

## The State of Latino Economic Well-Being in California: Homeownership and the Latino Middle Class

In the U.S., homeownership is considered a fundamental element of middle-class life, and can help individuals and households achieve stability and security. It is also an important wealth generator, providing a buffer against income loss or unexpected expenses, and providing an inheritable asset that can greatly impact social mobility across generations. Home equity can also be utilized for entrepreneurship, helping to bolster the economic stability of entire communities.<sup>1</sup> Finally, homeownership does not only have economic value. It can also confer other, less tangible social and cultural benefits, granting middle-class status to homeowners and their families.<sup>2</sup> In sum, while homeownership overall is on the decline throughout the state,<sup>3</sup> it remains a critical pathway for members of lower-income households to join the ranks of the California middle class.

However, structural barriers such as a discriminatory housing markets and redlining efforts have historically made it very difficult for Latinos, and other people of color, to purchase homes. Today, significant disparities in homeownership exist within the California population. Latinos are less likely than many other groups to live in homes they own. For many Latinos, this means that a middle-class existence is increasingly out of reach. Latinos remain overwhelmingly interested in buying homes, however, as housing costs rise relative to income, many are simply less and less able to do so.<sup>4</sup>

In this research brief, the second in a series by the California Latino Economic Institute examining the state of Latino economic well-being in California, we explore some of the challenges that California Latinos face in achieving homeownership.<sup>5</sup> California Latinos are a heterogeneous group with a multiplicity of experiences. To understand the economic barriers to home ownership they face, we explore factors such as geography, income, age, gender, education and nativity. Using this information, we also seek to identify areas of opportunity for increased investment to support the expansion of the state's Latino middle class.

In Part I of this brief, we offer an overview of median housing costs and median income levels for the Latino population, compared with those for the total population of California, providing a current profile of Latino homeowners in the state. In Part II, we explore the housing cost burden that many Latinos face, and the barrier it creates to homeownership and movement into the middle class. Finally, in Part III, we examine statewide regional differences in Latino homeownership and home affordability.

A few words of explanation are in order to clarify our terminology. Throughout this report series, we define middle-class households as those with an income that falls between the 60th and 80th percentiles of the household income distribution for the state's total adult population (see Brief 1 in this series for more details). Thus, an individual with a household income between \$61,600 and \$151,100 is considered to be in the middle-class income bracket.<sup>6</sup> By comparison, the U.S. Department of Housing and Urban Development (HUD) defines a low income for a 3-person household in California to be \$50,400 or less (80% of the area's median family income), and a moderate income as no more than \$75,600 (120% of the area's median family income).

Note: In this brief, demographic information is reported for heads of households only, for both owner and renter-occupied units.<sup>7</sup> The term homeowner refers to the head of the household, as identified by the US Census, living in an owner-occupied housing unit. The head of the household is typically the homeowner, if the housing unit is owner-occupied. A household is considered to be Latino if the head of the household is self-identified as Hispanic or Latino.

### Study Highlights

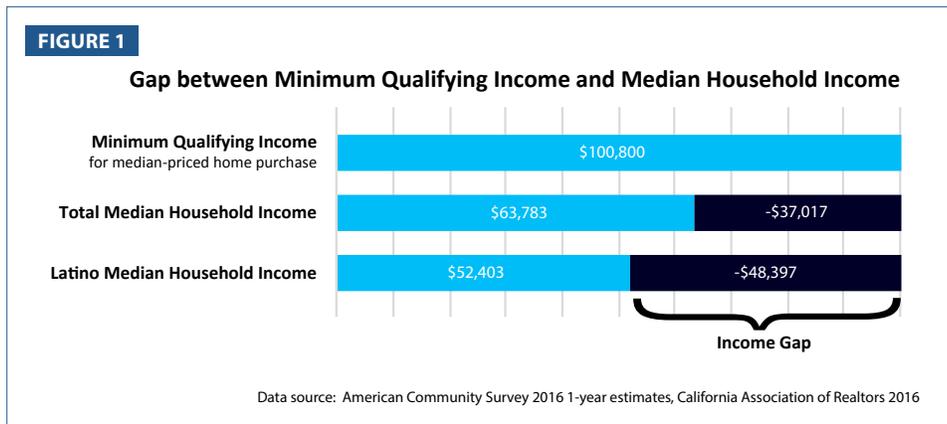
- 42.3% of California Latino households own their homes, compared to 62.5% of non-Latino White households.
- Latino homeowners tend to be younger than homeowners from other racial and ethnic groups.
- More than half of Latino renters and one-third of Latino homeowners are paying more than 30% of their income on housing costs.
- The highest rates of homeownership for middle-income Latinos in the state are in the San Joaquin Valley and the North State region.

