POLICY STUDIES

The Homeownership and Financing Experience In Two Chicago Minority Neighborhoods

Sherrie L. W. Rhine
Federal Reserve Bank of Chicago

Maude Toussaint-Comeau
Federal Reserve Bank of Chicago

Consumer Issues Research Series
Consumer and Community Affairs Division
December 2000 (2000-5)

FEDERAL RESERVE BANK
OF CHICAGO

October 2000

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By

Sherrie L.W. Rhine and Maude Toussaint-Comeau [1]

Abstract

This article documents the homeownership and financing decisions made by Hispanic and Black households in two Chicago ethnic communities to help policy makers, financial institutions and community leaders better understand the homeownership process for these two minority groups. Based on our findings, several policy initiatives and programs are proposed to improve the quality of financial literacy and ultimately homeownership for Hispanic and Black households.

[1] Both authors are economists in the Consumer and Community Affairs Division at the Federal Reserve Bank of Chicago. The opinions expressed in this study are the authors' and do not necessarily represent the opinions of the Federal Reserve Bank of Chicago or the Federal Reserve System. The authors would like to give a special thanks to Jeanne Hogarth and Chris Anguelov, Consumer Policies, Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, DC for their generous assistance in obtaining valuable information from the 1995 Survey of Consumer Finances.

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INTRODUCTION

Purchasing a home is one of the largest and most important financial investment decisions made by a household. For many families, homeownership is a foundation for future financial asset building and wealth accumulation. Increased homeownership also has been linked to improved property maintenance, higher property values, greater community involvement and enhanced neighborhood stability.[1] The opportunity to become a homeowner, therefore, contributes to a community's overall economic stability and growth.

For over eight years, the U.S. has enjoyed economic prosperity and relatively low interest rates. Increased homeownership rates exemplify this economic growth and vitality. In fact, the homeownership rate for married households reached a historical peak of almost 82 percent in 1999 and has generally increased for all household types, adult age groups, family income levels, and ethnic/racial groups over this period.[2]

A closer look at this trend, however, reveals that the homeownership rates for Hispanics and Blacks remained less than two-thirds the rate for Whites over the 1994-1999 period. As shown in Figure 1, in 1994**,** the homeownership rate for White households was 70 percent, 42 percent for Black households, and 41 percent for Hispanic households. By 1999, the homeownership rate for Whites increased to 73 percent, whereas for Blacks and Hispanics the homeownership rate rose to roughly 46 percent.

These facts suggest that a persistent gap in homeownership rates exists between Whites and Hispanics and Whites and Blacks despite a strong economy over this period.

The Fair Housing Act of 1968 and the Equal Credit Opportunity Act of 1974 were established to protect consumers and potential homebuyers from unfair lending practices. The Home Mortgage Disclosure Act of 1975 (HMDA) requires financial institutions to annually report information related to their mortgage lending process.[3] This data is publicly available and provides a detailed picture of how geographic lending patterns vary depending on factors such as applicant income, income geography and the racial/ethnic makeup of a community.[4] Public awareness and debate surrounding issues related to mortgage credit access, especially among lower-income and minority households, have increased in part from HMDA data analyses.[5] While some studies have contributed to our understanding about the aggregate determinants of housing demand, homeownership, and access to mortgage credit, more facts are needed to better understand the process of homeownership and financing for minority households.[6]

The Community Reinvestment Act (CRA) of 1977 encourages financial institutions to help meet the credit needs of their local communities, including low- and moderate-income neighborhoods, consistent with the institution's safe and sound banking practices. According to a recent study by Haag (2000), CRA has contributed to the recent gains in the rate of mortgage lending among lower-income and minority households. In addition, greater availability of affordable housing has resulted from various programs offering low downpayment and/or government-secured mortgage loans (e.g., FHA lending) and low-interest mortgage financing (e.g., HOPE program). Even so, too little is known about the homeownership and financing experience of minority and lower-income households.

This article documents the homeownership and financing decisions made by Hispanic and Black households in two Chicago ethnic communities to help policy makers, financial institutions and community leaders better understand the homeownership process for these two minority groups. Based on our findings, several policy initiatives and programs are proposed to improve the quality of financial literacy and ultimately homeownership for Hispanic and Black households.

A survey was designed to collect information concerning a household's overall financial experiences. It was administered in the South Lawndale community (commonly referred to as Little Village), a predominantly Hispanic neighborhood**,** and in Chatham, a principally Black community. Researchers from the University of Chicago, Center for Urban Inequality, conducted the survey in Little Village, while the Federal Reserve Bank of Chicago sponsored the survey undertaken in Chatham.[7] Questions were included to explore a household's use of formal financial sources and uniquely shed light on a household's use of informal networks (i.e., family, friends and ethnic/neighborhood associations), a less known about source of home financing. Assessing the role and importance of informal financial networks is important because of their potential usefulness in helping households supplement or fill gaps left by formal financial sources. Although the total dollars available from informal sources might be expected to be relatively small, these additional funds may be important at the margin to potential homebuyers, especially lower-income households. That is, accessibility to informal sources of financing may make the difference in whether or not a household can purchase a home (e.g., additional cash needed for a down payment).

