban origin.

The entire Southern region of the U.S. has seen this rise in Hispanic population. According to the Pew Hispanic Center, the states with the largest population growth between 2000-2010 include: 1) South Carolina (148%); 2) Alabama (145%); 3) Tennessee (134%); 4) Kentucky (122%); 5) Arkansas (114%); and 5) North Carolina (111%) (Kochar et al., 2009). All of these states are situated in the South and have had very high rates of increase. This has led to great discussion among these states in how to deal with the growing Hispanic population and the gap that is still present in home ownership rates. Seen in Table 1, throughout the South there are great disparities between Hispanic and White home ownership, with small gains from 2000-2009.

Along with these small gains in Hispanic home ownership, the South leads all regions in total housing units (50.0 million) and from 2000-2010 the South saw a 17.9% growth in housing, the largest in the nation (Joint Center for Housing Studies, 2011b p. 9). With such a high amount of housing units and housing growth it is not the lack of availability of housing, but difficulties in attaining it, that Hispanics are facing. Even with this gain in housing, only four states saw more than a 5% rise in home ownership rates among Hispanics: 1) Arkansas (9.4%); Georgia (5.6%); North Carolina (15.7%); and Tennessee (8.2%). These states were also included in the states that saw the highest Hispanic population growth.

As the U.S. continues to recover from the 2008 recession there may be more immigration and higher home ownership rates. This, along with the current Hispanic population, has made lawmakers from across the Southeast region question whether immigration has gotten out of hand. This is apparent in the legislation that has passed, and in the process of being passed, in Alabama, Georgia, Mississippi and South Carolina. These immigration laws were enacted in order to curb the illegal immigration that has been on the rise in these areas. Laws require the police to determine the citizen status of individuals in a variety of situations and this has met strong resistance from the Hispanic population and a number of

Homeownership Rates by Race and Hispanic Origin

X	Total	White	Black	Asian	(2000) Hispanic	(2009) Hispanic
U.S.	66.2	71.3	46.3	53.4	45.7	47
Alabama	72.5	77.8	57.6	48.4	43.9	43
Arkansas	69.4	73.4	50.1	50.7	39.6	49
Florida	70.1	74.1	50.2	60.6	55.8	56
Georgia	67.9	75.3	50.8	55.4	37.4	43
Kentucky	72.3	73.6	41.4	42.8	36.4	37
Louisiana	69.4	75.4	51.8	53.4	51.4	51
Mississippi	68.4	78.5	60.7	51.2	45.4	45
N. Carolina	72.2	75.1	52.5	52.5	31.3	47
Oklahoma	69.9	71.9	44	48.2	45.7	47
S. Carolina	72.2	77.2	60.9	54.4	39.4	41
Tennessee	69.9	74.1	50.5	50.5	35.8	44
Texas	63.8	68.7	46.4	53.1	56.1	57

humanitarian organizations. Even with this strong resistance there have been many immigrants that have left in the middle of the night in fear of being deported.

Discussion

With so much attention being given to the Hispanic population around the nation there is the need to address the issues that they face with home

ownership. Some of these major issues include: 1) strengthening financial knowledge; 2) immigration; 3) citizenship; and 3) lack of resources. These different issues do not function independently but are intertwined and affect much more than just the Hispanic population in the United States. All of the information currently known about Hispanic home ownership asks, “What can we do to close the gap and raise Hispanic home ownership?”

Addressing lack of financial knowledge may be the best opportunity for Hispanics to better understand the U.S. mortgage and banking system and in turn, have better rates of home ownership. A better understanding of credit and mortgages will allow Hispanics to take advantage of the banking system and receive better loans with lower interest rates. However, it has been noted that Hispanics are more likely to save for a home and are also less likely to move from the saving stage to home ownership. Therefore, with better education attainment among Hispanic populations and programs that address the issue of a lack of financial knowledge, Hispanic home ownership will have a strong future and will continue to rise.

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