

## Do Hispanic Neighborhoods in Chicago Promote or Hinder Homeownership Opportunities?<sup>1</sup>

By Robin Newberger and Maude Toussaint-Comeau

Hispanics are one of the fastest-growing populations in the nation, yet they have one of the lowest rates of homeownership of all racial/ethnic groups. For a large proportion of Hispanic immigrants, particularly those from Mexico and other Latin American countries, housing needs remain critical. Researchers have found that Latino immigrants living in metropolitan areas are much more likely to live in crowded and severely inadequate housing and/or to experience a severe housing cost burden. While homeownership may not be the answer for all immigrants, it is an important aspect of the social and economic adjustment process, and it is often an indication of integration into the U.S. labor, financial, and credit markets.

This article focuses on the Chicago metropolitan area. A phenomenon in Chicago shared by other metropolitan areas is high concentrations of Hispanics in distinct neighborhoods. Seventeen percent of the population across the metropolitan statistical area is of Hispanic origin. By comparison, the Hispanic population in neighborhoods like Pilsen and South Lawndale were 89 and 83 percent, respectively, in 2000. In Rogers Park and Uptown, the percentages were 28 and 20 percent, respectively. Concentrations of co-ethnics have also tended to form in non-traditional locations as Hispanics have dispersed across the city and suburbs.

The question addressed in this article is: whether residential concentration among people with the same ethnicity promotes or hinders the chances of Hispanics to be homeowners.<sup>2</sup> Is homeownership more or less likely for Hispanics who choose to reside in an ethnic location? Determining the validity of these arguments is important in developing place-specific affordable homeownership programs, and attracting and retaining bank branches and other mainstream financial institutions. Relationships with the formal financial sector likely play a role in determining whether households have access to home mortgages

on competitive terms. This question also has bearing on the role of enclaves in the socioeconomic progress and integration of immigrants.

It is not self-evident what might be the effect of ethnic concentration on homeownership. Some researchers have claimed that residents in ethnic enclaves are less likely to be homeowners either because: housing prices are higher in the particular central cities where ethnic groups may be clustered; the housing stock may be limited and of poor quality; or affordability constraints are more of a problem among recent immigrant arrivals. Others have argued that rising housing prices in increasingly dense neighborhoods can encourage homeownership as an investment, and that ethnic networks within enclaves can effectively channel information flows about homeownership opportunities.

The results of the analysis<sup>3</sup> suggest that in the case of the Chicago metropolitan area, Hispanics residing in enclaves are more likely to be homeowners than Hispanics living outside of enclaves. The Hispanic enclaves included in this analysis are six Chicago neighborhoods with the largest concentrations of Hispanics according to the 1990 Census. They are South Lawndale (Little Village), the Lower West Side (Pilsen), two communities on the southwest side of Chicago, Rogers Park and Uptown on the north side.

What is it about the Hispanic enclave that promotes homeownership? According to the analysis, an important factor that creates a positive link between enclave location and homeownership is the presence of long-time residents in enclaves who are likely to be homeowners. Enclave residents who moved from another part of Illinois or from another state in the U.S. are less likely to be homeowners than non-transient residents by 14.7 and 32.9 percentage points, respectively.

A series of other factors in addition to enclave location also affect homeownership. In this study, an increase in average home prices in the neighborhood lowers the

likelihood of homeownership. A 10 percent increase in home values in the neighborhood decreases the probability of homeownership by 2.4 percentage points. The likelihood of homeownership also rises with years since migration. Individuals who migrated five years or fewer are 27.2 percentage points less likely to be homeowners than those with 11 to 20 years since migration.

Other factors, like citizenship status, education, and English language ability also influence the decision to be a homeowner – even as they simultaneously play a role in the decision to reside in an ethnic neighborhood. It is of interest to recognize the dual influence of these traits on both the homeownership and location decisions. For example, being a naturalized citizen increases the likelihood of owning a home by 4.4 percentage points, although naturalized citizenship status is inversely related to the choice to live in an enclave. Householders with a high school or college education are more likely to be homeowners than householders who did not finish high school, although Hispanics with the most human capital tend not to locate in areas with the largest concentration of Hispanics. Conversely, limited English proficiency is negatively associated with homeownership, but has a positive association with enclave location. Accordingly, citizenship, education, and language skills are important in the homeownership decision, but lower levels (or the absence) of these attributes represent less of an obstacle to homeownership in an enclave environment.

The results of this study underscore the role of long-term residency in an enclave for the creation of a homeowner class. In turn, as other research has demonstrated, a high rate of homeownership is an important ingredient for community involvement, improved property maintenance, and neighborhood safety and security. Survey data gathered on Little Village, one of the enclaves analyzed in this study, confirms that a series of innovative housing and economic development initiatives has contributed to this community's vitality. These findings point to the importance of creating amenities in a community that ensure the attachment of residents to the location, as well as policies that make affordable housing options available.

The study also suggests that enclaves serve as an alternative housing market for individuals with lower levels of education or language skills. If, as the analysis finds, education and language are significant determinants of homeownership, and more recent immigrants have lower rates of homeownership, this makes the case for promoting language training and financial education in immigrant communities even stronger. These types of interventions might facilitate, if not expedite, the process of growth in homeownership among newer immigrants.

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1 This article summarizes research by Maude Toussaint-Comeau and Sherrie L.W. Rhine. Their findings appear in *Contemporary Economic Policy*, Vol. 22, No.1, January 2004, pp. 95 -110.

2 The data is based on the Public-Use Micro Statistics (PUMS) of the 1990 census, a period when the concentration of Hispanics in neighborhoods became more noticeable.

3 Results are based on an econometric model.

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