THE LITTLE VILLAGE COMMUNITY

Little Village is a relatively stable residential and business community. The profusion of advertising signs written in Spanish along its main business strip (26th street) mirrors the culture of this community. According to the 1990 census, the Little Village neighborhood is a low-income community with a median family income of $23,259. As shown in Table 1, 85 percent of the Little Village population is Hispanic.[8]

Thirty-seven percent of all housing units are owner-occupied, while 63 percent of the housing units are renter-occupied (Table 1). Only a limited amount of new housing stock (owner- or renter-occupied) has been created in recent years. As of the 1990 census, more than half of the housing structures were built prior to 1940 and less than 5 percent of the housing units were built between 1980 and 1989. The median value of a single-family, owner-occupied home is $ 48,552. While the total housing units in Little Village have remained virtually unchanged from its 1960 level, the population has increased by 33 percent. The vacancy rate has declined from 44 percent in 1960 to 7 percent in 1990. To a major extent, new housing construction projects have been difficult to undertake because of limited geographical space available.

Because the Hispanic population has outpaced the creation of new housing stock, Little Village has been experiencing overcrowding, defined as the percent of housing with more than one person per room.[9] This community has the highest rate of overcrowded housing among the communities in the City of Chicago, with four times the rate experienced in the City as a whole.[10] In addition, the average family or household size in Little Village is greater than that experienced elsewhere in the City. In 1990, for example, 45 percent of the households in Little Village were two-parent households with two or more children, whereas in the City of Chicago only 18 percent of the households were comparably defined.[11] Moreover, families in Little Village tend to live in extended family households (e.g., grandparents, parents, children, or other relatives). To help meet the unique housing and community development challenges in this community, Little Village was designated as an empowerment zone in 1994, resulting in several housing and economic development initiatives.[12]

Housing affordability is measured as the ratio of median family income to the median housing value. Ratio values that approach one imply greater affordability. Between 1980 and 1990, the affordability ratio fell in Little Village from 0.59 to 0.46. Based on projected income and housing values, the affordability ratio in 1993 was 0.47 and 0.48 by 1998. Housing affordability, therefore, does not appear to have improved substantially during the 1990s.[13] Nonetheless, Little Village experienced a steady increase in the number of home sales and mortgage-related loans made between 1994 and 1999.[14] This growth is consistent with the home sales and mortgage-related lending that took place in the City of Chicago over this period. Overall, the continued strength in home sales and mortgage financing has contributed to this community's vitality and long-term stability.

Hispanic Homeowner Characteristics[15]

A comparison of selected socioeconomic and demographic characteristics for Hispanic homeowners and non-homeowners is given in Table 2. Turning first to Panel A, the proportion of nuclear-family households is greater for homeowners (76 percent) than for non-homeowners (69 percent).[16] Homeowners also have a greater tendency to be wage earners with relatively higher income, of working age (between 25 and 64), married and longer-term U.S. residents than their non-homeowner counterparts. For homeowners and non-homeowners alike, years of schooling completed are relatively low.[17]

Regardless of homeownership status, the proportion of Hispanic households with a checking or savings account (i.e., a banked household) in Little Village is substantially less than that reported for Hispanics nationwide.[18] As shown in Table 2, 76 percent of the homeowners and 39 percent of the non-homeowners are banked, whereas at the national level the proportions are 94 percent and 51 percent for banked homeowners and non-homeowners, respectively. In Little Village, 23 percent of the homeowners and 61 percent of the non-homeowners have neither a checking nor savings account. More striking is the fact that 44% of the non-homeowners reported that they do not use banking products or services at all, whereas only 8% of the homeowners said they do not use banking products and services (Table 2, bottom of Panel B). Opportunities, therefore, should be explored to bring educational programs and initiatives to unbanked Hispanic households to ensure that they understand the potential benefits from having a relationship with a formal financial institution. In light of the relatively low income of these consumers, it may also be beneficial to investigate whether a low-cost checking account may be a viable alternative for lower-income consumers interested in obtaining a transaction account with a financial institution.

Panel B shows that a large proportion (80 percent) of the homeowners in Little Village had no plans to leave the community (within 2 years after the survey), suggesting that homeownership has contributed to neighborhood stability. In addition, a higher proportion of homeowners state that they socialize with or can count on their neighbors.

A greater willingness to participate in neighborhood or community associations also is reported by homeowners than by non-homeowners. We further find that 87 percent of the homeowners used banking products and services offered within the Little Village community, while only half of the non-homeowners obtained these products and services in their neighborhood.[19] By comparison, only 4 percent of the homeowners and non-homeowners, respectively, obtained these banking products and services outside of their neighborhood. These facts support the proposition that homeownership is strongly linked to increased community integration and stability.

Well over half of the homeowners and non-homeowners in the Little Village survey are not proficient in either spoken or written English. The potential effect of language or possibly culture on homeownership is unclear. It might be expected that a lack of proficiency in the English language (spoken or written) hinder a potential borrower from gaining access to formal credit sources. Alternatively, it is possible that Hispanic homeowners who lacked proficiency in English may have relied more upon Spanish interpreters and/or Spanish-speaking loan officers/institutions (lenders), thereby surmounting any language or cultural barriers that might exist. To investigate this further, a comparison is made of the level of English proficiency between Hispanic homeowners who borrowed from Hispanic lenders and Hispanic homeowners who obtained financing from non-Hispanic lenders. As revealed in Table 3, it is the lack of proficiency in written rather than spoken English that significantly influences the proportion of Hispanic homeowners who use either Hispanic or non-Hispanic lenders. Specifically, we find that the proportion of homeowners, not proficient in written English, who obtained financing from Hispanic lenders (56 percent) is significantly greater than the proportion of comparable homeowners who obtained mortgage loans from non-Hispanic lenders (44 percent).

