Access to Homeownership in Greater New Haven

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Executive summary

Black and Latino families in the Greater New Haven region face many barriers to homeownership and other forms of financial security. Both statewide and across the region, households headed by white adults are roughly twice as likely to own their houses than households headed by black or Latino adults. Disparities persist across income and educational levels, as well as age of householder and family structure. Black and Latino homeowners are more likely to be severely cost-burdened than their white peers and own homes with lower average values. They also face challenges in securing loans to purchase houses and are less likely to have the access to banking and savings that would make homeownership achievable.

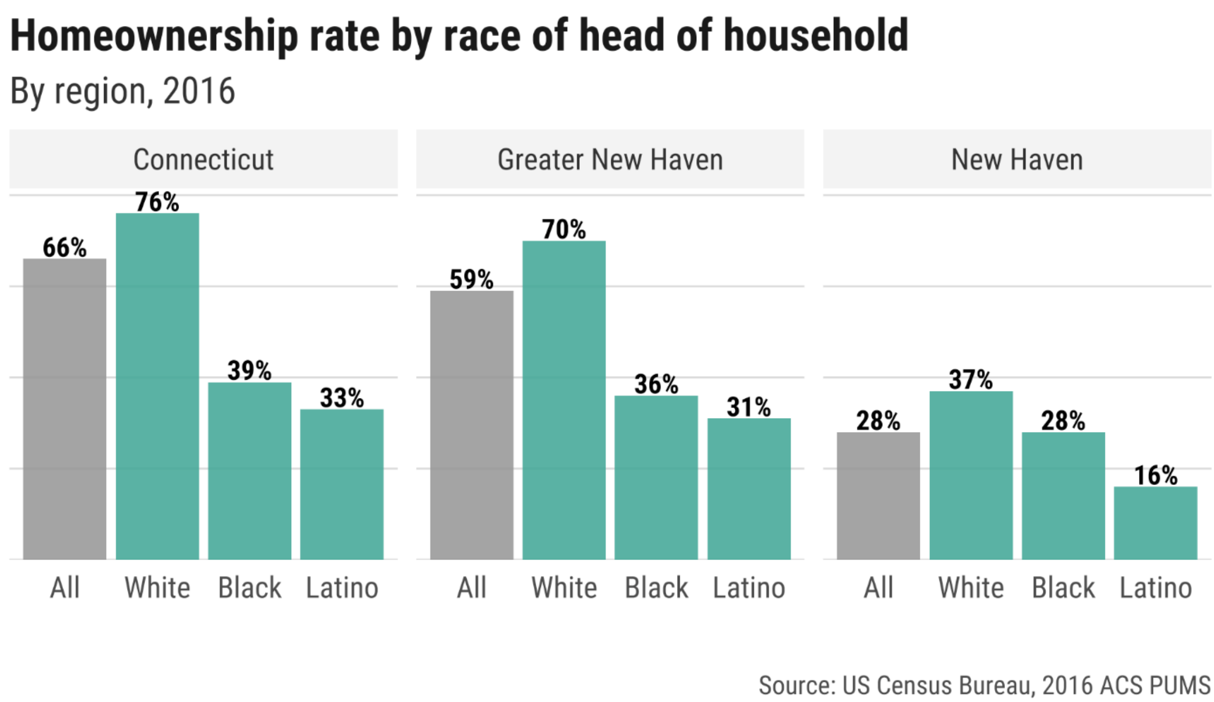
Homeownership

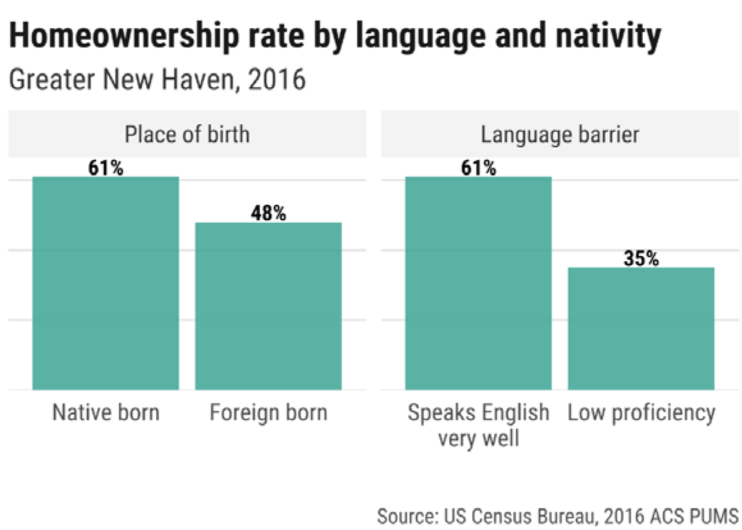
Data on homeownership, housing values, and cost burden come from DataHaven analysis of public use microdata samples (PUMS) from the 2016 five-year estimates of the US Census Bureau's American Community Survey (ACS).[1]

Connecticut's homeownership rate (66 percent) is slightly higher than the US average of 64 percent, but disparities by race are more severe in Connecticut. Across the state, Greater New Haven, and New Haven, black and Latino homeownership lags behind white homeownership. As is typical with dense cities, homeownership is much lower in New Haven than in the suburbs, but people of color in the city are much less likely to own their homes.

