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Ethnic Immigrant Enclaves and Homeownership: A Case Study of an Urban Hispanic Community

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Introduction and Summary

For many families, homeownership is a foundation for future financial asset building and wealth accumulation. Increased ownership in communities is found to encourage greater resident participation and to enhance neighborhood stability. Its expansion is associated with improved property values and economic growth of communities (Cox, 1982; Rohe and Stewart, 1996). Given the importance of housing tenure, a vast array of studies has sought to analyze its determinants and variations across ethnic/racial groups. Consequently, the demographic characteristics and housing market parameters that guide the choice of ownership by individuals are well established (Goodman, 1988).

The migration experiences of groups with a large proportion of non-U.S. born, such as the Hispanics, bring to the analysis of homeownership an important dimension that is much less studied and understood. Like investment in the host country's language and in the host country-specific skills, a residential investment by an immigrant family, hinges on their commitment to a particular community and is a potential step toward their integration into mainstream culture and society. Further, because the home purchase process requires a relation with a financial institution, homeownership reflects a certain level of adaptation by the immigrant head of household into the country's credit/financial system. For these reasons, it is important for studies of the economic and upward mobility of immigrants to better understand the general process of immigrant families' social and economic incorporation through homeownership.

This study aims to contribute to the related literature with a case study analysis of homeownership determinants in a Hispanic enclave community. A unique data set drawn from a

survey conducted on a random sample of the population in South Lawndale is used. [1] South Lawndale is located on the southwest side of the City of Chicago and is also known as Little Village. Several aspects of the community lend themselves well to this investigation. Little Village became increasingly Hispanic starting in the 1960s and is today home to the largest concentration of Mexicans in Chicago. As a residential area, it has remained stable in light of shifts in the racial/ethnic composition of its population over the years. According to the U.S. Census, the homeownership rate has leveled off around 40 percent from 1960 to 1990. There is thus a tradition of homeownership in the community. The data from the survey offer a unique glimpse into the core of specific language- and cultural-based factors that might instigate the particular homeownership experiences of Hispanics evolving in a typical immigrant community.

Little Village exhibits characteristics found in a typical ethnic enclave, with its main commercial streets having a preponderance of ethnic businesses offering services in Spanish, including banking and financial services. Many homeowners who lack English proficiency still were able to finance their home purchase through a Hispanic lender/institution. The enclave context is thus deemed important in explaining the residents' homeownership experience. An innovative contribution of this study, afforded by the particular data set used, is its conceptualization of the community/enclave dynamics into the homeownership process.

The relative dearth of studies that have analyzed immigrant groups' variations in homeownership has highlighted the importance of immigration characteristics. Hence, in addition to socioeconomic and life-cycle characteristics, factors such as language ability, the length of time since immigration, and the location context (whether there is a prevalence of

[1] The 1994-1995 Little Village Survey was originally funded by the Center for the Study of Urban Inequality of the University of Chicago, with Richard Taub, Marta Tienda, and Robert Townsend as primary investigators. The project also received financial support from the National Science Foundation.

similar ethnic population) are typically included into studies of immigrant homeownership (Alba and Logan, 1992; Krivo, 1995; Coulson, 1999).

In the tradition of previous studies, this paper develops a tenure-choice model, but adjusts for immigration characteristics. Similar to earlier studies, the results show that homeownership in Little Village is a function of socioeconomic characteristics, including household income, financial assets (a measure of accumulated wealth), and life-cycle factors such as the age profile of the community. Moreover, the likelihood of homeownership significantly increases with the number of years resided in the U.S.

Stipulated as reflecting the particular community's enclave dynamics, human capital (e.g. education) increases the probability of homeownership, but at a decreasing rate. On average, the survey reveals a relatively lower level of schooling for homeowners and non-homeowners alike. Likewise, the majority of the sample population reported lacking proficiency in both written and spoken English. These findings are consistent with the lower level of human capital, typically found within immigrant enclaves.

The remainder of this paper is organized in four sections: the next section provides a discussion of the theoretical issues involved in homeownership, with a particular emphasis on the interactions of immigration-linked characteristics and the immigrant enclave context with tenure choice. In the third section, a description of the survey and the sample population is provided, while the fourth section reports a binary probability model of homeownership and lender choice. Policy implications are discussed in the final section.