The fact that a greater proportion of Hispanic borrowers, without proficiency in written English, tended to gravitate toward Hispanic lenders has several important policy implications. First, an opportunity exists for financial institutions to gain market share and better serve its Hispanic population by offering product brochures and application materials in Spanish as well as having Spanish-speaking bank staff (e.g., loan officers) available to serve the public. Second, financial literacy programs targeted to Hispanic households, especially new immigrants or households that consider English as a second language, may be more effective if written materials are provided in Spanish as well as English. Similarly, non-profit organizations, government agencies, regulatory bodies and financial institutions may find it more effective to take a multi-media approach in providing consumer protection and other relevant information targeted to Spanish speaking and other non-English speaking groups. Our findings suggest that bilingual programs aimed at overcoming language or cultural barriers will help these consumers gain the knowledge necessary to make sound financial decisions. Policy makers can assist in this process by encouraging programs that help bridge the information gap created by language or cultural barriers.

Sources Of Home Financing Among Hispanics

In this section, we identify the financing sources used in the home purchase process and ascertain the extent to which credit is obtained. Funding sources include personal savings along with loans from either formal financial institutions or informal networks. As shown in Table 4, the majority of Little Village homeowners used personal savings (81 percent) as well as money borrowed from the formal financial sector (74 percent). Concurrently, 18 percent of the homeowners borrowed funds from informal networks of family, friends and associations. A few households also reported taking less commonly used financing options such as land contracts and revolving credit (e.g., credit cards).

A household's primary financing source is defined as the single largest source of funds used to purchase a home. Additional funding sources, of which there may be several, are considered as secondary financing sources. Focusing on the household's primary financial sources, Table 5 shows that the majority (63 percent) of households borrowed funds primarily through the formal sector. The remaining households purchased their home principally through other sources. Among them, 12 percent purchased their home entirely with personal savings, while 11 percent used informal networks as their primary financing source. These facts point to the relative importance of personal savings and informal networks in the home purchase process for these Hispanic homeowners.

Households who obtained primary financing as loans through informal networks had lower average income level and obtained a smaller dollar amount of financing than households that principally financed their home from formal sector funds. As expected, there is generally no collateral used in these informal transactions. The small number of observations for loans made through the informal sector, relative to those made through the formal sector, however, suggests that caution should be exercised in drawing general conclusions about the terms of credit between these two financing sources. Nonetheless, these findings contribute to our knowledge about the homeownership and financing experience of Hispanic households and encourage additional research to investigate the home financing process in other Hispanic and minority communities.

THE CHATHAM COMMUNITY

The City of Chicago is comprised of 77 neighborhood communities. Over one third of these communities have a majority Black population. Chatham ranked 10th highest in income among the 27 Black communities, with a median family income of $24,008 in 1990.[20] Starting with a Black population of less than 1 percent in 1950, Chatham's Black population grew to 64 percent by 1960 and reached 99 percent in 1990 (Table 6). Many of the current Chatham residents are among the original families that settled into the neighborhood during the 1960's. Over the past four decades it has maintained a stable residential and business community. As shown in Table 6, the overall population in Chatham declined between 1970 and 1990. According to the estimated population figures for 1999, however, a reverse in this trend is evident. Since 1990, the estimated population has grown by almost 7 percent and is expected to reach 39,519 by 2004.[21]

Chatham's homeownership rate in 1990 was 41 percent, a level roughly similar to the rate of homeownership for Blacks nationwide.[22] The quality and composition of the housing stock is an important factor contributing to the stability of this neighborhood. It is comprised primarily of single-family dwellings and two- and three-flat apartment buildings.[23] As a result, the proportion of owner-occupied housing units is relatively high.[24] Housing affordability, defined as the ratio of median housing value to the median family income, has declined in Chatham since 1970 (Table 6). As of 1990, the affordability ratio was 0.43. Based on estimated median housing and family income values, housing affordability has not improved substantially over the 1990s.[25]

Shifts in Chatham's residential population, partially due to the aging population, have likely contributed to the fairly robust new residential construction and home sales activities experienced during the 1990's.[26] Mortgage-related financing also generally increased between 1994 and 1999, reaching a trend high by 1999.[27] Continued home sales and mortgage-related lending, therefore, have helped the Chatham community maintain and expand its housing stock and neighborhood stability.

Black Homeowner Characteristics

Table 7 reports selected characteristics of homeowners and non-homeowners in Chatham. Forty-three percent (84 of 194) of the total sample population are homeowners or live in a home that belongs to a family member. As expected, homeowners have slightly more years of schooling and are older on average. Consistent with the relatively older, retired age profile of the Chatham residents, a greater proportion of homeowners have higher incomes but are not necessarily wage earners.