[1] PUMS files were obtained through the IPUMS-USA database at the University of Minnesota. Steven Ruggles, Katie Genadek, Ronald Goeken, Josiah Grover, and Matthew Sobek. Integrated Public Use Microdata Series: Version 7.0 [dataset]. Minneapolis: University of Minnesota, 2017. https://doi.org/10.18128/D010.V7.0

Within Greater New Haven[2], white heads of households[3] are twice as likely as black heads of households to own their house, and more than twice as likely as Latino heads of households. Disparities in homeownership by race persist across a number of different demographic and economic factors.





Similarly, homeownership is lower for immigrants and adults with low English proficiency[4].

While younger adults are generally less likely to be homeowners, white adults in the region access this source of financial stability younger than adults of color. In fact, white adults under age 35 have about the same rate of homeownership as Latino seniors.

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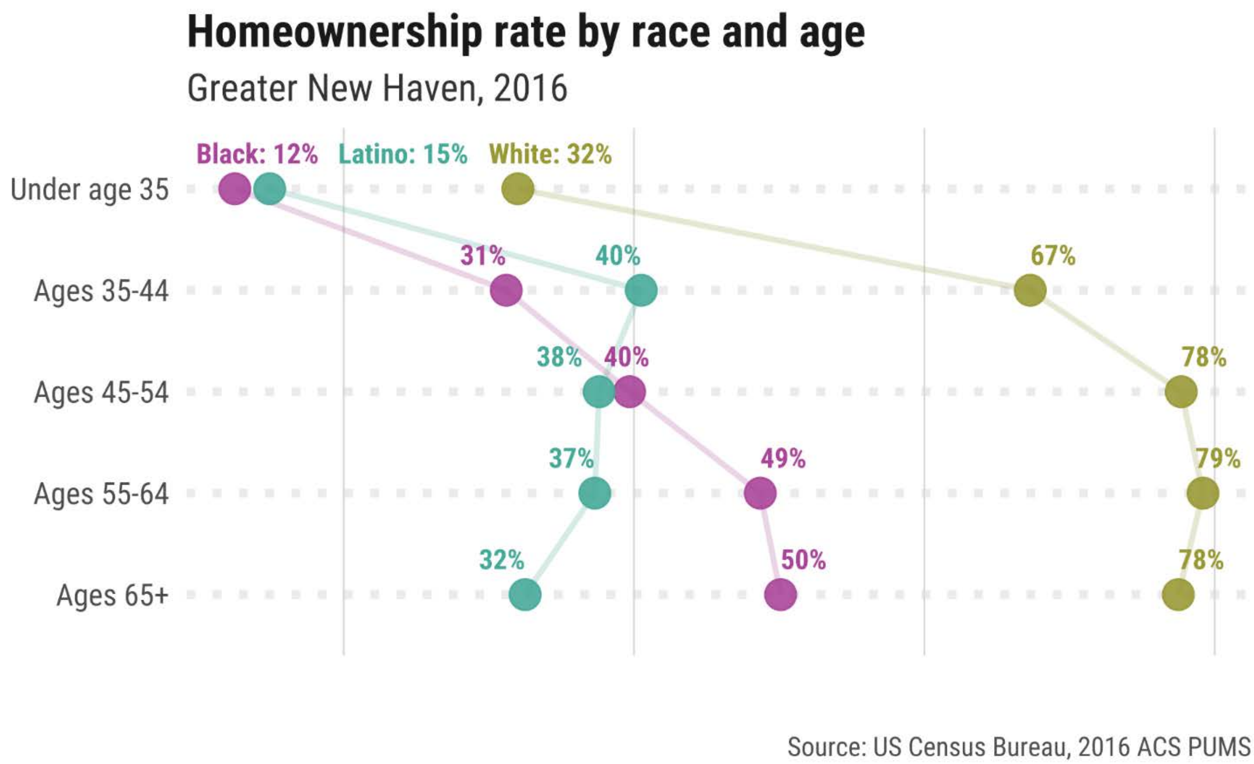
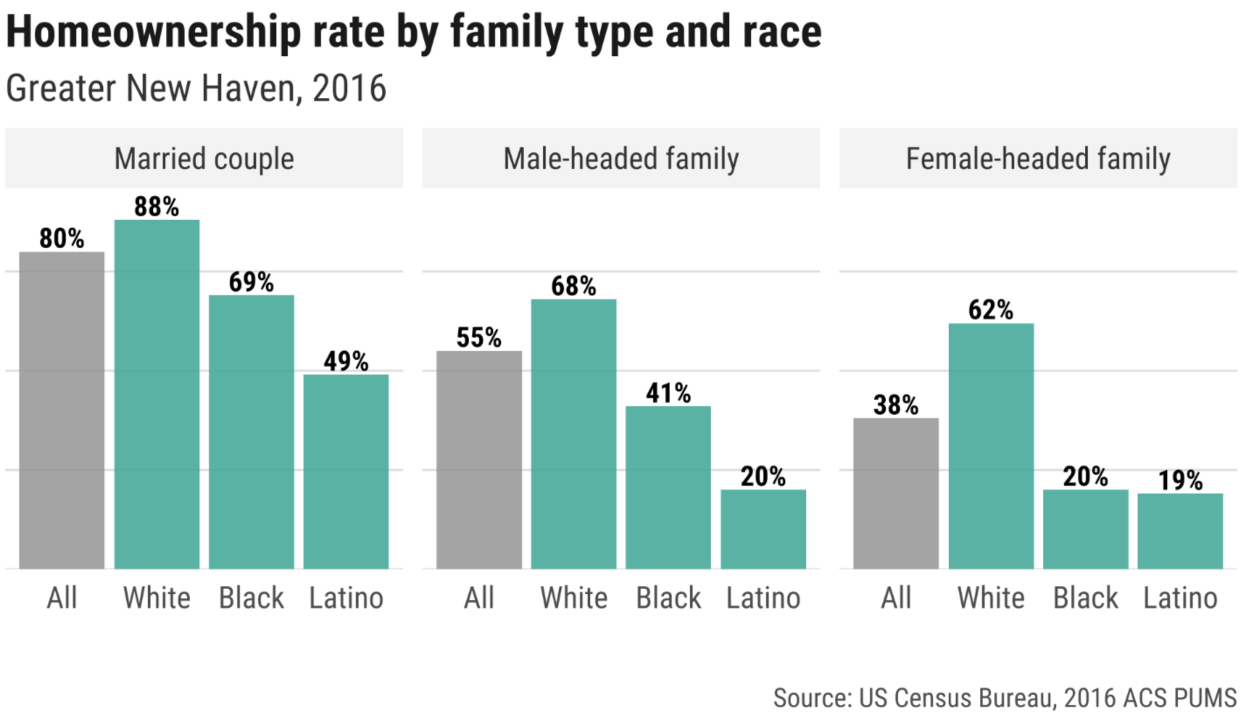
[2] Because of limitations in the geographies available in PUMS files, Greater New Haven is defined here as Ansonia, Bethany, Branford, Derby, East Haven, Guilford, Madison, Milford, New Haven, North Branford, Orange, Seymour, West Haven, and Woodbridge. This differs from DataHaven's usual thirteen-town definition of Greater New Haven by including Ansonia, Derby, and Seymour and excluding North Haven and Hamden.