Theoretical Discussion

The Choice of Purchasing

Based on *optimization* theory, the decision to purchase a home depends on whether the projected expenditure exceeds a threshold value tantamount to the cost of the next best alternative (in this case, renting). This threshold value is unique to each potential buyer because it depends on each individual's characteristics.

The housing choice reflects demographic and life-cycle characteristics that generally fall under the descriptor of individuals' *tastes* or *preferences*. Size of the household and age of the household head are among the common examples. For instance, Hispanic families, particularly Mexican-Americans, live in reportedly larger extended family households. Those in larger families with children or extended family members may chose not to rent because they need more space which a home may offer. It is also possible that extended family members may be able to pull resources together to jointly purchase a home they otherwise could not afford.[2] Older heads of household may be more willing to *settle* in a home in a particular location. They are also better able to afford a home as they typically have accumulated more wealth, which is a necessity for a down payment. Research employing national data show that Hispanic immigrant heads of household are younger, thereby contributing to the lower homeownership rates of Hispanics in the U.S. (JCHS, 1999).

However, the tenure choice of individuals, irrespective of tastes and pertinent socioeconomic or income factors, may be influenced by factors beyond their control. Notably, discriminatory practices in the housing and credit markets may prevent some members of a minority ethnic/racial group or immigrants (e.g., with a distinctive foreign accent, color, culture etc.) from achieving their desired ownership goals. The impact on homeownership from racially

[2] Other researchers have suggested an opposite effect of household size. For example, Borsch-Supan (1986) assumed that factors like household size and number of dependents would be negatively related to homeownership because of greater non-housing expenditures.

motivated discriminatory treatment has been addressed in several studies (Fix and Struyk, 1993; Munnell et al., 1996; Ladd, 1998).

Immigration-Linked Characteristics and Homeownership

The immigrant experience of some groups may have an even more potent impact on ownership outcomes. The intricacies of the home purchase process require a certain level of financial acumen and mastery of the English language, which might be more difficult for Hispanic and other non-native English speaking immigrants (Cheney and Cheney, 1997; Ratner, 1997; Hamilton and Cogswell, 1997).

Unfamiliarity with the U.S. credit system may result in households being less informed of opportunities that could increase their chances of attaining homeownership. Although not empirical, some anecdotal and journalistic evidence have suggested that this lack of information also may lead to some immigrants being less willing to absorb debt inherent to the home purchase process (Gerlin, 1996). Therefore, the number of years since an individual has immigrated in the U.S. is important. It often dictates the extent to which an individual may be familiar with the U.S. housing market and credit system and is able to establish a credit history. From the lender's point of view, the length of time a person has resided at a particular address in the U.S. can even be considered for lending qualification purposes (Warren, 1995).

The longer an immigrant has lived in the U.S., the more language proficiency and familiarity with the financial system are acquired, the less the influence of the immigrant status on homeownership. This point is fairly self-evident. What is less certain, and yet of much interest, is the actual time it takes for a householder to become a homeowner after migration into

the U.S. Toussaint (1998) argued that different immigrant groups, depending on their motivation for migration --whether political or economic-- whether or not they plan to repatriate, and depending on age at the time of migration, have different incentives (and incur different opportunity costs) to invest in *host country-specific* labor market skills. Considering the fact that a general integration into the U.S. economic system is also crucial for homeownership, then one would expect different outcomes for homeownership depending on the group motivation and cost of integration into mainstream financial market culture. Interestingly, Krivo (1995) finds that the negative effect on homeownership of being foreign-born does not disappear until after thirty-six years for Hispanics.

Immigrant Enclave and Tenure Choice

As a byproduct of the natural process of immigration --family reunification and initial unfamiliarity with the host country housing market-- immigrant groups tend to concentrate in distinct locations in the U.S. (Bean and Tienda, 1987; O'Hare, 1992). Researchers also have argued that the location, whether or not there is a prevalence of similar ethnic population (often referred to as an ethnic enclave), is a direct factor in predicting tenure choice (owning versus renting) (Alba and Logan, 1992; Krivo, 1995). On one hand, a large concentration of immigrants may give rise to greater and more viable ethnic networks. Such networks are likely to thrive in communities with ethnic businesses or banking and financial institutions with employees who speak the immigrants' language and who are familiar with their culture. The availability of media such as TV, radio, and newspapers that target immigrant enclaves and diffuse information in their language would also contribute toward channeling the flow of information about housing ownership opportunities. In such an enclave context, it is easy to see that lack of English

language ability or unfamiliarity with the credit system, which typically would hamper homeownership, becomes less consequential. Hence, an immigrant enclave would positively increase homeownership for the group.