Overall, the proportion of Black households in Chatham who are banked is substantially higher than that reported for Blacks nationwide.[28] As shown in Table 7, 93 percent of the homeowners and 68 percent of the non-homeowners have a checking or a savings account. At the national level, the proportion of homeowners who are banked is **81** percent, while the proportion of banked non-homeowners is 47 percent. The greatest proportion of unbanked households in Chatham are non-homeowners (32 percent). Given that having a deposit relationship with a financial institution is an important first step toward home ownership, promoting educational programs and low-cost transactions accounts among unbanked non-homeowners in this community (and potentially other Black communities) can help bring these consumers into the mainstream financial sector.

A strong link between homeownership and community integration is supported from the facts reported in Panel B. Here we find that homeowners have a greater tendency to socialize with or rely on their neighbors than do non-homeowners. Homeowners also are twice as likely to be a member of a neighborhood association. Moreover, a greater proportion of homeowners do not plan to leave the neighborhood (within two years of the survey period), suggesting that homeownership encourage residential stability. Seventy-two percent of the homeowners use banking products or services offered within the Chatham community, whereas only 45 percent of the non-homeowners obtain these products and services within the neighborhood. Hence, homeownership is closely tied to neighborhood integration and stability in this Black community.

Sources Of Home Financing Among Blacks

Turning to the sources of home financing utilized in the home purchase process, we find that 76 percent of the homeowners used some portion of their personal savings, while 64 percent obtained at least partial funding from formal financial institutions. In addition, 24 percent used informal financing to fund at least a portion of their home purchase. Loans from formal and informal sources generally covered 90 percent of the home's purchase price, while the remaining funds were drawn from personal savings.[29]

Table 8 displays details about the primary financing sources used by Chatham homeowners. The majority of home-buying activity (61 percent of homeowners) was financed primarily through the formal sector, namely, banks and mortgage companies.

Personal savings represented the second most important primary source for home financing (16 percent of homeowners), while informal financial sources ranked third as a primary source of financing (10 percent of homeowners). Additional investigation of those households that use personal savings as a primary source of financing revealed that they secured their home purchase entirely with personal savings during the 1950s and 1960s.

Reliance on personal savings as a primary funding source has significantly decreased over time. As shown in Figure 2, prior to the 1970s, the proportion of savings used to purchase a home averaged around 25 percent. Between 1970 and 1980, the use of personal savings declined to 17 percent. During the 1990s, the use of savings as the primary source of home financing fell to less than 10 percent. For the most part, the decline in the use of personal savings as a primary funding source was offset by loans obtained from formal sources.

While care must be taken in interpreting these results beyond the Chatham population, these findings make it clear that personal savings and informal networks also have played an important role in home financing. As such, this analysis contributes to our understanding of home financing among Black households and encourages additional research to explore the home financing process in other Black and minority communities.

RECOMMENDATIONS AND POLICY IMPLICATIONS

This study offers unique insights into the homeownership and financing experience of Hispanic and Black households. Based on these observations, several recommendations and policy initiatives are proposed. First, our study finds that a substantial proportion of non-homeowners from both ethnic/racial communities did not have a banking relationship with a formal financial institution. Given the fundamental importance of having an established banking relationship prior to home ownership, several programs and initiatives are recommended. Financial literacy programs can be implemented by community leaders, financial institutions or government agencies to help consumers more clearly understand the potential benefits from having a checking and/or savings account. These programs could also provide consumers with information related to various types of transactions accounts available (e.g., low-cost checking accounts), first-time homebuyer counseling and the financial costs associated with using credit (e.g., payday loans, credit cards and mortgage products).

Second, after documenting the various financial sources used in the home purchase process, this study finds that savings and informal networks were an important funding source used by both Hispanic and Black households. As such, it is important that financial literacy and other consumer education programs highlight the usefulness in accumulating savings and formulating strong informal networks prior to purchasing a home.

Third, this study finds that language and culture played an important role in where Hispanic consumers sought home financing and possibly other financial products and services. As such, culturally diverse financial institutions are expected to have an advantage in attracting minority consumers residing in their assessment (market) area. Based on our findings, for example, financial institutions may benefit from providing product brochures and application materials written in the primary language of their potential customer base. Moreover, gains in market share may also be enjoyed if low-cost checking accounts are offered and/or are more heavily marketed to emphasize the community's ethnic/racial makeup. Community leaders and government agencies can take an active role in bridging the language/cultural gap by organizing English language and financial literacy programs, potentially in tandem with financial institutions.

Finally, in both ethnic/racial neighborhoods studied, lower income was an important factor contributing to non-homeownership. Given that housing prices affect the ability of lower-income households to consider homeownership, policy makers concerned with increasing homeownership and community development may find it advantageous to direct their efforts toward promoting affordable housing project initiatives. Community development lending opportunities, as prescribed by the CRA, and flexible home loan programs also could prove useful in meeting the needs of lower-income and minority households. From a policy perspective, the programs and initiatives recommended in this study are expected to enhance a minority household's ability to make informed financial decisions.