[3] The most accurate means of measuring homeownership by race is to use the race of the head of the household as identified on the American Community Survey. The race of the head of household isn't necessarily the same as the races of other members of the household.

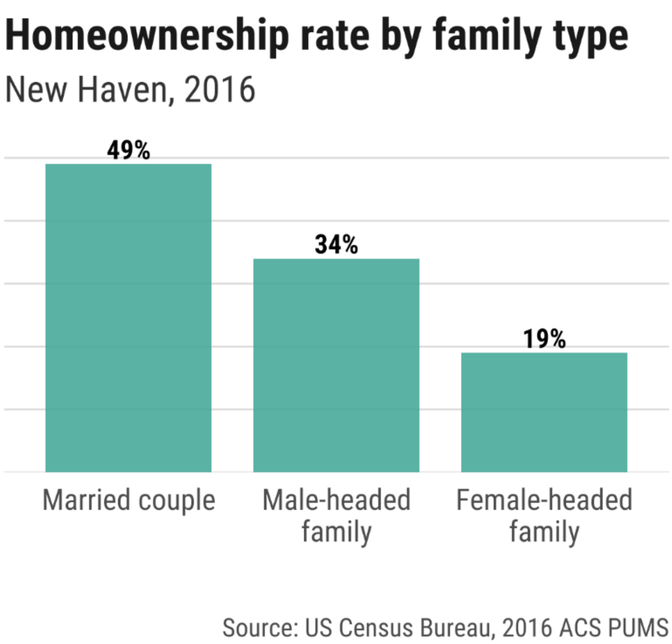
[4] Low English proficiency is defined as people ages 5 and over who report speaking English less than very well.