On the other hand, the possibilities for homeownership inside immigrant enclaves may also be hindered. This can arise from the supply-side aspect of the particular housing market in the community. It has been reported, for example, that Hispanic immigrants tend to be in locations with poorer quality and more crowded rental housing (Krivo, 1995). This can also be due to demand-side limitations, whereby low-income and more recent immigrants, concentrated in one location, may have greater affordability constraints (McArdle and Masnick, 1995). In addition, it is possible that some immigrants (e.g., those that have acquired language skills transferable to outside the enclave) may view ethnic enclaves as a temporary means for saving and will later move into a more “attractive” community. This behavior would be consistent with the fact that the labor market returns are often higher outside immigrant enclaves as supported by studies on the location choice of immigrants with different skill levels (Funkhouser and Ramos, 1993; Toussaint, 1998). The extent to which immigrants with higher human capital self-select themselves into outside-enclave housing markets is discussed in Gonnzalez (1998).

Given these various contrasting forces, the net influence of location on homeownership is uncertain. Krivo (1995) found that the "immigrant context"[3] decreases the likelihood of owning among Hispanics. However, the magnitude of this influence differs by Hispanic subgroup. Specifically, the negative effect of the immigrant concentration on homeownership is more subdued for Mexicans than non-Mexican Hispanics. At the same time, the Mexican location

[3] Krivo defines the “immigrant context” as an index incorporating the percentage of the population that is Hispanic and foreign-born, that is Hispanic and living in the U.S. 10 years or less, and that is Hispanic and speaks English less than very well within the metropolitan area.

context leads to more pronounced crowding (and lesser quality housing). The latter fact, Krivo purports, is driven by an apparent taste of Mexicans for larger size families.

These findings suggest the need to look into the specific nature of immigrant enclaves and the neighborhood-specific socioeconomic and demographic dynamics in assessing individual immigrant groups' prospect for homeownership.

Data and Sample Description

The survey instrument used in this analysis was designed for a multi-ethnic study of overall financial service utilization. It was implemented in Little Village because of its distinct and well-recognized ethnic community.[4] The household survey universe was constructed by using a multistage full probability sample model based on the U.S. Census block groups. The 1994 survey data was collected from bilingual interviews conducted among randomly selected households, yielding 328 interviews and a response rate of 73 percent. Ninety-two percent of the sample population was Hispanic, of which 85 percent were born in Mexico. Of the remainder, 4 percent were White, 1.5 percent Black and 1.8 percent were Arab. Altogether, 20 percent of the respondents were born in the United States. Thirty-nine percent of the Hispanics were homeowners. The homeownership rate of Hispanics in Little Village is consistent with national figures for Hispanics, which was 37 percent in 1994 (U.S. Bureau of the Census).

Descriptive Characteristics of Homeowners versus non-Homeowners

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[4] The LittleVillage Survey project also included a separate survey conducted on a random sample of small business owners. See Huck et al. (1999) for an analysis of business financing using the Little Village Survey data along with other neighborhood data. See also Bond and Townsend (1996) for an analysis of formal and informal financial markets in the Little Village community, using both the household and the business survey.

Table 1 displays a comparison of selected socioeconomic and demographic characteristics for Hispanic homeowners and non-homeowners in Little Village (see the appendix for a definition of all abbreviated names and acronyms). The proportion of nuclear-family households is greater for homeowners (76 percent) than for non-homeowners (69 percent). Homeowners have slightly more dependents and a larger household size than non-homeowners; and they tend to have higher income, to be older, married, and longer-term U.S. residents than their non-homeowner counterparts.