Table 1

Little Village: Selected Population and Housing Statistics

Year	1960	1970	1980	1990
Population	60,940	68,895	75,204	81,155
Percent Hispanic Speaking/Origin [1]	0.2	32	74	85
Percent Black Origin	5.9	10.3	8.6	9
Percent White Origin	93.9	86.1	44.6	27
Total Housing Units	20,308	20,187	20,899	20,030
Percent of Owner-occupied	40	35	34	37
Percent or Renter-occupied	57	59	58	63
Percent Vacant	44	6	8	7
Percent of 1+ Persons per Room (overcrowding)	10	13	25	33
Median Housing Market Value ($)	12,600	12,600	27,700	48,552
Median Family Income ($)	6,408	9,044	16,410	23,259
Affordability Ratio [2]	0.51	0.72	0.59	0.48
Percent of Housing Built Between 1980-1989				4.89
Percent of Housing Built Between 1970-1979				4.7
Percent of Housing Built Between 1960-1969				6.27
Percent of Housing Built Between 1950-1959				12.9
Percent of Housing Built Between 1940-1949				20.65
Percent of Housing Built Before 1940				50.59

Source: 1990 Census of Population and Housing, U.S. Bureau of the Census.
[1] Between 1970 and 1980, the U.S. Bureau of the Census rephrased this question from Spanish speaking to Hispanic origin. Consequently, the category, Hispanic speaking/origin, includes both White and non-White Hispanics.
[2] Authors' calculation. The affordability ratio is calculated by dividing median household income by median housing value. Values closer to 1.0 indicate greater affordability.

Table 2

Selected Characteristics of Hispanic Homeowners and Non-Homeowners in Little Village

Panel A		Homeowners	Non-Homeowners
Sample Size		**119**	**183**
Average Years Residing in the U.S.		25	16
Household Type	Nuclear Family	76%	69%
	Extended Family	21%	28%
	Single Person HH	3%	3%
Marital Status	Married or in Married-like Relationship	78%	72%
	Not Married	22%	28%
	Single Female Head of Household	10%	17%
Employment Status	Unemployed	3%	7%
	Wage Earner	64%	56%
	Self-Employed	4%	4%
	Unpaid or not in Labor Force	22%	31%
Income	1st Quartile (<= $12,000)	9%	33%
	Median (<= $18,720)	16%	30%
	3rd Quartile (<= $30,000)	29%	21%
	4th Quartile (> $30,000)	44%	11%
Average Income		30,102	16,659
Age	< 24	5%	26%
	< 44	61%	60%
	< 64	26%	14%
	> 64	9%	18%
Average Age		42	32
Schooling	Less than 9 Years	59%	44%
	9-12 Years	30%	38%
	More than 12 Years	7%	11%
Average Years of Schooling		8	9
English Proficiency (spoken)	Very Proficient	17%	19%
	Moderately Proficient	27%	24%
	Not Proficient	56%	57%
English Proficiency (written)	Very Proficient	14%	14%
	Moderately Proficient	20%	21%
	Not Proficient	66%	65%
Financial Assets	Checking	30%	15%
	Savings	68%	37%
	Checking and/or Savings	76%	39%
	CD/IRA/Retirement	18%	6%
Panel B			
Community Integration	No Plan to Leave the Community	80%	69%
	Socialize with Neighbors	87%	75%
	Can Count on Neighbor if Need Arises	64%	49%
	Can Count on Neighbor to Borrow $25	72%	60%
	Member of Neighborhood Assoc.	17%	10%
Use Banking Products or Services	In Little Village	87%	51%
	Outside of Little Village	4%	4%
	Do not Use	8%	44%

Notes: Source: Author's calculations based on University of Chicago, 1993-94, Little Village Survey. Percentages may not add up to 100 due to rounding.

Table 3

Selected Socioeconomic Characteristics of Homeowners by Ethnicity of Lender

	Number of Households	Lender Hispanic	 Non-Hispanic
Proficiency Level in Spoken English			
Very Proficient	15	40%	60%
Moderately Proficient	27	41%	59%
Not Proficient	65	54%	46%
Proficiency Level in Written English			
Very Proficient	13	46%	54%
Moderately Proficient	18	28% **	72%**
Not Proficient	76	56% **	44%**
Average # of Years Reside in U.S.	107	20 **	29**
Average Age	107	40 **	45**
Average Years of Schooling	107	7.1	7.2
Average Income	107	27,974	27,971
Sample size	107	52	55

Notes: (**) indicates that the mean proportions significantly differ at least at the 0.10 level between these two groups. The sample size (107) is less than the total homeowners (119) because 12 homeowners did not obtain financing from a lender.
Source: Authors' calculations based on the University of Chicago, 1993-94, Little Village Survey.

Table 4

Sources of Home Financing Among Hispanic Homeowners in Little Village

	Frequency	**Percentage**
Personal Savings	96	81
Formal Loans	88	74
Informal Networks	21	18
Land Contract	4	3
Gifts	8	7
Revolving Credit	6	5

Sample Size = 119

Notes: Multiple responses are possible.
Source: Authors' calculations based on the University of Chicago, 1993-94, Little Village Survey.