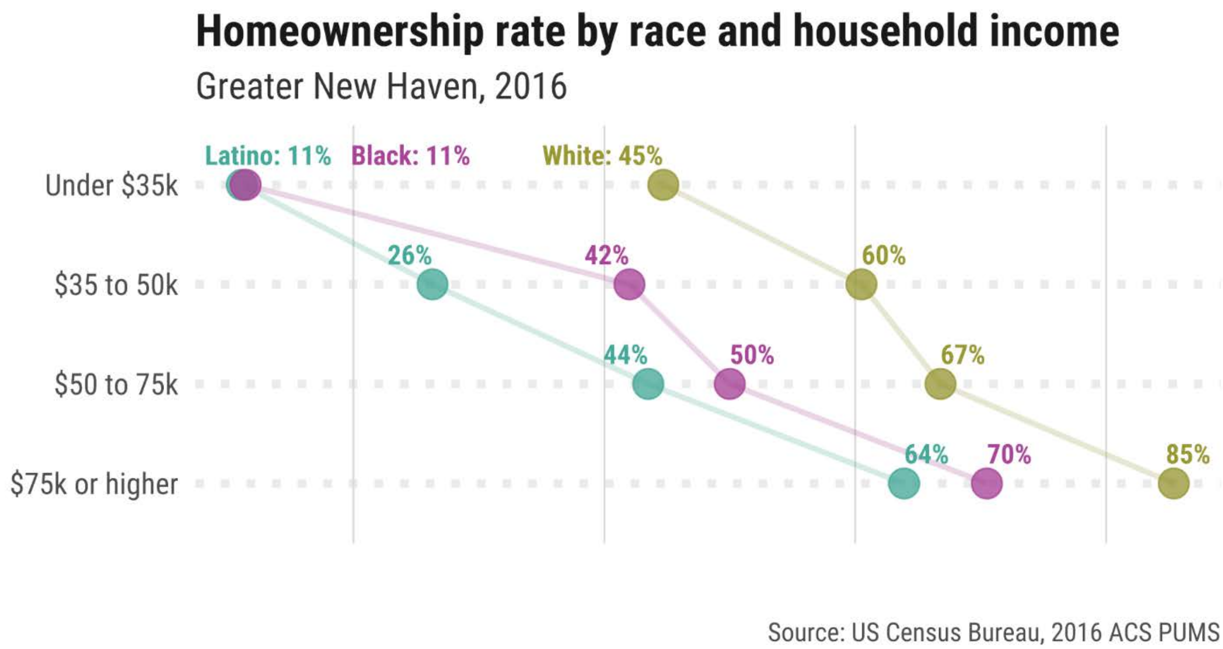
Married couples are much more likely to be homeowners than single adults. Among single-parent families, male-headed households have much higher homeownership rates than female-headed households. Again, these differences are widened by taking race into account, with only about 1 in 5 of the region's families led by single Latinos or black women owning their home.



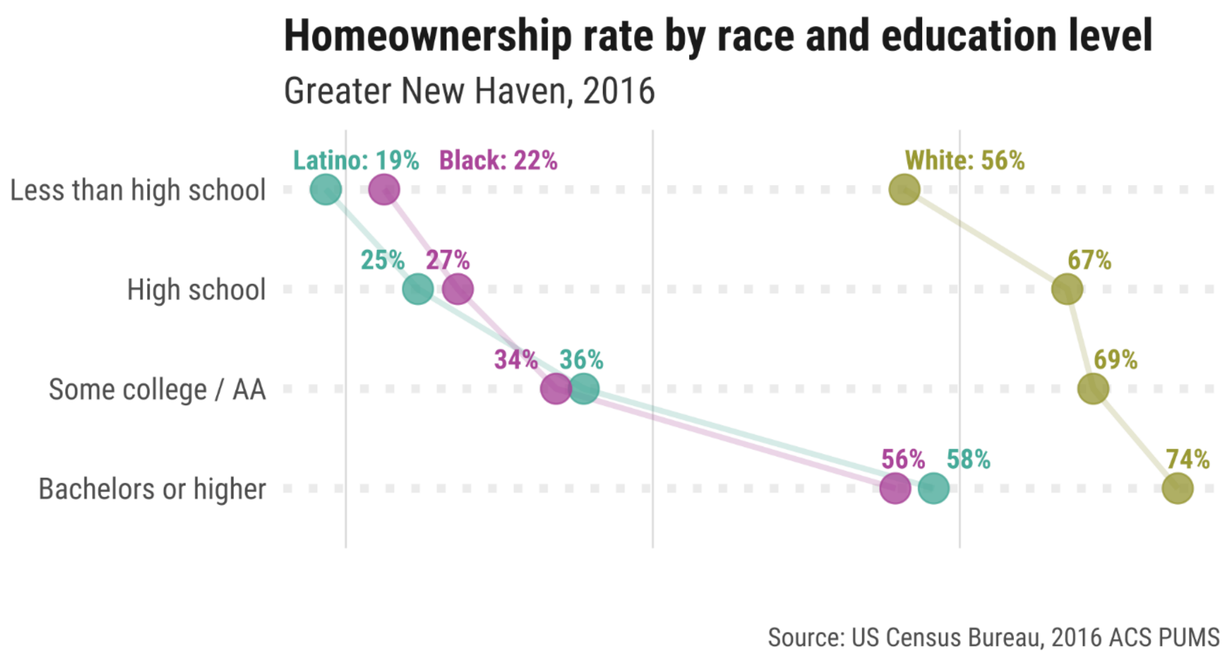
Within the city, married couples are again more likely to be homeowners, while very few female-headed families own the houses in which they live. Single male-headed families are less common than single female-headed ones, but the homeownership gap is smaller between male-headed families and families led by a married couple.



White adults' homeownership advantage is present still while looking at income and education level as well. Holding household incomes constant, white adults are statistically more likely to own their homes than black or Latino adults. White adults with a household income of less than $35,000 are 4 times as likely as black or Latino adults in the same income bracket. This gap between white and black homeownership persists until looking at the wealthiest few households in the region.