# Part I. Snapshot of Current Latino Homeownership

## The Steep Cost of Housing in California

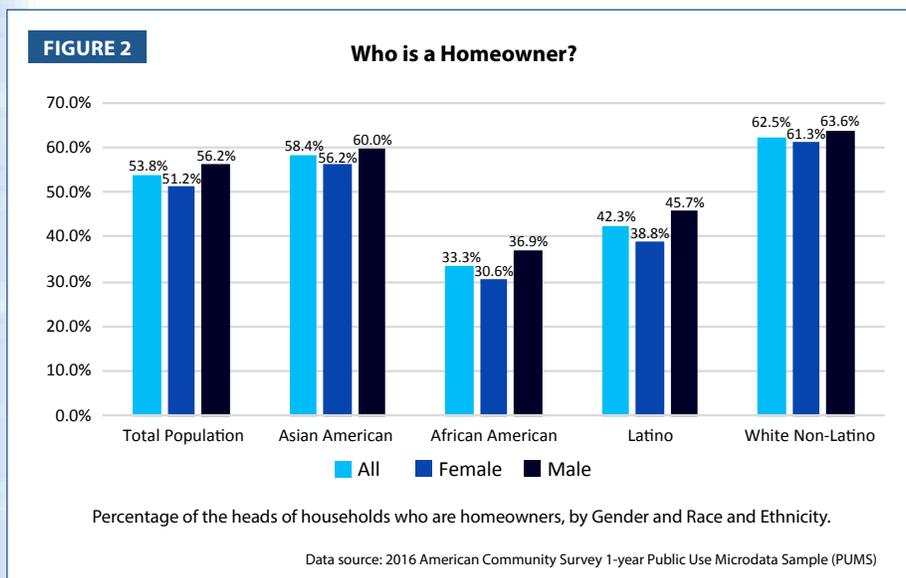
In 2016, the median home price for a single-family home in California is \$511,360.<sup>8</sup> According to the California Association of Realtors, a typical California home buyer would need to earn at least \$100,800 annually in order to qualify for a median-priced home purchase—a figure that remains out of reach for many people across the state, including many Latinos.

Indeed, the median household income for all Californians in 2016 is \$63,783, a figure that falls considerably short of the amount needed to buy a median-priced home.<sup>9</sup> For Latinos, the gap is even greater: the Latino median household income in California in 2016 is \$52,403.<sup>10</sup>



By our definition, the income range of a middle-class household in California coincides with the amount needed to buy a median-priced home. The distribution of Latino household income in California, however, is lower than that of the total population. Latino household income between the 60th and 80th percentiles ranges from \$46,200 to \$99,700.<sup>11</sup> This range falls short of the estimated earnings needed to buy a median-priced home in California.<sup>12</sup> Specifically, it indicates that 80% of the Latino population in California does not have a household income sufficient to purchase a median-priced home.

## Home Ownership



A majority of California’s housing units are owner-occupied.<sup>13</sup> However, Latinos are homeowners at a substantially lower rate than the overall population. Forty-two percent of California Latino households live in units that are owner-occupied, while 53.8% of all housing units statewide are owner-occupied. Rates differ considerably by race and ethnic group: 62.5% of non-Latino White households live in housing units that are owner-occupied, 20 percentage points more than the figure for Latinos. For Asian-Americans households, 58.4% live in their own homes, whereas only 33.3% of African Americans do.

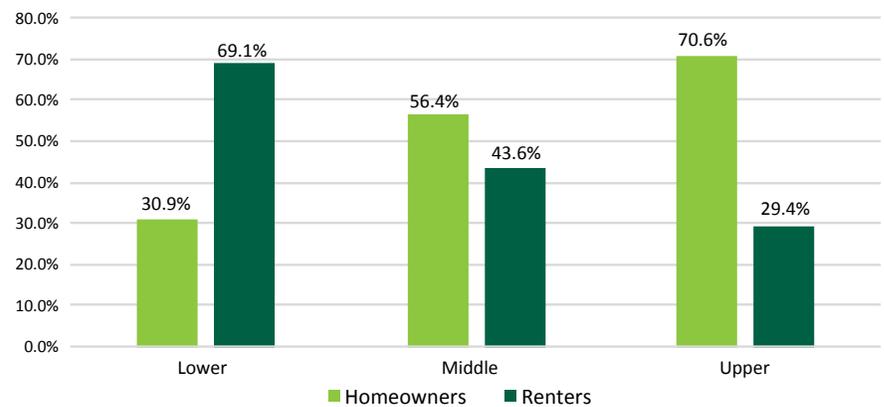
Gender disparities in homeownership exist in every race and ethnic group, but

the magnitude varies. In California, Latinos experience the greatest gender disparity in homeownership: 45.7% of male Latinos are homeowners, as compared to 38.8% of Latinas, producing a gap of 6.9 percentage points between male and female Latino home ownership rates. Additionally, the difference in homeownership rates between Latinas and non-Latina White women is 22.5 percentage points, while the difference in rates between Latino men and non-Latino White men is 17.9 percentage points. Both Latino men and women are underrepresented among homeowners in California, but Latinas are especially in need of additional opportunities for homeownership.

Latino homeownership is strongly associated with household income. Here, we use our income definitions based on the total population's household income distribution. Latino members of the lower-income group are those who have a household income of under \$61,600, while members of the middle-income group have a household income from \$61,600 to \$151,100, and members of the upper-income group have a household income above \$151,100.