Table 5

Primary Sources of Home Financing Among Hispanics in Little Village

	Number	Loan (Mean)	Mean Interest (nominal)	Mean Income	Mean Collateral	Median Value of Home
Formal						
Banks	62	62,101	8	46,468	96,660	120,944
Financial Company	5	93,535	9	48,512	87,918	152,870
Government Agency	2	84,083	7	33,463	0	117,980
Mortgage Company	6	86,130	7	79,818	0	120,798
Total Formal	75					
Percent of Homeowners	63					
Informal						
Rotating Credit Association	2	21,239	5	23,583	0	158,377
Individuals	9	37,480	4	40,931	0	126,821
Place of Work	1	3,796	11	63,266	0	120,206
Sellers' Credit	1	111,164	7	38,113	0	127,044
Total Informal	13					
Percent of Homeowners	11					
Personal Savings	14	*	*	57,593	*	198,293
Percent of Homeowners	12					
Total Homeowners	119					
Percent of Total Sample	39					

Notes: Figures relate only to the single largest loan used by each household. Seventeen respondents (14 percent of homeowners) did not report the financing sources used to purchase their home. * denotes not applicable. Figures in 1996 dollars. Source: Authors' calculations based on University of Chicago, 1993-94, Little Village Survey.

Table 6

Chatham: Selected Population and Housing Statistics

Year	1960	1970	1980	1990
Population	41,962	47,287	40,725	36,779
Percent Black Origin	64	98	99	99
Percent White Origin	36	0	1	1
Percent Hispanic Speaking/Origin [1]	0.3	1.1	1	1
Total Housing Units	14,378	16,900	17,138	17,234
Percent of Owner-occupied	37	39	38	41
Percent of Renter-occupied	58	58	58	59
Percent Vacant	5	3	4	10
Percent of 1+ Persons per Room (overcrowding)	7	6	4	4
Median Housing Market Value ($)	18,200	21,300	39,200	67,452
Median Family Income ($)	7,176	10,772	18,797	29,258
Affordability Ratio [2]	0.39	0.51	0.48	0.43
Percent of Housing Built Between 1980-1989				2.58
Percent of Housing Built Between 1970-1979				5.74
Percent of Housing Built Between 1960-1969				16.58
Percent of Housing Built Between 1950-1959				21.21
Percent of Housing Built Between 1940-1949				20.87
Percent of Housing Built Before 1940				33.04

Source: 1990 Census of Population and Housing, U.S. Bureau of the Census.

[1] Between 1970 and 1980, the U.S. Bureau of the Census rephrased this question from Spanish speaking to Hispanic origin. Consequently, the category, Hispanic speaking/origin, includes both White and non-White Hispanics.

[2] Authors' calculation. The affordability ratio is calculated by dividing median household income by median housing value. Values closer to 1.0 indicate greater affordability.

Table 7

Selected Characteristics of Homeowners and Non-Homeowners in Chatham

Panel A		Homeowners	Non-Homeowners
Number		**84**	**110**
Employment Status	Unemployed	1%	8%
	Wage Earner	49%	55%
	Self-Employed	11%	8%
	Retired or not in Labor Force	33%	22%
Income	1st Quartile (<= $12,000)	12%	25%
	Median (<= $18,720)	14%	24%
	3rd Quartile (<= $30,000)	24%	16%
	4th Quartile (> $30,000)	31%	13%
Average Income		48,149	29,578
Age	< 24	1%	7%
	< 44	31%	48%
	< 64	39%	29%
	> 64	29%	15%
Average Age		54	45
Schooling	Less than 9 Years	4%	5%
	9-12 Years	56%	69%
	More than 12 Years	70%	51%
Average Years of Schooling		14	13
Financial Assets	Checking	80%	49%
	Savings	80%	54%
	Checking and/or Savings	93%	68%
	CD/IRA/Retirement	61%	22%
Panel B			
Community Integration	No Plan to Leave the Community	93%	85%
	Socialize with Neighbors	87%	66%
	Can Count on Neighbor if Need Arises	85%	60%
	Can Count on Neighbor to Borrow $25	80%	55%
	Member of Neighborhood Assoc.	44%	21%
Use of Banking Products or Services	In Chatham	72%	45%
	Outside of Chatham	27%	29%
	Do not Use	1%	26%

Notes: Percentages may not add up to 100 due to rounding.
Source: Authors' calculations based on Federal Reserve Bank of Chicago, 1997-1998 Chatham Survey.