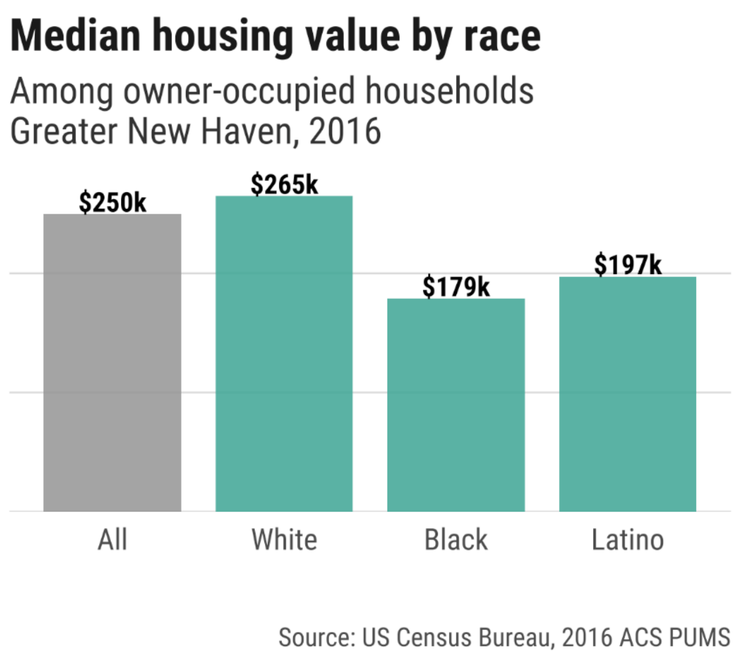


White adults in Greater New Haven with no high school diploma own their houses at about the same rate as black and Latino adults with a Bachelor's degree or higher. It's only at the Bachelor's degree level that black and Latino adults are more likely than not homeowners.



Housing values

Across both Connecticut and Greater New Haven, the values of owner-occupied houses differ by race, though housing values are nearly identical when split by nativity. The median housing values of both the state and the region (both just under $250,000) are well above the national median of $184,700. Black homeowners in the region have houses valued at a median $178,828, about $85,000 below the median value of white-owned houses.



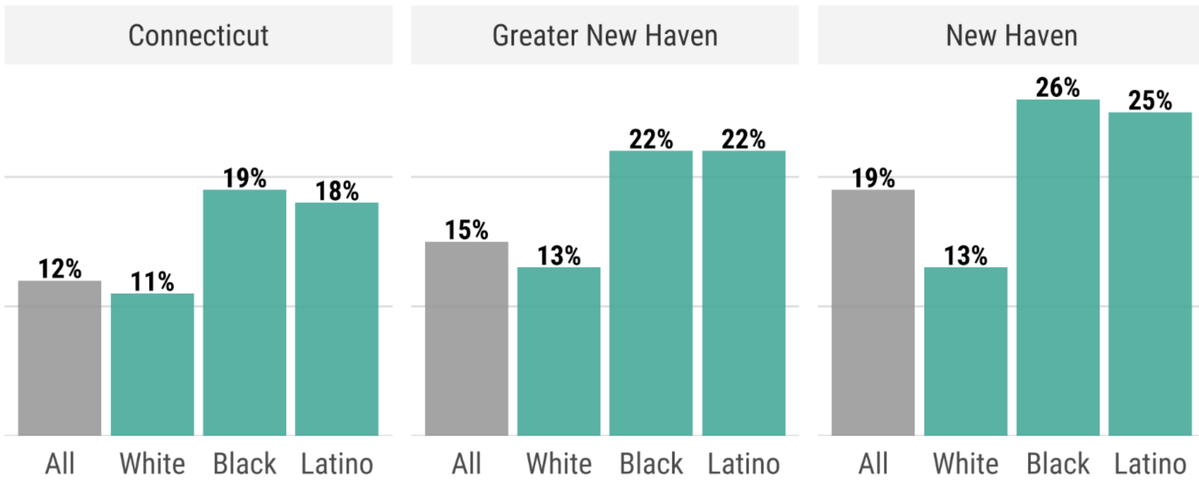
Severe cost burden

Because of high costs of living in Connecticut, many households pay large portions of their incomes to housing costs. Households are considered cost-burdened if they pay 30 percent or more of their income in housing costs, and severely cost-burdened if they pay at least 50 percent of their income in housing costs. Nationwide, 10 percent of homeowners are severely cost-burdened; in Connecticut and Greater New Haven, 12 and 15 and 19 percent of homeowners, respectively, are severely cost-burdened. As is the case with homeownership, severe cost-burden varies widely in our region by socioeconomic and demographic characteristics.

Black and Latino homeowners, both statewide and regionally, are more likely to be severely cost-burdened than white homeowners. This holds true even after controlling for household income. That is, though one might assume correctly that households making more money are measurably less likely to be severely cost-burdened, a black or Latino homeowner is still more likely to be severely cost-burdened than a white homeowner with the same household income.

