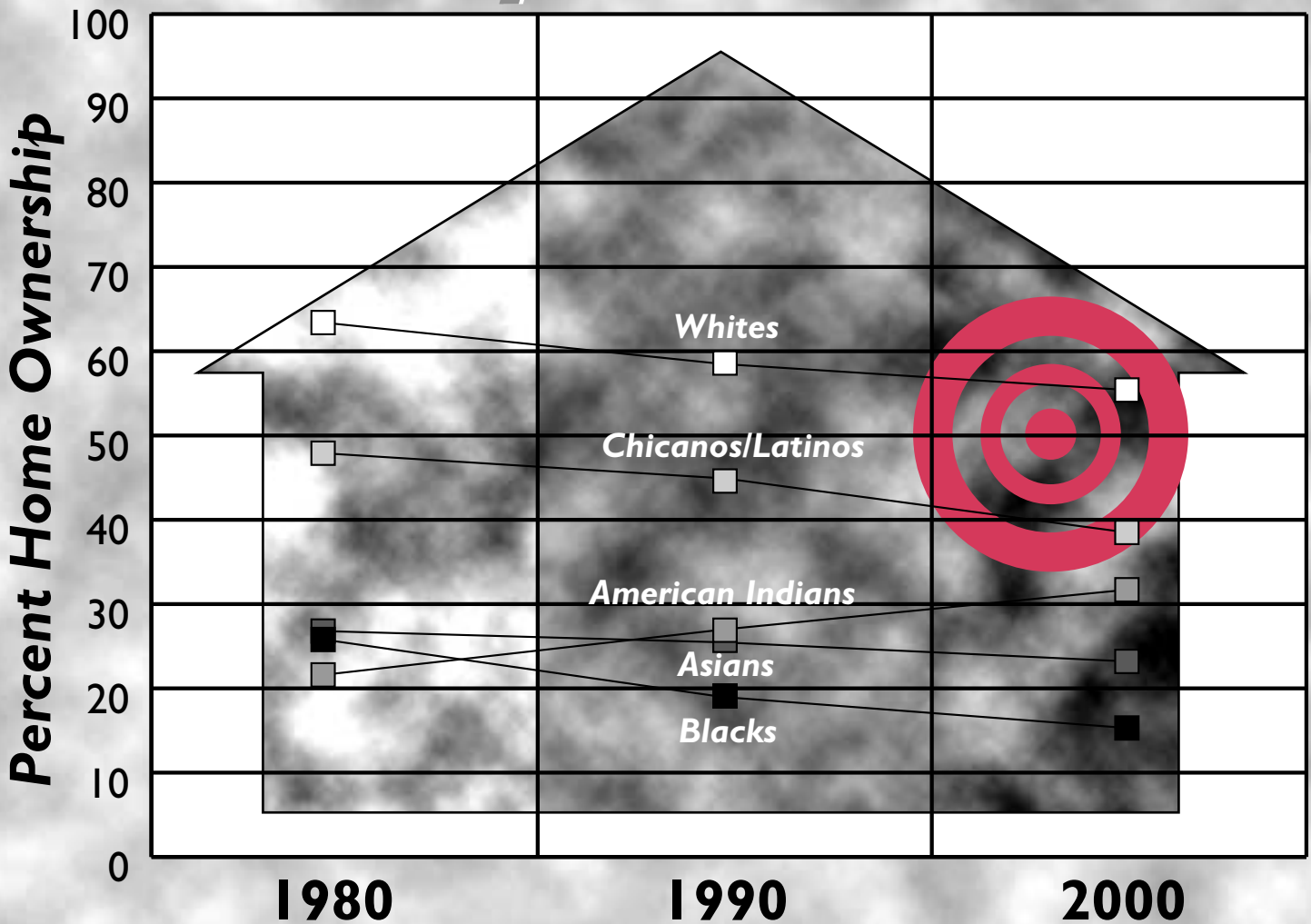


A Dream Deferred:

THE 50/30

HOUSING
RESEARCH
INITIATIVE
FINAL REPORT



The
Urban
Coalition

July 1999

*A joint publication of The Urban Coalition
and the Roy Wilkins Center for Human Relations and Social Justice,
Humphrey Institute of Public Affairs, University of Minnesota.*

The Urban Coalition
Yusef Mgeni, President

Roy Wilkins Center
Samuel L. Myers, Jr., Director

The
Roy Wilkins Center
for
Human Relations and Social Justice

Humphrey Institute of Public Affairs

UNIVERSITY OF MINNESOTA

301-19th Avenue South
Minneapolis, MN 55455
(612) 625-9821
Fax (612) 625-6351



The
Urban
Coalition

2610 University Avenue West
Suite 201
Saint Paul, MN 55114-1090
(612) 348-8550
Fax (612) 348-2533
E-mail:
gen@urbancoalition.org
www.urbancoalition.org

The Roy Wilkins Center

The Roy Wilkins Center for Human Relations and Social Justice at the Hubert H. Humphrey Institute of Public Affairs (University of Minnesota) is a research, teaching and community outreach arm devoted to finding solutions to problems of racial inequality.

Activities of the Wilkins Center include producing policy studies relating to racial inequality and human rights. The Wilkins Center invites talented post-doctoral fellows to participate with the Center in sustained research and investigation into the nature of racial and ethnic inequality and remedies to discrimination and racism.

Open discourse and debate championed by Wilkins and other leaders of the Civil Rights Movement are promoted through the local Wilkins Dialogue series for communities of color in the state of Minnesota, and through the Wilkins Forum which brings together a core of national and international leaders and policymakers concerned with civil rights and race relations.

Mission

"To promote debate and dialogue designed to alter the course of deteriorating race relations and widening inequality. To undertake the requisite research to guide and empower policy makers and community leaders in promoting solutions to the problem of racism and racial and ethnic inequality in the United States and abroad. To bridge the gulf between researchers, policy analysts, and public leaders and the grassroots community engaged in daily problem solving. To undertake outreach programs which focus on training and informing local community members to find effective public solutions."

The Urban Coalition

Founded in 1967, The Urban Coalition is a non-profit, research-based public policy and advocacy organization that pursues its mission through public policy research, technical assistance, advocacy and capacity-building, with low-income white communities and communities of color.

The Coalition focuses on education, employment, the elimination of hunger and poverty, health, meaningful welfare reform, coalition-building and issues of race, although it may become involved in other issues as invited, or as they arise.

Mission

"The Urban Coalition's mission is to increase the capacity of low-income, African American, American Indian, Asian/Pacific Chicano/Latino and white communities to address political, economic and social concerns that are identified, and to promote the public dialogue through research-based advocacy and policy work."

Urban Coalition Board of Directors :

Chairperson:	Edwin Booth	The Hon. Sharon Sayles-Belton	Cha Lee
		Designee: Ken Foxworth	
Vice Chair:	Paul Carrizales		Eric A. McFarland
Vice Chair:	Valerie Lee	The Hon. Norm Coleman	Beverly P. Propes
		Designee: Fred Owusu	
Vice Chair:	Valerie Sheehan	Sonia Alvarez	Bradley P. Syverson
Treasurer:	Sue DeNuccio	Stephanie Autumn	Lynn Yamanaka, M.P.H
		Jennifer Godinez	Audrey A. Zibelman

A Dream Deferred:

THE **50/30** HOUSING RESEARCH INITIATIVE FINAL REPORT

July 1999

Funding for the publication of this report was generously provided by:

The Family Housing Fund; The U.S. Department of Housing and Urban Development (HUD); the Minnesota Housing Partnership; Norwest Bank; The Roy Wilkins Center; and The Urban Coalition.

The 50/30 Housing Research Initiative was a joint undertaking of The Urban Coalition and the Roy Wilkins Center for Human Relations and Social Justice, Humphrey Institute of Public Affairs, University of Minnesota.