For homeowners and non-homeowners alike, the number of years of schooling completed is relatively low.[5] In addition, well over half of the respondents, regardless of tenure status (owner or renter), reported that they are not *proficient* in either spoken or written English.[6] The possible effect of language or potentially cultural background on homeownership is unclear at this descriptive level of the analysis. It might be expected that a lack of proficiency in the English language (spoken or written) would 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-speaking interpreters and/or loan officers/institutions (lenders), thereby surmounting any language or cultural barriers. This proposition is supported by some facts reported in Table 2. Conditioned upon homeownership, a comparison is made of the level of English proficiency between those who borrowed from Hispanic lenders and those who borrowed from non-Hispanic lenders. As shown, it is the lack of

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[5] Based on national trends, educational attainment is lower and the high school dropout rate is higher among Hispanics relative to non-Hispanics. The average number of years of schooling completed by the respondents in this survey is lower than the national average.

[6] The word "proficiency" is being used throughout the paper to be consistent with the terminology used in the survey questionnaire. It is understood to be equivalent to speaking or writing "well".

proficiency in written rather than spoken English that significantly influences the proportion of Hispanic homeowners who use either Hispanic or non-Hispanic lenders. Specifically, the proportion of homeowners, not proficient in written English, who obtained financing from Hispanic lenders (56 percent) is significantly greater than that of comparable homeowners who obtained mortgage loans from non-Hispanic lenders (44 percent). Also, the mean proportion of other variables that may capture the level of adaptation by the immigrant into the United States, including age of the head of household and length of time in the U.S., are significant among those who choose lenders of Hispanics versus non-Hispanic ethnicity.

Probabilistic Model of Homeownership

The purpose of the empirical investigation is to evaluate the importance of specific characteristics on the likelihood of choosing to own versus rent in this immigrant enclave. It is thus important to note that the findings may not necessarily extend to the wider Hispanic population but rather to the sub-population from which the data is taken for this neighborhood study.

The dependent variable, OWN, is a *tenure choice* variable which equals one if the household head is an owner-occupier and zero if a renter-occupier. Given the dichotomous nature of the dependent variable a logistic regression model is estimated. The explanatory variables account for socioeconomic, lifecycle, and immigration factors that theoretically underlie housing tenure choice of individuals. [7] Market parameters, such as the value-rent ratio and owner/renter price ratio, typically necessary to control for variants in location characteristics, are not necessary

[7] All the variables referred to and discussed here are defined in the Appendix.

for this analysis because of the location homogeneity (everyone lives in the same neighborhood and faces the same housing market).

INCOME is measured as total household income from all sources and is expected to be an important, if not the dominant factor for homeownership. Another socioeconomic indicator, ASSETS, includes the total dollar amount in savings accounts and in other certificate and investment accounts.

A preliminary investigation of the data suggested the existence of a potentially non-linear relationship between the dependent variable, OWN, and the number of years of schooling, YRSCHL. Consequently, a quadratic transformation of YRSCHL is included in the analysis. More schooling tends to facilitate one's ability and productive efficiency in becoming proficient in a second language (Chiswick and Miller, 1992; Toussaint, 1998) and in becoming more familiar with the financial market. As such, schooling is expected to increase the likelihood of ownership. However, given the enclave characteristics of the community and the lower average number of years of schooling completed in the community, the importance of schooling may be overstated for ownership in this particular community.

In the immigration and labor market adaptation literature, the coefficient on earnings of years since migration is viewed to represent the growth in earnings that corresponds with years of residence in the United States (Chiswick, 1978; Borjas, 1985). In the housing market, number of years since migration not only captures upward mobility as was proposed in this paper, it allows for infusion into the U.S. credit/financial culture that is necessary for homeownership. As such, YSM, years since migration, is expected to have a positive influence on homeownership. However, the data precludes our ability to account for temporary, illegal residency status, or periodic out of country moves that would curtail earnings and hence the likelihood of

homeownership. As such, this proxy may overestimate the full effect on homeownership of length of time living in the U.S.

The relation between YSM and homeownership has been found to have a decreasing slope in certain housing markets for immigrants in Canada and Israel (Epstein and Semyonov, 1999; Laryea, 1999). The non-linearity arises from the fact that housing prices in those markets had risen more than wages and most investments, and the later an immigrant enters the housing market, the more difficult it becomes to accumulate wealth and achieve homeownership. Similarly, housing prices in Little Village and surrounding areas have risen (by more than 15 percent). To the extent that wages have increased by less, a parallel situation (as in the Canadian and Israel cases) may result in the Little Village housing market. A quadratic specification is considered for YSM to capture any possible non-linear relationship between that variable and homeownership.