Severe cost burden rate by race of head of household

Among owner-occupied households. By region, 2016

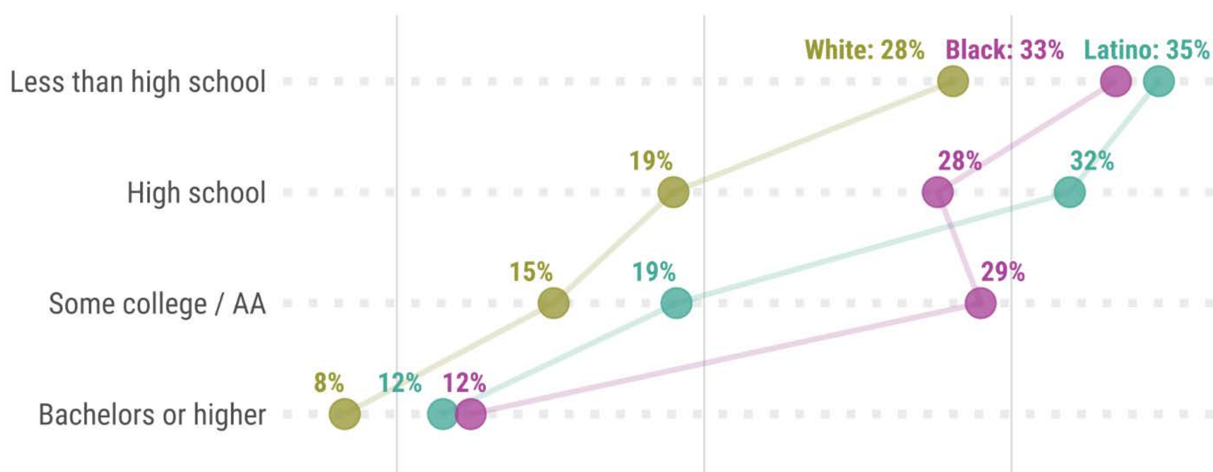


Source: US Census Bureau, 2016 ACS PUMS

Similarly, black and Latino homeowners are more susceptible to severe cost burden than white homeowners across all education levels. Only at the Bachelor's level do black and Latino cost burden rates approach the much lower national average.

Severe cost burden rate by race and education level

Greater New Haven, 2016

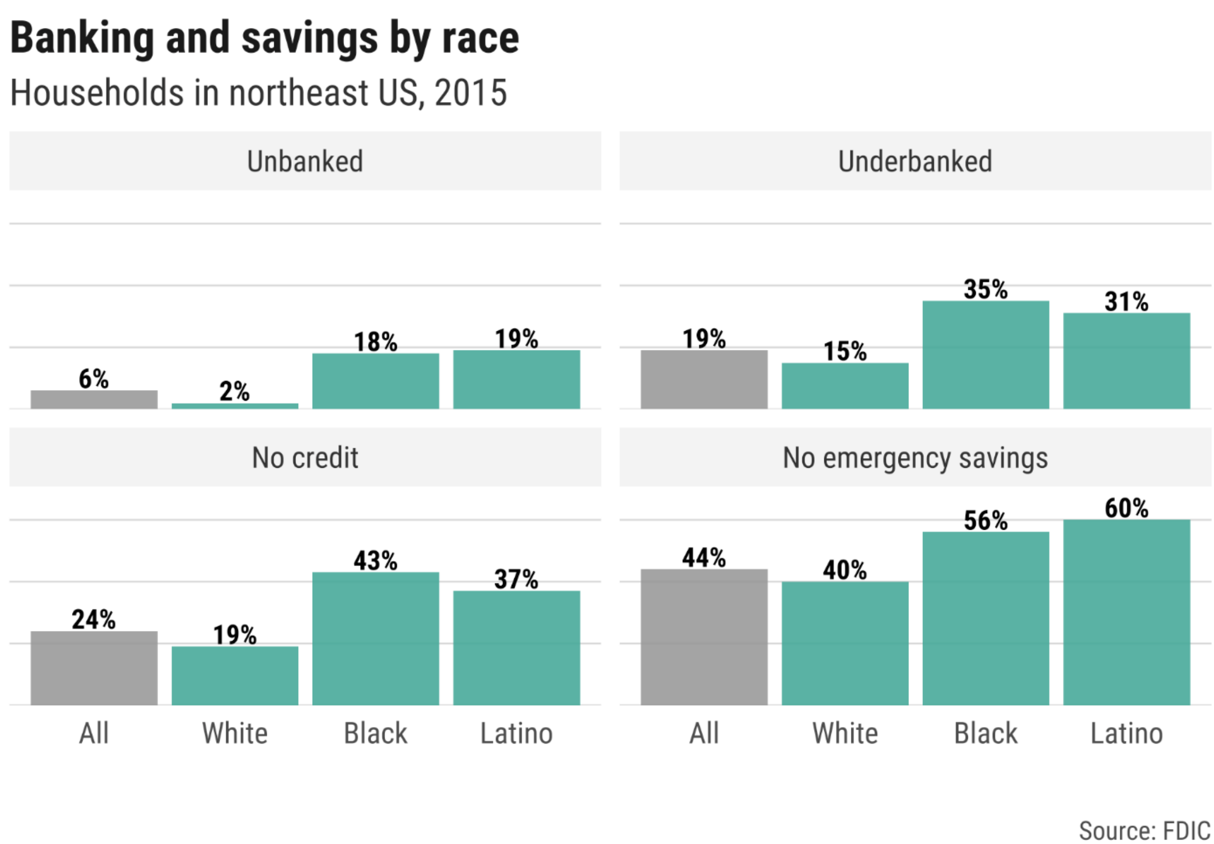


Source: US Census Bureau, 2016 ACS PUMS

Banking and savings

Data on banking, savings, and credit come from the Federal Deposit Insurance Corporation's (FDIC) 2015 National Survey of Unbanked and Underbanked Households. Data used here is for the northeast US[5], as most breakdowns by race were unavailable at a state level for Connecticut. Included here are indicators from the survey that seemed most directly related to residents' ability to become homeowners, though more indicators are available from the survey.