While only 30.9% of lower-income Latinos own their homes, 56.4%, or a majority of middle-income Latinos do, along with 70.6% of upper-income Latinos. This association between membership in an upper-income group and increased homeownership holds true for both Latinas and Latinos.

**FIGURE 3** What share of Middle-Income Latinos are Homeowners vs. Renters?

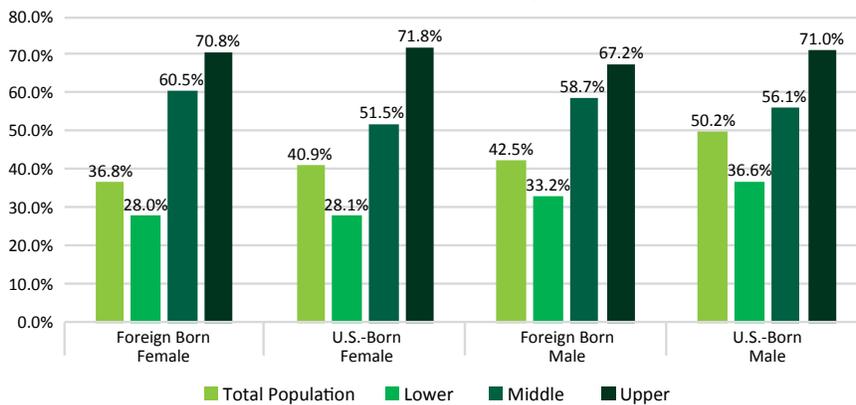


Percentage of Latino heads of households in each income group who are homeowners or renters.

Data source: 2016 American Community Survey 1-year Public Use Microdata Sample (PUMS)

## Nativity

**FIGURE 4** What is the share of Latinas and Latinos who are Homeowners? U.S. Born vs. Foreign Born



Percentage of Latino heads of households who are homeowners, by gender, nativity and income group.

Data source: 2016 American Community Survey 1-year Public Use Microdata Sample (PUMS)

Latino homeowners are more likely to have been born in the U.S. than abroad: 45.2% of all U.S.-born Latinos are homeowners, as compared to 39.9% of all foreign-born Latinos. The gender disparities in homeownership seen in Figure 2 persist for both US and foreign-born Latino populations, although there is variation across income groups. Figure 4 shows that while the overall homeownership rate for foreign-born Latino men is 5.7 percentage points higher than it is for foreign-born Latinas (42.5% and 36.8%, respectively), in the middle-income and upper-income groups, a greater share of foreign-born Latinas are homeowners than Latinos. In the middle-income group, for example, 60.5% of foreign-born Latinas are homeowners, while 58.7% of foreign-

born Latino men in the middle-income group are homeowners. The percentage of middle-income foreign-born Latinas who are homeowners is also 4.4 points higher than that of middle-income U.S.-born Latino men (56.1%).

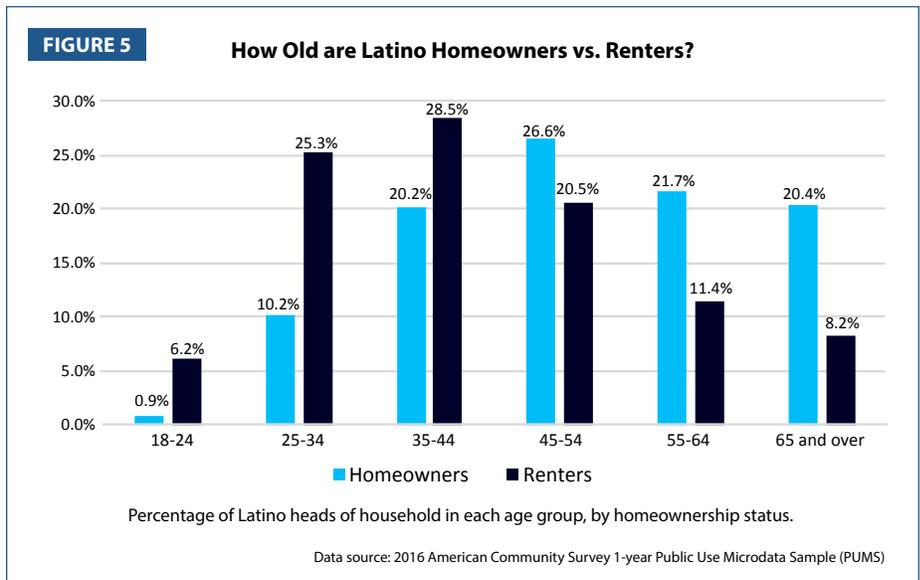
While greater shares of middle-income and upper-income foreign-born Latinas are homeowners than their male counterparts, this is not the case for U.S.-born Latinas. Twenty-eight percent of lower-income, U.S.-born Latinas are homeowners, 8.5 percentage points behind lower-income, U.S.-born Latino men. This gap decreases, but persists, among middle-income U.S.-born Latinas, where 51.5% of Latinas are homeowners as compared to 56.1% of Latino men. This indicates that there is a need to expand opportunities for US-born Latinas, in particular, to support those who want to achieve homeownership.