There are considerable transaction and moving costs incurred in relocating (e.g., the duration of the home buying or selling process), and depending on whether or not individuals plan to repatriate, some immigrants might choose not to purchase a home. In the neighborhood survey, respondents were asked whether or not, and where, they planned or expected to move in the next two years following the survey. The dummy variable, REPATRIATE, is equal to 1 if respondents stated that they planned to move back to their country of origin (e.g., for most of them, Mexico), or 0 otherwise. It is used to capture reverse migration effects on the homeownership decision by the Hispanics.

Acquired English language fluency is important human capital for immigrants and is a proxy for assimilation that is likely to facilitate integration into the financial system. It is thus expected that those with greater English language proficiency would be more likely to own,

relative to those with less language fluency. At the same time, a lack of English language proficiency may not hamper ownership given the enclave nature of the community, where transactions may be conducted in Spanish. The variables included to measure a deficiency in the English language are NOWRITE and NOSPEAK. They correspond to respondents' self-declared lack of proficiency in written and spoken English.

Although to a lesser extent in homeownership studies, the influence of individuals' psychological variables and their role in some major consumer goods purchase decision is well-documented (Katona, 1975; Van Raaij, 1989; Hempel and Punj, 1999). When conceptualizing tenure choice, it is also crucial to account for attitudinal or perceptual factors that might affect how an individual feels toward credit or is willing to risk taking credit. The Little Village survey had a module of questions to gauge an individual's attitude toward formal credit. Such an inquiry is important when considering immigrant groups where common cultures and preference toward informal markets (e.g., loans through family, friends and ethnic associations) may play a role in whether or not they are even willing to seek formal credit needed to purchase a home. Respondents were asked to list different sources of financing or ways of financing they would hypothetically consider, should they be in need of financing (e.g., for the purchase of a home). The dummy variable DISPOSE is equal to 1 if respondents said they would seek credit from a bank or other financial institutions, or 0 otherwise. This variable is hypothesized to have a positive influence on the likelihood of homeownership.

Respondents also rated either as a *very serious* problem, a *moderate* problem or as *not* a problem, factors that would prevent them from engaging in an investment (e.g., starting a business). The dummy variable, PERCEIVE, is equal to 1 when the individual rated as a very serious problem that the unwillingness of the financial institution to provide financing, or 0

otherwise. It is posited that such a perception would also turn a potential borrower away from seeking financing for a home purchase.

Results

Determinants of Homeownership in Little Village

The model estimates the influence of relevant independent variables on the likelihood of being a homeowner. Table 3 reports the coefficient estimates and the corresponding marginal effects of these characteristics. As expected, INCOME and ASSETS are strong influential factors. US_BORN, whether or not respondents were born in the U.S. was added as a control variable. Consistent with the immigrant characteristic of the neighborhoods, being born in the U.S. is associated with a decrease of 39 percentage points in the likelihood of owning a home in the neighborhood. The other control variable for age and marital status held the usual results.

There was support of a concave relationship between YSM and homeownership in Little Village, consistent with expectation. However, due to the high correlation between the quadratic terms for age and that of years since migration, the later was omitted in the final model reported. In Table 3, each additional year since migration into the U.S. is shown to increase the likelihood of homeownership by 2 percentage points.

Schooling was another influential predictor of ownership. The effect of schooling on homeownership increases but at a decreasing rate as shown by the negative coefficient of the squared term for schooling. It is possible that those with lower human capital may self select to reside in the enclave community, while those with higher human capital may self select outside the enclave community. However, without the possibility of utilizing information collected about

those who actually choose to leave the community, to the extent that self-selection bias exists, the coefficient as reported for schooling may be overestimated.

Other factors held constant, DISPOSE and PERCEIVE do not influence the probability of homeownership. They were omitted in the final model reported here. Interestingly, these attitudinal variables are significant with the expected signs in specifications that do not control for income and/or years since migration. This suggests that income and length of time lived in the U.S. may shape one's disposition toward seeking financing through a formal financial institution and one's perception about the outcome of his efforts to obtain financing.