Across the Northeast, black and Latino households are much more likely than white households to be either unbanked (no household members have a bank account) or underbanked (has a bank account, but also uses alternatives like payday loans and check cashing). Black and Latino households are also much less likely to have credit, either from banks or nonbank sources, and are less likely to have money saved for emergency expenses.

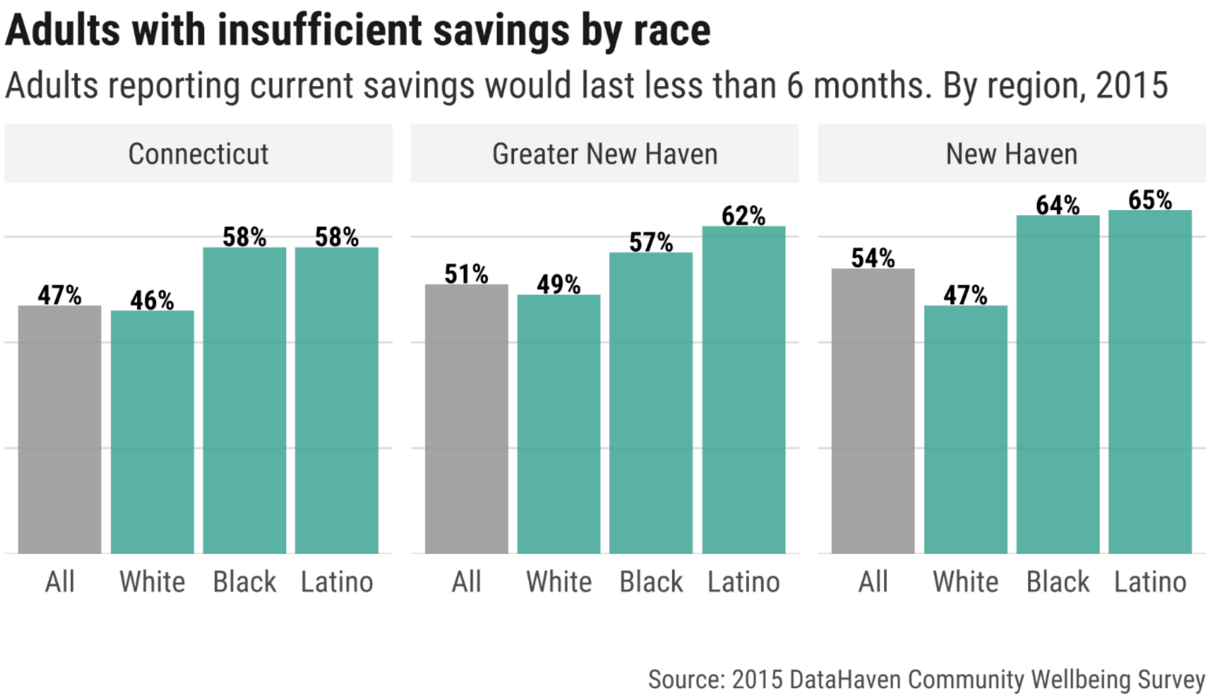


The 2015 DataHaven Community Wellbeing Survey found that throughout the regions, similar disparities appear in whether adults have savings to last more than a few months.[6] When asked how long they could maintain their current lifestyle if they lost all sources of income, half of the region's adults report that their savings in such a situation would last less than 6 months. This rate is higher among black and Latino adults,

[5] Northeast states in this survey are Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont. See https://www.economicinclusion.gov/ for details and downloads.

[6] See Abraham, Mark and Mary Buchanan. (2016). Greater New Haven Community Index. New Haven, CT: DataHaven. Available at ctdatahaven.org for in-depth analysis of survey and other data for the Greater New Haven region.

and even higher in the city, where nearly two-thirds of black and Latino adults are lacking this financial cushion.