## Age

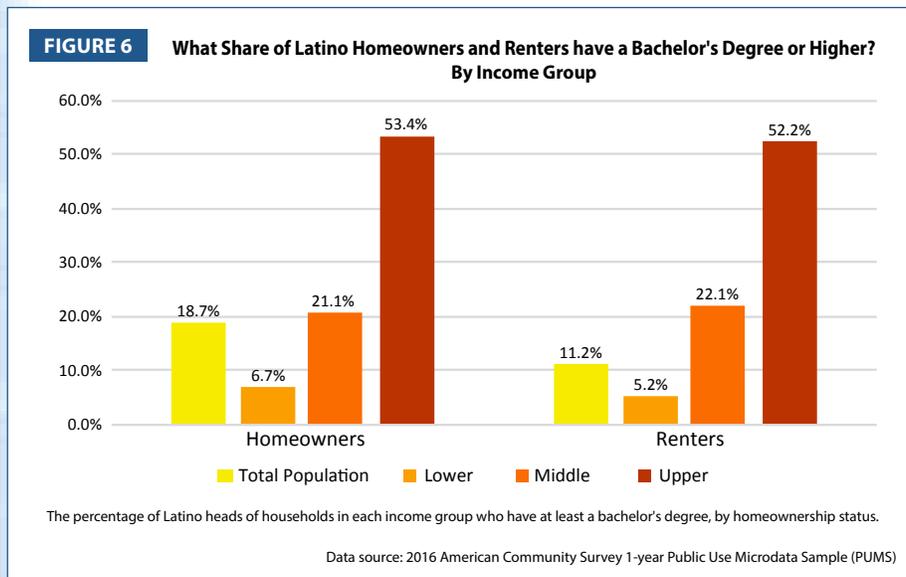
Latino homeowners are older than Latino renters in California. Figure 5 shows that 42.1% of Latino homeowners are 55 years and older, compared to 19.6% of Latino renters. A total of 31.3%, or less than one third, of Latino homeowners are under age 45, compared to 60% of Latino renters.

We found that while homeowners in general tend to be older than renters, Latino homeowners are younger than homeowners in other racial and ethnic groups. Twenty-three percent of all homeowners are under the age of 45, and only 17.3% of non-Latino white homeowners are under 45, compared to 31% of Latino homeowners.

Latino renters are consistently younger than Latino homeowners, regardless of income group. While homeownership is associated with upper household income, young upper-income Latinos are predominantly renters, with 84% between the ages of 18 and 24 years, and 54.8% between the ages of 25 and 34 years. Additionally, while older Latinos are more likely to be homeowners, lower-income Latinos of almost every age group are predominantly renters, with the exception of those 65 and older, 45.2% of whom are renters.



## Education



Overall, Latino homeowners are more educated than Latino renters: 18.7% of Latino homeowners have a bachelor's degree or higher, as compared to 11.2% of Latino renters. When we break down the data by gender, we see that the percentage of homeowners who have a bachelor's degree or higher is greater than the percentage for renters, for both Latinas and Latino men. We do see, however, that Latinas are slightly more educated than male Latinos, whether they are renters and homeowners.

While Latino homeowners on the whole are more educated than Latino renters, it should be noted that they are also disproportionately drawn from the middle-income and upper-income groups.

This is not surprising given that income generally increases with educational attainment (see outline in Brief 1 of this series).

While educational attainment does tend to vary by income group, Figure 6 shows that Latino renters and owners in the same income group have very similar rates of achievement in higher education. Twenty-one percent of middle-income homeowners have a college degree or higher, as compared to 22% of middle-income renters. Similarly, 53.4% of upper-income homeowners have a bachelor's degree or higher, as do 52.2% of upper-income renters.

## Part II. The Housing Cost Burden

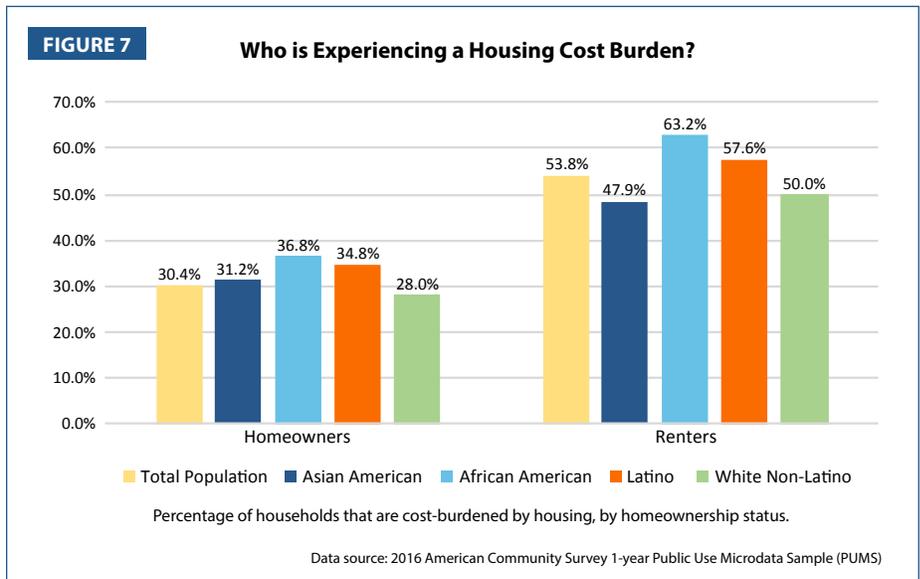
The high cost of housing in California means that people all over the state are burdened by their housing payments.<sup>14</sup> Housing is defined by HUD (and many other federal and state entities) as a burden if monthly housing costs exceed 30% of the household's monthly income.<sup>15</sup> For renters, these costs include rent and utility payments; for homeowners, they include monthly mortgage principal and interest payments, property taxes, property insurance, and utility payments. This 30% threshold is utilized by HUD for both renters and homeowners.