THE INFORMATION CONTAINED IN THIS DOCUMENT IS CONSIDERED A PART OF THE PUBLIC DOMAIN AND PERMISSION IS HEREBY GRANTED FOR REPRODUCTION AND/OR DISTRIBUTION OF THIS DOCUMENT IN TOTAL, OR FOR ANY PART OF ITS CONTENTS. THE 50/30 PROJECT CO-SPONSORS ASK THAT YOU ACKNOWLEDGE THE URBAN COALITION AND THE ROY WILKINS CENTER (UNIVERSITY OF MINNESOTA) AS THE AUTHORS OF THE INFORMATION CONTAINED IN THIS REPORT.



**TABLE OF
CONTENTS**

Acknowledgments i

Executive Summary v

Project Recommendations xiii

Chapter I: Research Results I

Empirical Analysis I

 • Homeownership Rates I

 • Determinants of Homeownership 4

 • Loan Rejection Rates 9

 • The Secondary Mortgage Market 10

Focus Group Outcomes 14

Chapter II: Policy Simulation Models 19

Base Projections 19

 • Simulation Results 20

 • Location Policy 20

 • Subsidy Policy 21

 • First-Time Homebuyer Policy 21

 • Homeowner Education Policy 21

 • Homeownership Demand Policy 22

 • Fair Housing Policy 22

 • Combining Policies 24

Addendum 25

ACKNOWLEDGMENTS

Funding for the 50/30 Project was provided by: The Otto Bremer Foundation; The Family Housing Fund; Firstar Bank of Minnesota; The Emma B. Howe Foundation; The Minneapolis Civil Rights Department; The Minneapolis Foundation; The Minnesota Housing Finance Agency; the Minnesota Housing Partnership; Norwest Bank Foundation; Saint Paul Companies; The Saint Paul Foundation; US Bank; and The U.S. Department of Housing and Urban Development (HUD).

The Urban Coalition and the Roy Wilkins Center for Human Relations and Social Justice, Humphrey Institute of Public Affairs, University of Minnesota (co-sponsors of the 50/30 Project), also wish to gratefully acknowledge the participation of the members of the 50/30 Project Steering and Advisory Committees. They contributed significantly and tirelessly to the design and success of this initiative.

50/30 PROJECT STEERING COMMITTEE

CITY OF SAINT PAUL: Daryl Spears

U.S. DEPT. OF HOUSING AND URBAN DEVELOPMENT: Betty Jones, Anita Olson and Jaime Pedraza

FAMILY HOUSING FUND: Pam Zagaria

FANNIE MAE: Colleen P. O' Kane Fraley

FEDERAL RESERVE BANK OF MINNEAPOLIS: Thomas Moore and Margaret B. Tyndall

FIRSTAR BANK OF MINNESOTA, NA: Mary Ann Sudeith

HOMES AND MORE REALTY: Jean Leake

LEGAL AID, HOUSING DISCRIMINATION LAW PROJECT: James E. Wilkinson and Kenneth Page

METROPOLITAN INTERFAITH COALITION ON AFFORDABLE HOUSING: Joy Sorensen Navarre

MINNESOTA HOUSING FINANCE AGENCY: Mike Haley

MINNESOTA HOUSING PARTNERSHIP: Chip Halbach

MINNESOTA MORTGAGE BANKERS ASSOCIATION: Dan Hardy

TCF BANK: Carol Kelleher and William Sarvella

US BANK: Darin Florens and Penny Thompson

WELLS FARGO & CO. AND NORWEST BANK MINNESOTA: Dr. Herman Milligan and Muffie Gabler

50/30 PROJECT ADVISORY COMMITTEE

COUNCIL ON ASIAN/PACIFIC MINNESOTANS: Adeel Lari

COUNCIL ON BLACK MINNESOTANS: Lester Collins

CHICANO/LATINO AFFAIRS COUNCIL: Margaret Zalamea

FAMILY HOUSING FUND: Tom Fulton

HOMEOWNERSHIP CENTER: Chuck Prentice, Autumn Lubin and Suzanne Snyder

METROPOLITAN COUNCIL: Mary Ahern and Guy Peterson

MINNEAPOLIS FOUNDATION: Karen Kelly Ariwoola, Nancy Nagler and Paul Williams

MINNEAPOLIS NAACP: James Stroud

MINNEAPOLIS URBAN LEAGUE: Thomas Ross

MINNESOTA FAIR HOUSING CENTER: Lawrence Winans

MINNESOTA HOUSE OF REPRESENTATIVES:

Reps. Karen Clark, Andy Dawkins, Carlos Mariani and Myron Orfield

MINNESOTA REALTORS ASSOCIATION: Chris Galler

MINNESOTA SENATE: Senators Ellen Anderson, Ted Mondale and Sandy Pappas

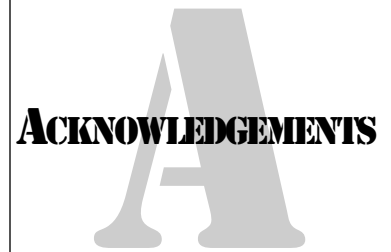
NORTHSIDE ECONOMIC DEVELOPMENT CORPORATION: Robert Woods

NORWEST BANK: Sharon O'Neal Garth

PROJECT FOR PRIDE IN LIVING: Steve Cramer and Carol Monk

SOUTHSIDE NEIGHBORHOOD HOUSING SERVICES: Nadine Knibb and Earl Rogers

WOMEN'S ASSOCIATION OF HMONG & LAO: KaYing Yang and Kao Yongvang



The 15 focus groups conducted as part of the 50/30 Project would not have been possible—and would clearly not have produced such a wealth of information—without the hard work, commitment and credibility of the co-facilitators who led this effort to completion. The focus group co-facilitators were:

Focus Group Consultant: Judith Hence, Henceforth, Inc.

African Americans: Mickey Fulton and Crystal Jackson

American Indians: Dawn Cleveland and Valerie Sheehan

Banking/Lending Representatives: V. M. Hunt

Cambodians: Chantha Koy and Yorn Yan

Chicanos/Latinos: Claudia Fuentes and Yeisa Martinez

Government Housing Programs: Anita Olson

Hmong: Chia Vang and Ka Lysongseng

Laotians: Laddavanh Chanthraphone

Minority Realtors: Jean Leake

Non-Profit Housing Service Providers: Suzanne Snyder

Post-Purchase Counseling: Darrell Spears

50/30 PROJECT STAFF

Roy Wilkins Center, Director

Samuel L. Myers, Jr.
50/30 Principal Investigator

Research Associates:

Inhyuck Ha and Seong Woo Lee
Murph,

Humphrey Graduate Students:

Geraldine Madrid and Lan Pham

University of Minnesota Graduate Students:

Julie Buckel and Sunghee “Sunny” Kim

University of Minnesota Undergraduate Students:

Amy Ihrke, Amanda Jameson and Xuanmai Nguyen

Wilkins Center Project Staff:

Julia Blount, Judy Leahy and Mary Lou Middleton

The Urban Coalition, President

Yusef Mgeni
50/30 Project Convenor

The Urban Coalition Project Staff:

Claudia Fuentes, Genevieve Williams

Chia Vang, Ken Webster and Charles Williams

Focus Group Consultant:

Judith Hence, Henceforth, Inc.

McNair Summer Scholar:

Manuela Silveyra

The title of this report, *A Dream Deferred*, is taken from the Langston Hughes poem of the same name.¹

What happens to a dream deferred?

Does it dry up

like a raisin in the sun?

Or fester like a sore

and then run?

Does it stink like rotten meat?

Or crust and sugar over

like a syrupy sweet?

Maybe it just sags

like a heavy load.

Or does it explode?

¹ *What Happens to a Dream Deferred?*, Langston Hughes, 1951.

EXECUTIVE SUMMARY

WHY A 50/30 PROJECT?

Why a strategy for enhancing minority wealth and homeownership?
Why a “50/30 Plan” in the first place?

The objective of the 50/30 Project was twofold: first, to develop a factual basis for existing low homeownership rates in Twin Cities area communities of color. Second, to detail the feasibility, cost and other factors necessary to increase the percentage of 30-year-old, employed, heads of households in communities of color who are purchasing their homes, to 50 percent within the next 12 years.