The lack of significance of the size of the household variable, HHSIZE is possibly due to the lack of variability in family structure and size among owners and non-owners, as seen in the descriptive statistics. In this study, the potential to return to the country of origin, as proxied by REPATRIATE, planning to move within 2 years of the survey, does not affect the homeownership decision. The short-term planing horizon captured in the survey responses is likely to have limited the full effect of the influence of repatriation on the decision to own. Furthermore, a lack of language skills has no significant bearing on housing tenure choice in Little Village, consistent with the observation of a deficiency in language shared by the majority of households in the community.

The Choice of a Lender

A subsequent line of investigation is to ascertain how less endowed homeowners, in terms of English language and level of schooling, are likely to conduct (financial) transactions geared toward the purchase of their homes in the community. Given a lack of these human capitals, we assume that a language or cultural affinity would exist between the homebuyer and

the lender that would facilitate the financing process. That is, those who lack language skills would tend to seek and obtain financing through a lender with the same ethnic or language background.

The resulting model, conditioned upon being a homeowner, carries the dependent variable OWN_HISP, which is equal to 1 if the homeowner obtained primary financing from a Hispanic lender and 0 if primary financing was provided by a non-Hispanic lender. As a working hypothesis, variables capturing the level of adaptation in the U.S. overall credit and lending system are postulated to guide this choice. They include education, language, length of time in the U.S., whether or not one was born in the U.S., income, and assets.

In model 1, schooling and length of time in the U.S, and whether or not one is born in the U.S. are significant factors influencing where financing is sought. In particular, the more schooling one has acquired and the longer the time one has lived in the U.S., the less likely one chooses to finance through a Hispanic lender. Moreover, those who were born in the U.S. are more than 50 percent less likely than those born outside the U.S. to seek financing through a Hispanic lender. For those who migrated in the U.S., each additional year lived in the country increases by 6 percentage points their likelihood of relying on a Spanish financial transaction. The correlation between YSM, US_BORN, and NOWRITE for this homeowner sub-population prevented their mutual inclusion in the same specification. Therefore, in model 2 migration status is excluded, while the language variable is considered. In Model 2, those who lack proficiency in written English are 36 percent more likely than those who are very or moderately proficient to seek financing through a Hispanic lender. These results are consistent with our hypothesis.

Policy Implications

The Hispanic population has one of the lowest rates of homeownership of all racial/ethnic groups in the U.S. This study offers unique insights into some of the particular challenges faced by the group, which can help better form policies geared toward increasing homeownership in lower-income and under-served minority communities. Even for the specific community analyzed in this study, years since migration and schooling are important determinants of homeownership. To the extent that individuals lack knowledge about housing and credit markets because of more recent migration or due to lack of education, financial literacy programs that help ensure that these households have the information necessary to make sound financial decisions appear warranted.

We find that language and culture play an important role in where Hispanic homebuyers seek home financing. The fact that Hispanic borrowers, without proficiency in English tend to gravitate toward Hispanic lenders has several important implications. First, an opportunity exists for financial institutions to gain market share and better serve their Hispanic population by offering product brochures and application materials in Spanish as well as having a culturally diverse staff (e.g., loan officers) available to serve this clientele. Financial literacy programs targeted to Hispanic immigrant households 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. Community leaders and government agencies can also take an active role in bridging the language/cultural gap by organizing English language and financial literacy programs, potentially in tandem with financial institutions. Policy makers

can assist in this process by encouraging programs that help bridge the information gap created by language or cultural barriers.

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 safe and sound banking practices). This study shows that income and accumulated assets (e.g., savings) remain principal factors contributing to homeownership. Community leaders concerned with increasing homeownership and community development may find it advantageous to direct their efforts toward promoting affordable housing project initiatives.[8] Community lending opportunities and flexible home loan programs could prove useful in meeting the needs of low-income Hispanics.

While some care must be exercised in interpreting the results beyond the Little Village population, the findings contribute to our understanding of the home purchase decision by immigrants and encourage additional research to investigate this process in other immigrant/minority communities.

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[8] Little Village has been designated as an "empowerment zone." A number of housing and community development programs have been initiated under the Empowerment Zone/Enterprise Community program, established 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.