Renters bear the brunt of the housing cost burden. A greater share of renters than homeowners, in all racial and ethnic groups, experience a housing cost burden.

This affects California Latinos especially hard, as the majority of them are renters (see Figure 2). Figure 7 shows that statewide, a majority of Latino renters (57.6%) are cost-burdened, while 63.2% of African-American renters, 47.9% of Asian-American renters, and 50% of non-Latino White renters are cost-burdened. Gender is also an important factor: 62.1% of Latina renters are cost-burdened, 9 percentage points more than male Latino renters, 52.8% of whom are cost-burdened.

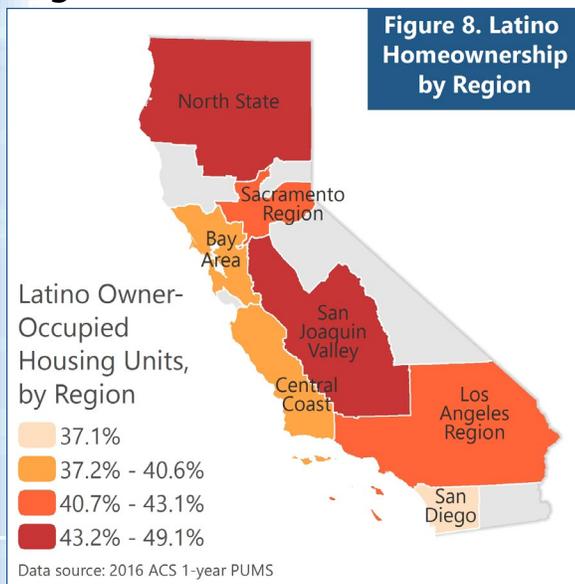
Homeowners are not exempt from the housing cost burden. Nearly 35% of Latino homeowners experience a housing cost burden, as compared to 28% of non-Latino White and 31.2% of Asian-American homeowners. These figures suggest that in order to expand the Latino middle class, it will not be enough for more Latinos to achieve homeownership. As housing costs rise relative to income, homeownership no longer necessarily equals financial security. Statewide, considerable work needs to be done to increase opportunities for affordable housing.

Lower-income households in general face a substantially higher housing cost burden than middle and upper-income households. More than half (58%) of lower-income Latino homeowners are cost-burdened by housing, as are three-quarters (75.2%) of Latino renters. In contrast, 20.4% and 17.5% of middle-income Latino homeowners and renters, respectively, are cost-burdened. Only 5.4% of upper-income Latino homeowners and 1.5% of upper-income Latino renters are cost-burdened by housing. All other racial and ethnic groups across the state see similar patterns within income groups.