It should come as no surprise that racial differences in wealth and average net worth far exceed those of income and earnings. While Black families receive about 65 cents for every dollar that white families earn, the net worth of white families is seven to ten times higher than that of Black families. A central factor explaining the racial gap in wealth from one generation to the next is lower homeownership rates among people of color.

The U.S. government has endorsed homeownership. In the Housing Act of 1949 the Congress declared that, “...the general welfare and security of the Nation and the health and living standards of its people require ...the realization as soon as feasible of the goal of a decent home and suitable living environment for every American family.”

Homeownership provides important financial security and also contributes to family independence, security and self-dignity. Families who own their homes are more likely to:

- Maintain and improve the property where they reside.
- Collaborate with their neighbors and participate in the life of the community.
- Improve their neighborhoods.²
- Participate in the civic and political process.

Children from families who own their homes also benefit. They are less likely to drop out of school and less likely to have children as teenagers.³ Overall, the benefits of homeownership to individuals and families who seek it, and to neighborhoods and society in general, are obvious. Homeownership is also associated with many social, cultural and economic benefits, including reduced crime rates, higher education levels, and increased wealth.

Despite the widespread belief in the importance of homeownership, certain groups have clearly benefited more than others.

While in the midst of a boom in housing starts since the 1980s,⁴ low-income families still own homes at lower rates than other population groups. Based on standard measures of housing barriers, including affordability, physical inadequacy, overcrowding and ownership rates, people of color are worse off than whites.⁵ In addition, immigrants are less likely to own homes than native born persons⁶ and female-headed households also tend to experience greater homeownership barriers.⁷

Recent studies by Harvard University indicate that African American, Asian, Chicano/Latino and other households of color represented 42 percent of the four million first-time homebuyers from 1994 to 1997.⁸ People of color still account for only 17 percent of all homeowners.



EXECUTIVE SUMMARY

² Rohe and Stewart, 1996; Rossi and Weber, 1996.

³ Green and White, 1977.

⁴ HUD, 1994.

⁵ Myers and Wolch, 1995; Apgar, 1993.

⁶ McArdle and Masnick, 1995.

⁷ Marcuse, 1990.

⁸ “Immigrants, minorities help fuel home sales.” *Mpls. Star Tribune*, July 4, 1998.

When we buy a house, it's for long term. We need to look carefully, because we will live there for maybe 30 or 40 years.

SE Asian homeowner

Local studies indicate that people of color encounter disparate treatment by financial institutions.⁹ Moreover, research conducted as part of this project confirmed that white homeownership rates are two to three times higher than those of people of color age 25-34.¹⁰

In Minnesota, for example, more than 73 percent of white households live in owner-occupied dwellings. According to 1990 census information, in the city of Minneapolis 54.3 percent of white households were owner occupied compared to 27.4 percent of Black households, 18.1 percent of American Indian households, 20.6 percent of Asian households and 32.5 percent of Chicano/Latino households.

These gaps in homeownership, coupled with the concentration of poverty in our core cities, directly translate into lower net worth and wealth among households of color; contribute to persistent poverty across generations; destabilize the tax base; contribute to increased crime and predatory behavior; and result in reduced citizen involvement in low-income communities. In short, the gaps are a clear and present signal of housing inequality in our community that simply cannot be tolerated.

Increasing the number of homeowners of color and enhancing their net worth will ultimately stimulate the local economy. Additionally, a balance of renters and owners in neighborhoods increases property values and pride of ownership that results in improved upkeep and neighborhood desirability.

In addition to improving access to capital, homeownership increases mortgage interest deductions and provides access to home equity loans (the primary method of financing higher education in Minnesota), credit and better life cycle planning. Homeownership aids individuals and families in becoming key stakeholders and investors in communities and the larger society.

THE PARTICIPATORY RESEARCH PROCESS

In the six months prior to the start of the 50/30 Project, information-sharing meetings were held with more than 250 key community representatives, to discuss the conceptual nature of the project and provide an opportunity for community input. These meetings resulted in the self-selection of both a Project Steering Committee and a Project Advisory Committee.