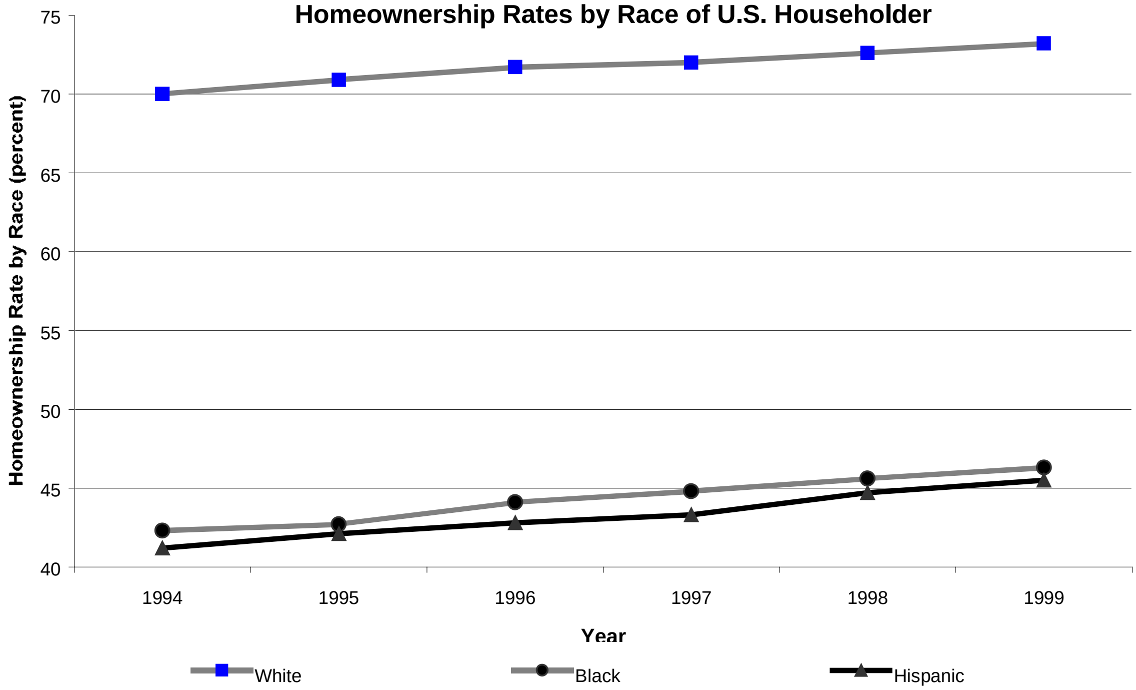
Table 8

Primary Sources of Home Financing in Chatham

	Number	Mean Interest (nominal)	Loan (Mean)	Median Purchase	Mean Household Income
Formal					
Bank	22	7.3	82,211	102,210	43,589
Mortgage Company	13	10.4	82,613	97,006	67,380
Finance Company	3	10.7	61,948	74,221	57,500
Government Agency	3	6.7	57,340	76,829	47,500
Other Formal	5	30.5	61,370	116,896	37,429
Undeclared Formal	1	-	-	144,928	76,000
Total Formal	47	9.6	78,215	92,734	50,622
Percent of Homeowners	61				
Informal					
Relatives	3	0	72,962	160,861	39,500
Social Organization	2	4	111,532	11,532	1,185
Undeclared Informal	3	-	-	119,595	34,333
Total Informal	8	2.7	92,247	50,272	30,531
Percent of Homeowners	10				
Personal Savings	12	*	*	137,818	50,986
Percent of Homeowners	16				
Total Homeowners	77				
Percent of Total Sample	40				

Notes:
Median year of all house purchases is 1970. Figures relate only to the single largest loan used by each household. Ten respondents (13 % of homeowners) did not report the financing sources used to purchase their home. * denotes not applicable. Figures in 1996 dollars. Source: Authors' calculations based on Federal Reserve Bank of Chicago, 1997-1998 Chatham Survey.

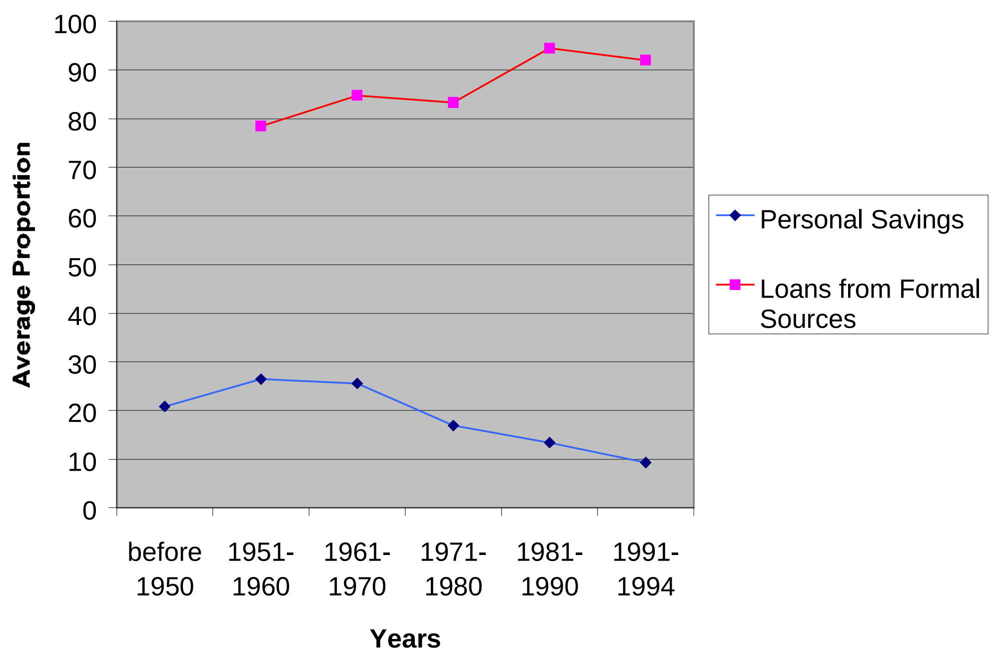
Figure 1
Homeownership Rates by Race of U.S. Householder



Source: U.S. Census Bureau

Figure 2

Loans and Savings as a Proportion to the Home Purchase Price in Chatham



Endnotes

[1] Rohe and Stewart (1996) and Cox (1982).