## Part III. The Geography of Latino Homeownership

### Regional Homeowner Rates



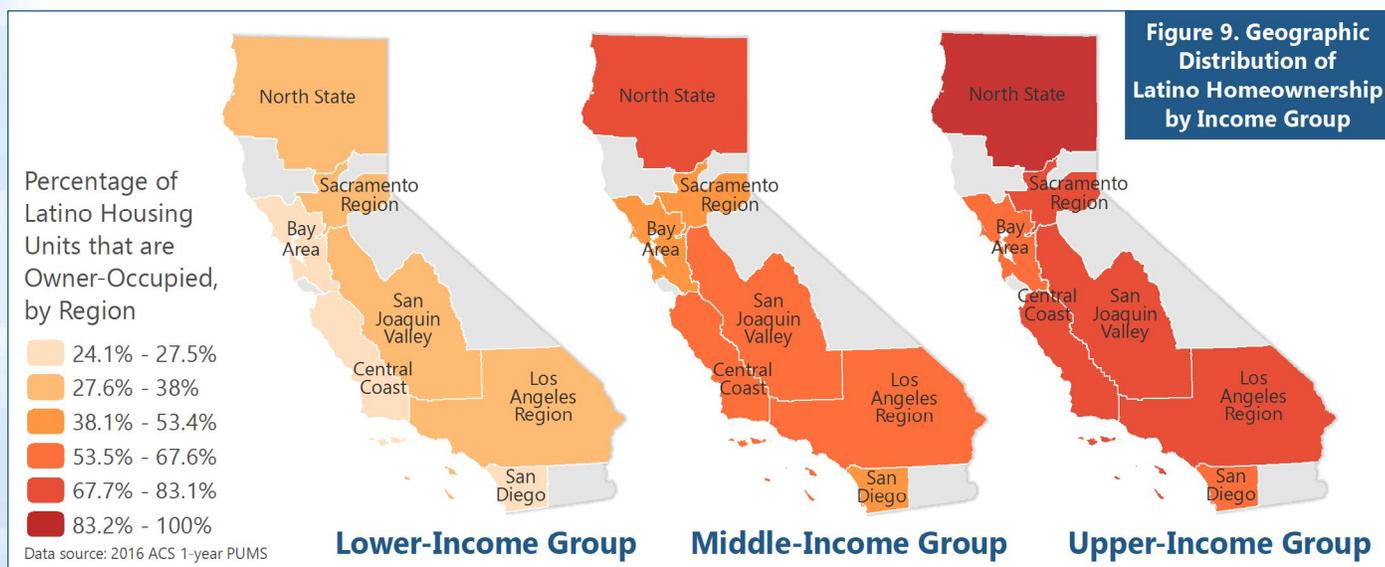
Homeownership rates vary across the state. In all regions, the majority of Latino households rent rather than own. The North State and San Joaquin Valley regions have the highest rate of Latino homeownership, with 49.1% and 46.9%, respectively. San Diego's Latino population has the smallest share of homeowners, with only 37.1%, followed closely by the Bay Area, with 39.2%.

Latinos in the San Joaquin Valley and North State regions are predominately lower-income: 69% of Latinos in the North State, and 65.4% of Latinos in the San Joaquin Valley live in lower-income households.<sup>16</sup> However, Figure 8 also shows that these two regions have the highest rates of homeownership in the state. According to the California Association of Realtors, home prices in the San Joaquin Valley and the North State region are well below the state's median home price.<sup>17</sup> In the San Joaquin Valley, for example, the minimum income needed to qualify for a home purchase ranges from around \$42,000 (Tulare County) to \$64,000 (San Joaquin County).<sup>18</sup> This range overlaps with the household income range that we have used (here and in Brief

1 in this series) to define lower-income and middle-income groups. This indicates that the lower home prices of the San Joaquin Valley and North State regions are offering pathways to homeownership (and middle-class status) for lower-income Latinos in ways that other regions are not, despite upper incomes in the rest of the state.

## The Geographic Distribution of Homeowners by Income Group

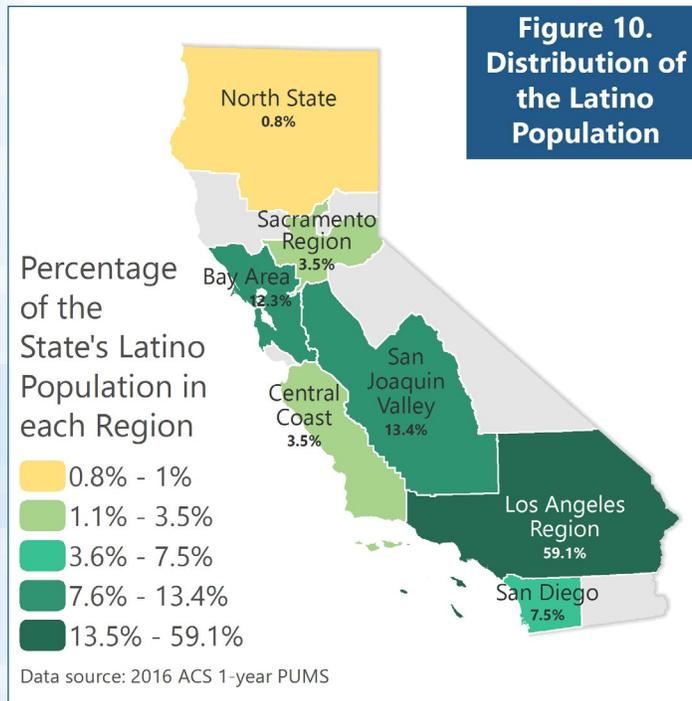
Across all income groups, the San Joaquin Valley and North State are the regions with the highest rates of Latino homeownership. Figure 9 shows that in the San Joaquin Valley, 37.5% of lower-income Latino households own their homes, while 38% do so in the North State. Both regions thus exceed the statewide lower-income homeownership rate of 30.9% (see Figure 3). This means that, in the San Joaquin Valley especially, lower-income Latinos are outpacing lower-income Latinos statewide in terms of homeownership. In the Bay Area, however, only 24.5% of lower-income Latinos are homeowners—6.4 percentage points less than the figure for lower-income Latinos statewide.