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APPENDIX: DEFINITION OF VARIABLES

OWN	Primary respondent lives in home he/she owns, 1 = yes, 0 otherwise.
OWN_HISP	Primary respondent is homeowner and obtains financing from a Hispanic lender for the purchase of his/her home, 1 = yes. And = 0, if homeowner and obtains financing from a non-Hispanic lender.
Demographic/Life-Cycle	
MARRIED	Married family households, 1 = yes, 0 otherwise.
SINGFHD	Household headed by a single female with children, 1 = yes, 0 otherwise.
AGE	Age of primary respondent, continuous.
AGE^2	Quadratic specification of AGE, continuous.
Household Structure/Size	
NUCLEAR	A family with at least one adult and dependent children present, 1 = yes, 0 otherwise.
EXTENDED	A family with at least one adult with dependent children and other family members present, 1 = yes, 0 otherwise.
DEPENDENT	Number of dependent children, continuous.
HHSIZE	Number of people living in the household, continuous.
Schooling	
YRSCHL	Number of years of schooling, continuous.
$YRSCHL^2$	Quadratic specification of YRSCHL, continuous.
LT_HSCH	Head of household has completed less than a high school level education (or less than 12 years of schooling), 1 = yes, 0 otherwise.
HSCHL	Head of household has a high school diploma, 1 = yes.
ASSOCIATE	Head of household has more than 12 years of schooling (or has an associate degree or attended a junior college), 1 = yes, 0 otherwise.
COLLEGE	Head of household has a bachelor degree and/or a masters' degree and/or a professional degree, 1 = yes, 0 otherwise.
Language Proficiency	
SPEAKWELL	Head of household speaks English "very proficiently," 1 = yes, 0 otherwise.
SPEAKMOD	Head of household speaks English "moderately," 1 = yes, 0 otherwise.
NOSPEAK	Head of household speaks English "not proficiently," 1 = yes, 0 otherwise.
WRITEWELL	Head of household writes English "very proficiently," 1 = yes, 0 otherwise.
WRITEMOD	Head of household writes English "moderately," 1 = yes, 0 otherwise.
NOWRITE	Head of household writes English "not proficiently," 1 = yes, 0 otherwise.
Immigration Status	
YSM	Number of years since migrated in the United States, continuous. = AGE if born in the United States.
REPATRIATE	Head of household plans to leave the community in the next 2 years (following the survey) to go back to Mexico, 1 = yes.
US_BORN	Primary respondent is born in the U.S., 1 = yes, 0 otherwise.
Financial	
INCOME	Household income, continuous.
INCOME1	Household income in 1st quartile (less than or equal $12,000), 1 = yes, 0 otherwise.
INCOME2	Household income in 2nd quartile (less than or equal $18,720), 1 = yes, 0 otherwise.
INCOME3	Household income in 3rd quartile (less than or equal $30,000), 1 = yes, 0 otherwise.
INCOME4	Household income in 4th quartile (more than $30,000), 1 = yes, 0 otherwise.
ASSETS	Total amount of money in savings, checking, CD accounts, continuous.
Attitudinal Factors	
DISPOSE	In the event that respondent needed extra money to make an investment he/she would seek a bank loan, 1= yes, 0 otherwise.
PERCEIVE	If respondent were going to start a business, obtaining financing would be a "very serious" problem, 1= yes, 0 otherwise.

Table 1

Descriptive Statistics by Tenure Choice
Little Village - Hispanics

	Homeowners		Non-Homeowners	
	Means	Std Dev	Mean	Std Dev
Financial				
INCOME	28,011	20,006	15,878	10,228
INCOME1	0.09	0.29	0.33	0.47
INCOME2	0.15	0.36	0.30	0.46
INCOME3	0.29	0.46	0.21	0.41
INCOME4	0.42	0.50	0.11	0.31
Demographic/Life-cycle				
MARRIED	0.78	0.41	0.72	0.45
SINGFHD	0.10	0.30	0.17	0.38
AGE	42.03	10.12	32.36	10.62
Household Structure/Size				
NUCLEAR	0.76	0.43	0.69	0.46
EXTENDED	0.21	0.41	0.28	0.45
DEPENDENT	2.37	1.72	2.11	1.61
HHSIZE	4.93	2.37	4.44	1.80
Schooling				
YRSCHL	7.67	3.92	8.79	3.73
LT_HSCH	0.75	0.44	0.68	0.47
HSCHL	0.17	0.38	0.19	0.39
ASSOCIATE	0.02	0.13	0.04	0.21
COLLEGE	0.02	0.13	0.02	0.13
Language Proficiency				
SPEAKWELL	0.17	0.38	0.19	0.39
SPEAKMOD	0.27	0.45	0.23	0.43
NOSPEAK	0.56	0.50	0.57	0.5
WRITEWELL	0.13	0.34	0.13	0.33
WRITEMOD	0.18	0.39	0.20	0.4
NOWRITE	0.61	0.49	0.60	0.49
Immigration Status				
YSM	25.34	13.16	15.71	9.96
N	119		119	

Source: Authors' calculations based on the University of Chicago, 1993-1994 Little Village Survey.