Mortgages

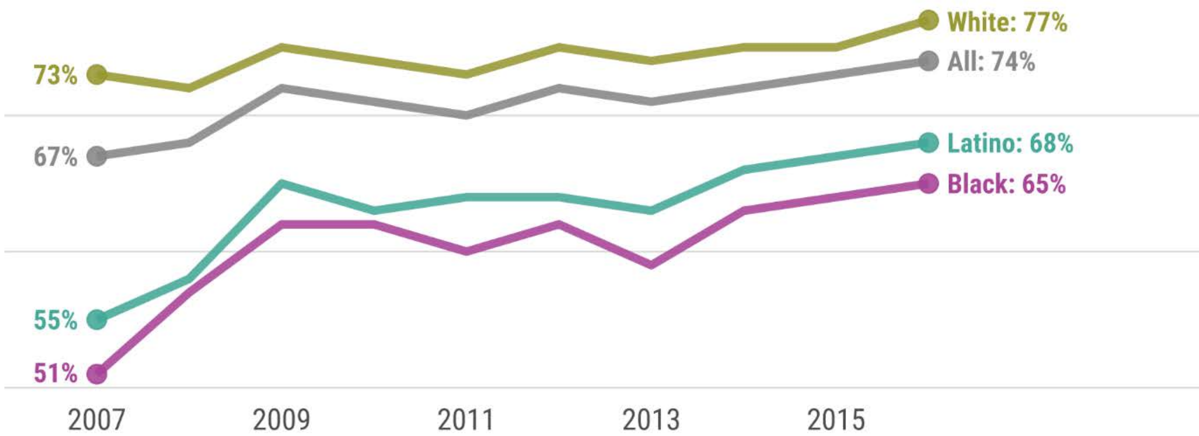
The Home Mortgage Disclosure Act (HMDA) requires the collection and disclosure of data on mortgage applications and loans. Application-level data is available for download from the Consumer Financial Protection Bureau (CFPB) from 2007 to 2016.[7] Of the tens of millions of entries in the HMDA database, data used here is limited to applications for first-lien mortgages to purchase owner-occupied, 1- to 4-family houses in Connecticut; this amounts to more than 400,000 records, including 45,095 in 2016 alone.

Of particular interest in the HMDA data are patterns in which applicants have their loans originated. Since the recession, the number of mortgages originated has declined sharply and begun rising again. During this same post-recession period, the rate of mortgage applications being originated has risen steadily, particularly for black applicants.

[7] See https://www.consumerfinance.gov/ for details and downloads.

Origination rate by race

Share of owner-occupied home purchase applications that were originated
Connecticut, 2007-2016



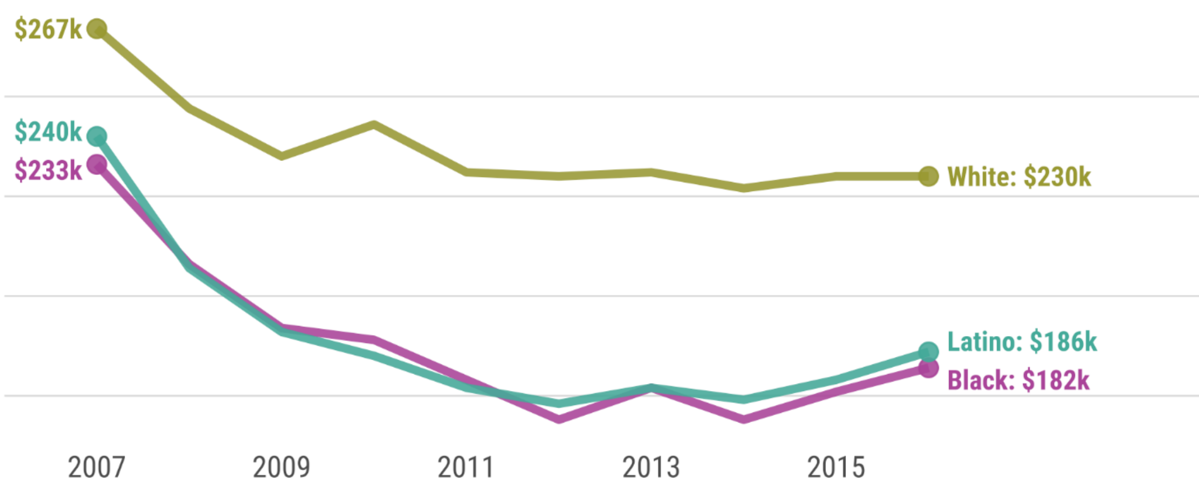
Source: HMDA

On average, the chance that a loan would be originated in 2016 increased as the applicant's income increased. In addition, race affected the likelihood of a loan being granted, such that white applicants were more likely to receive a loan than black or Latino applicants with the same income.

The median amount for which a mortgage was originated in 2016 was $182,000 for black borrowers and $186,000 for Latino borrowers, both nearly $50,000 lower than the median amount for a white borrower.

Median value of originated mortgages by race, 2016 dollars

Owner-occupied home purchase loans, Connecticut, 2007-2016



Source: HMDA

The median value of originated loans in Connecticut has decreased since the recession and began to bounce back up in recent years, but this drop in value has been most severe for black and Latino borrowers. Black and Latino borrowers' mortgages both decreased by about $50,000 between 2007 and 2016, adjusted for inflation to 2016 dollars; this is a decrease of 22 percent for both groups, compared to a 14 percent decrease for white borrowers.

About DataHaven

DataHaven is a non-profit organization with a 25-year history of public service to Greater New Haven and Connecticut. Its mission is to improve quality of life by collecting, sharing, and interpreting public data for effective decision making. DataHaven is a formal partner of the National Neighborhood Indicators Partnership of the Urban Institute in Washington, DC.

Learn more at ctdatahaven.org