As for the geographic distribution of homeownership for middle-income Latinos, the San Joaquin Valley and North State regions once again exceed homeownership rates for middle-income Latinos at the state level. The North State and San Joaquin Valley regions have 75% and 66.5% of middle-income Latino homeownership, respectively, significantly exceeding the statewide middle-income rate of 56.4%. Meanwhile, the homeownership rate for middle-income Latinos in the Bay Area is 48.6%, nearly 8 percentage points short of the statewide rate. San Diego (51%) and the Sacramento Region (53.4%) also fall short of the statewide middle-income rate, by 5.4 and 3 percentage points, respectively.

As for upper-income Latinos, they either meet or surpass the statewide upper-income homeownership rate (70.6%) in almost every region of the state. Both the North State and Central Coast regions exceed the statewide rate for upper-income homeownership by more than 10 percentage points. The two exceptions, again, are the Bay Area and San Diego, where 60.7% and 67.6%, respectively, of upper-income Latino households own homes. Latinos in the Los Angeles Region in every income group meet the statewide rate for homeownership—undoubtedly related to the fact that nearly 60% of the state's Latino population resides in the region.

## Regional Disparities in Homeownership



Compared to Latinos in other regions of the state, Latinos in the Bay Area have the lowest rate of homeownership. This is true for every income group. The Bay Area is home to the least affordable housing in the state. Here, the minimum income needed to buy a median-priced home is over \$157,000.<sup>19</sup> Yet, as Figure 10 shows, 12% of the state's adult Latino population lives in the Bay Area.<sup>20</sup> To expand the Latino middle class, it is therefore critical to address housing affordability in this region.

On the other hand, although Latinos in the North State experience the highest rates of homeownership across all income groups in comparison to other regions, less than 1% of the state's adult Latino population actually lives in the North State region.

The San Joaquin Valley, by contrast, has the second-highest rate of homeownership, and is home to 13.4% of the state's adult Latino population. These two factors combined—a high Latino homeownership rate across all income groups, and a large Latino presence—make the San Joaquin Valley region a key place to implement strategies to foment Latino homeownership. The region's relatively affordable housing make it comparatively easy for Latinos with lower incomes

to become homeowners, as evidenced by the region's already high rates of homeownership among lower-income and middle-income Latinos. The case of the San Joaquin Valley once again underlines the critical role that the availability of affordable housing can play in helping all Latinos, but especially lower-income Latinos, become and remain homeowners.

## Conclusion

Overall, Latino homeowners tend to be older, more educated, and upper-income than Latinos who rent. They also are more likely to have been born in the US. Homeownership rates are consistently highest for Latinos in the upper-income group, with the exception of upper-income Latino youth, who mostly rent.

The large share of Latino renters who are cost-burdened by housing, and the fact that the majority of the state's Latino households are renters (see Figure 2), means that meaningful conversation about expanding the Latino middle-class must address the needs of renters. Homeownership alone is not a clear-cut solution for the housing cost burden, as more than a third of Latino homeowners are also cost-burdened.

It is also important to note the discrimination that is still present in the housing market. Black, Latino and immigrant households are disproportionately targeted by mortgage and rental discrimination and predatory lending practices. These actions, along with redlining and the historical use of housing covenants, have inhibited opportunities for wealth accumulation among Latinos and other communities of color.<sup>21</sup>

Homeownership continues to be desirable for Latinos, as it does for the rest of the population.<sup>22</sup> But talking about homeownership alone is not sufficient. Latinos' experience as renters matters, as well. The state's large, cost-burdened Latino renter population cannot achieve the savings and financial stability necessary for homeownership without access to affordable rental housing. Regional disparities in homeownership rates point to the need for affordable rental housing across the state, especially in areas with low Latino homeownership rates like the Bay Area. This will help lower-income Latino households progress toward the middle class and possible future home ownership, while allowing middle-income Latinos to achieve greater financial stability.