[2] Among the groups experiencing gains in homeownership are lower-income households; single-parent, female-headed households; minority households; and unmarried, single adults. For details, see the report, The State of the Nations Housing, written by the Joint Center for Housing Studies of Harvard University (1999).

[3] See *A Guide to HMDA Reporting Getting It Right!*, Federal Financial Institutions Examination Council, 1998, for a detailed description of HMDA and its implementation as described through Regulation C from the Board of Governors of the Federal Reserve System.

[4] HMDA data are available to the public in various formats, including magnetic tape, PC diskette, CD-ROM, and through the Federal Financial Institutions Examinations Council (FFIEC) web site at www.ffiec.gov. The Federal Reserve Bank of Chicago publishes a HMDA Profile publication series that provides information on mortgage lending in major metropolitan statistical areas in the Chicago Federal Reserve Bank district. This publication series is available online at www.frbchi.org for the years 1995 – 1999.

[5] A discussion of the potential bias in evaluating mortgage lending trends by ethnic/racial group using HMDA data is found in Huck (2000).

[6]See Dusansky and Wilson (1993). A review of the literature concerning discrimination in mortgage lending is provided by Ladd (1998).

[7] These two research projects also included a random survey of small business owners. See Huck et al (1999) for an analysis of business financing in these two communities. See also Bond and Townsend (1996).

[8] Local Community Fact Book, Chicago Metropolitan Area (1990).

[9] This is the definition used by the U.S. Bureau of the Census. See Local Community Fact Book, Chicago Metropolitan Area, 1990.

[10] Local Community Fact Book, Chicago Metropolitan Area (1990).

[11] Residential Marketing Services, Inc. (1993).

[12] The Empowerment Zone/Enterprise Community (EZ/EC) program was established in the Fall of 1993 under the Federal Omnibus Budget Reconciliation Act. The program was designed to empower people and communities across the United States to work together to develop a strategic plan designed to create jobs and opportunities in the nation's most impoverished urban and rural areas.

[13] Residential Marketing Services (1993).

[14]The trend in mortgage-related lending includes home purchase loans (conventional plus government-insured, FHA/VA/FmHA-insured), refinance loans and home improvement loans drawn from the FFIEC, HMDA data, 1994-1999. The Chicago Association of Realtors provided the 1994-1999 trend in home sales for Little Village and the City of Chicago.

[15] The data used to analyze homeownership among Hispanics is from the 1994-1995 University of Chicago, Little Village Survey. The survey data were collected from bilingual interviews conducted among

randomly selected households, yielding 328 interviews. Hispanic households comprised 92.3 percent of the Little Village sample.

[16] A nuclear family is defined as a family with at least one adult and dependent children present, whereas an extended family is defined as a family with at least one adult with dependent children and other family members present.

[17] Based on national trends, educational attainment is lower and the high school drop-out rate is higher among Hispanics relative to non-Hispanics. The average years of school completed by the respondents in this survey are somewhat lower than the national average.

[18] Checking and savings account ownership at the national level were calculated from the 1995 Survey of Consumer Finances, Board of Governors of the Federal Reserve System, www.federalreserve.gov/pubs/oss/oss2/scfindex.html.

[19] Banking products and services include checking and/or a savings accounts, credit products (e.g., mortgage loan), check-cashing services and money orders.

[20] Based on the U.S. Housing and Urban Development (HUD) estimates, median family income was $40,346 in 1999. A listing of Black community rankings for the City of Chicago is given in the article, Chicago Tribune Homes, Chatham Chicago Profile.

[21] Sources: U.S. Census and Claritas Inc., Chicago Tribune Homes, Chatham Chicago Profile.

[22] Source: 1990 Census of Population and Housing, U.S. Bureau of the Census.

[23] Local Community Fact Book, Chicago Metropolitan Areas (1990).

[24] The U.S. Bureau of the Census divides counties into small geographical areas, called census tracts, based on demographic information from the 1990 Census of Population and Housing. For example, according to the U.S. Bureau of the Census, two of the census tracts in the Chatham community had an owner-occupied housing rate of 93 percent and 71 percent, respectively.

[25] Based on the 1999 estimated median housing price of $90,000 and the 1999 estimated median household income of $40,346, the affordability ratio in Chatham was 0.45. (Source: Chicago Tribune Homes, Chatham Chicago Profile)

[26] This trend is based on new residential units authorized from building permits based on information obtained from the U.S. Bureau of the Census and data provided by the Chicago Association of Realtors which also shows that home sales increased in Chatham and the City of Chicago from 1994 to 1999.

[27] The trend in mortgage-related lending includes home purchases (conventional plus government-insured, i.e., FHA/VA/FmHA-insured), refinance and home improvement loans and is based on the FFIEC, HMDA data, 1994-1999.

[28] Checking and savings account ownership at the national level were calculated from the 1995 Survey of Consumer Finances, Board of Governors of the Federal Reserve System, www.federalreserve.gov/pubs/oss/oss2/scfindex.html.

[29] These calculations are available from the senior author.