Table 2

Selected Socioeconomic Characteristics of Homeowners by Ethnicity of Loan Officer/Institution

	Number of Households	Lender Ethnicity: Hispanic	Lender Ethnicity: Non-Hispanic
SPEAKWELL	15	0.40	0.60
SPKEAKMOD	27	0.41	0.59
NOSPEAK	65	0.54	0.46
WRITEWELL	13	0.46	0.54
WRITEMOD**	18	0.28	0.72
NOWRITE**	76	0.56	0.44
YSM**	107	20	29
AGE**	107	40	45
YRSCHL	107	7.1	7.2
INCOME	107	27,974	27,971
Total	107	52	55

Notes: (**) indicates that the mean proportions of characteristics of homeowners asssociated with Hispanic and non-Hispanic lenders significantly differ at least at the 0.10 level. The sample size (107) is less than the total homeowners (119) because 12 homeowners did not seek financing from a lender.

Source: Authors' calculations based on the University of Chicago, 1993-94, Little Village Survey.

TABLE 3

Maximum Likelihood Estimates of Homeownership in Little Village

Dependent Variable = OWN

(Standard Errors in Parenthesis)

Variable	Coefficient Estimates	Marginal Effects
Intercept	-7.954***	-1.602***
	(1.721)	(0.322)
YSM	0.078***	0.016***
	(0.023)	(0.004)
AGE	0.135***	0.027***
	(0.057)	(0.011)
$AGE^2 / 100$	-0.135**	-0.027**
	(0.056)	(0.011)
MARRIED	0.916**	0.184**
	(0.401)	(0.080)
YRSCHL	0.312*	0.063*
	(0.177)	(0.035)
$YRSCHL^2$	-0.026***	-0.005***
	(0.011)	(0.002)
INCOME/1000	0.080***	0.016***
	(0.014)	(0.003)
ASSETS/1000	0.045***	0.009***
	(0.018)	(0.003)
US_BORN	-1.921***	-0.387***
	(0.680)	(0.134)
NOSPEAK	0.423	0.085
	(0.556)	(0.111)
NOWRITE	-0.249	-0.050
	(0.579)	(0.116)
HHSIZE	0.0004	0.000
	(0.078)	(0.016)
REPATRIATE	-0.055	-0.112
	(0.899)	(0.181)
Log Likelihood	-132.79	
N	306	
% Accurately Predicted	0.813	

* significant at the 0.10 level

** significant at the 0.05 level

*** significant at the 0.01 level

Source: Authors' calculations based on the University of Chicago, 1993-1994 Little Village Survey.

TABLE 4

Marginal Effects of Adaptation Proxies on the Choice of Hispanic Lenders

Dependent Variable = OWN_HISP

(Standard Errors in parenthesis)

Variable	Model 1	Model 2
Intercept	0.071	-0.484*
	(0.345)	(0.276)
YRSCHL	-0.075	-0.075
	(0.006)	(0.054)
$YRSCHL^2$	0.006*	0.007**
	(0.004)	(0.003)
INCOME / 1000	-0.002	-0.0006
	(0.003)	(0.003)
ASSETS/1000	0.000	-0.0004
	(0.508)	(0.004)
YSM	0.025**	--
	(0.012)	
YSM^2 / 100	0.033**	--
	(0.016)	
US_BORN	-0.511**	--
	(0.247)	
NOWRITE	--	0.362**
		(0.180)
NOSPEAK	--	-0.125
		(0.163)
Log Likelihood	-65.49	-68.79
N	116	116
% accurately predicted	0.72	0.70

* significant at the 0.10 level

** significant at the 0.05 level

*** significant at the 0.01 level

Source: Authors' calculations based on the University of Chicago, 1993-1994 Little Village Survey.