## Notes

1. Wolff, Edward N. 2016. "Household Wealth Trends in the United States, 1962 to 2013: What Happened over the Great Recession?" *The Russell Sage Foundation Journal of the Social Sciences* 2 (6): 24-43.
2. Keister, Lisa A. and Stephanie Moller. 2000. "Wealth Inequality in the United States." *Annual Review of Sociology* 26:1 63-81.
3. Vallejo, Jody Agius. 2012. *Barrios to Burbs: The Making of the Mexican-American Middle Class*. Palo Alto: Stanford University Press.
4. Vallejo, Jody Agius and Stephanie L. Canizales. 2016. "Latino/a Professionals as Entrepreneurs: How Race, Class, and Gender Shape Entrepreneurial Incorporation." *Ethnic and Racial Studies* 39(9): 1637-1656.
5. Kusenbach, Margarethe. (2017). "Look at my house!" Home and mobile home ownership among Latino/a immigrants in Florida. *Journal of Housing and the Built Environment* 32(1). 29-47.
6. California Department of Housing and Community Development. 2017. *California's Housing Future: Challenges and Opportunities*. See: <http://www.hcd.ca.gov/policy-research/plans-reports/docs/California's-Housing-Future-Full-Public-Draft.pdf>.
7. Pew Research Center. 2012. *Hispanics Say They Have the Worst of a Bad Economy*. <http://www.pewhispanic.org/2012/01/26/hispanics-say-they-have-the-worst-of-a-bad-economy/>.
8. See California Latino Economic Institute Brief 1: *The State of Latino Economic Well-Being in California: A Profile of the Latino Middle Class*.
9. Calculation based on ACS 2016 1-year Estimates Public Use Microdata Sample (PUMS).
10. In Brief 1 in this series, we analyzed the entire population of adult Latinos in order to understand the characteristics of those living in the middle class. Households can be composed of families or non-related individuals, and the data included all people in a household, since an individual who lives in an owner-occupied household with a middle-class household income may benefit from a middle class household—for example, a young adult living with their family—even though the individual may not be the homeowner. Figure 9 in Brief 1 of this series shows the percentage of Latinos living in households that are owner-occupied. While these numbers are similar to those in Figure 2 in this brief, we focus on Latino heads of household who are the homeowners.
11. California Association of Realtors (CAR) reported the 2016 3rd and 4th quarter median home price of a single-family home to be \$511,360. Based on estimated monthly payments of \$2,520, including principal, interest, and taxes on a 30-year fixed-rate mortgage at a 3.91 percent interest rate, the CAR estimates a minimum annual income of \$100,800 was needed to qualify for a home purchase. <https://www.car.org/aboutus/mediacenter/newsreleases/2017releases/4qtr2016affordability>.
12. American Community Survey 2016 1-year Estimates.
13. American Community Survey 2016 1-year Estimates.
14. Calculation based on ACS 2016 1-year Estimates Public Use Microdata Sample (PUMS).
15. California Association of Realtors (CAR). 2017. 4th Quarter 2016 Housing Affordability report. <https://www.car.org/aboutus/mediacenter/newsreleases/2017releases/4qtr2016affordability>.
16. Author's calculation based on ACS 2016 1-year Estimates Public Use Microdata Sample (PUMS). The percentage of housing units that are owner-occupied.
17. California Budget & Policy Center. 2017. *Californians in All Parts of the State Pay More Than They Can Afford for Housing*. <https://calbudgetcenter.org/resources/californians-parts-state-pay-can-afford-housing/>.
18. U.S. Department of Housing and Urban Development, *Comprehensive Housing Affordability Strategy (CHAS)*. [https://www.huduser.gov/portal/datasets/cp/CHAS/bg\\_chas.html](https://www.huduser.gov/portal/datasets/cp/CHAS/bg_chas.html).
19. CLEI Brief 1. 2018. *The State of Latino Economic Well-Being in California: A Profile of the Latino Middle Class*. Page 6.
20. California Association of Realtors (CAR). 2018. *Traditional Housing Affordability Index*. <https://www.car.org/marketdata/data/haitraditional/>.
21. California Association of Realtors (CAR). 2017. 4th Quarter 2016 Housing Affordability report. <https://www.car.org/aboutus/mediacenter/newsreleases/2017releases/4qtr2016affordability>.
22. California Association of Realtors (CAR). 2017. 4th Quarter 2016 Housing Affordability report. <https://www.car.org/aboutus/mediacenter/newsreleases/2017releases/4qtr2016affordability>.
23. Author's calculation based on ACS 2016 1-year Estimates Public Use Microdata Sample (PUMS).
24. McCormack, Karen and Mazar, Iyar. (2015) *Understanding Foreclosure Risk: The Role of Nativity and Gender*. *Critical Sociology* 41(1). 115-132.
25. National Association of Hispanic Real Estate Professionals (NAHREP) and the Hispanic Wealth Project. 2017. *State of Hispanic Homeownership Report*. <http://hispanicwealthproject.org/state-of-hispanic-homeownership-report>.



### About the California Latino Economic Institute

The CLEI is a collaboration of the California Latino Legislative Caucus and the California Business Roundtable. A stand-alone, independent organization, it focuses on funding and disseminating research, and advancing innovative policy options to support a growing and sustainable Latino middle class. To learn more about the CLEI, visit <http://www.latinoeconomicinstitute.org/>.

### Acknowledgments

We would like to thank Laura Daly for her assistance in the data collection, map-making and analysis associated with this brief. We thank Jody Agius Vallejo, Ph.D., and Cathy Creswell for their help in making this brief possible by providing careful review of and feedback on its contents. We also thank Krystyna von Henneberg, Ph.D., of Creative Language Works, for her editorial assistance with this project and Jason Mendez at Snapshot Media for his graphic design services.

### About Mindy S. Romero, Ph.D.

Dr. Mindy S. Romero is founder and director of the California Civic Engagement Project (CCEP), which is based at the University of Southern California Price School of Public Policy. Her research explores barriers to civic and political engagement, and their implications for the economic and social well-being of underrepresented and underserved groups. Dr. Romero is frequently invited to share her research findings in academic and policy venues throughout the U.S., including the California State Legislature and U.S. Congress. She is a member of the CLEI Academic Advisory Board. For more information about this study, contact Dr. Romero at [msromero@usc.edu](mailto:msromero@usc.edu).