These committees were representative of for-profit and non-profit housing programs, local, state and federal government housing programs; affordable housing advocates, organizations serving communities of color, elected and appointed officials; corporate and foundation giving programs, mortgage lenders, realtors and homeownership counseling programs.

The Steering Committee met monthly as a technical working group, to help identify research topics, approve the research strategy, assist in the design of the research instruments, identify existing data within the housing field and analyze project results. The Advisory Committee met several times a year, received an update on preliminary findings and provided ongoing input and feedback on the remaining work.

Midway through the project, several subcommittees were established to assist with specific project tasks, and it was no longer necessary for the Steering Committee to meet on a monthly basis. Subsequently, Advisory Committee members were invited to attend all further Steering Committee meetings (generally every other month) and meetings held after that date included members of both committees.

The 50/30 housing research initiative involved both quantitative (statistical research) and qualitative research (focus groups, policy simulations and best practices analysis) methodology.

⁹ Abariotes, Myers, Subaiya and Tiller, 1994 and Myers, 1999.

¹⁰ "Background Analysis 50/30 Plan: Racial Disparities in Homeownership in Minnesota and the Twin Cities." Seong Woo Lee, January 1998.

Although originally designed as an 18-month research effort, the full range of research tasks extended the project from January 1997 through January 1999. All committee meetings were held at community-based organizations serving communities of color throughout the Twin Cities area.

ESTABLISHING THE RESEARCH FRAMEWORK

Because the objective of the 50/30 Project was to make research-based, public policy recommendations, it was imperative that key stakeholders in the homeownership community assume some ownership of both the process and the end result. Consequently, Advisory Committee members helped frame the research questions, as well as the composition and content of the focus groups. Although the quantitative and qualitative research were conducted on separate, parallel tracks, committee members were involved in shaping and monitoring both efforts.

Among the early research questions identified by Advisory Committee members were:

What are the demographics of the target population (age, income, employment status, length of residence, location, etc.)?

What are the current levels of homeownership in each community of color?

Has homeownership increased or decreased in these communities during the past ten years?

What motivates people of color to purchase homes?

What are the barriers—both perceived and real—to homeownership for people of color?

Where do people of color wish to live?

What challenges and solutions exist for serving and working with communities of color on homeownership issues?

What is the factual basis of racial differences in homeownership?

What are the causes of the problem and how big is the challenge?

Project staff immediately set out to determine what answers existing data might provide. The most current data available included: Home Mortgage Disclosure Act (HMDA) data for the period 1992–1996; Government Sponsored Enterprises (GSE) data for 1993–1996; 1980 and 1990 census data for Minnesota and the Twin Cities metropolitan area (excluding data for two counties in Western Wisconsin); Public Use Micro-Sample (PUMS) census data; and Summary Tape File (STF 3) census data.

A homeownership summary and literature search were also conducted to examine the “best practices” for increasing homeownership in communities of color around the country.

***I won't send them
to a loan officer
who doesn't have a
track record
working with
people of color.***

Realtor of color

RESEARCH RESULTS

In addition to the above-mentioned reports, a preliminary background analysis and a technical analysis were completed and presented during the project. These reports provided an in-depth examination of age profiles; determinants of homeownership; an explanation of variables affecting homeownership probability; housing affordability indices; characteristics of owners and renters by household type, race, marital and veteran status; disparities of loan rejection rates by year, race and census tracts; and GSE mortgage market loan acquisitions.

Among the findings: white homeownership rates are two to three times higher than rates for homeowners of color among 25–34 year-olds; the homeownership rate among white 25–34 year-olds is higher than among Blacks in any age group; in 15–34 year-old households a statistically significant difference exists on every characteristic; certain census tracts show substantial disparities in loan denial rates between whites and people of color; loan denial rates were higher in 1996 than in 1992–93 even though the racial gap had narrowed for 1992–1996; multiple causes exist for low homeownership rates in communities of color (i.e., income, age, marital status, education, location, affordability, etc.); and government sponsored enterprises (GSE) represent a major source of funding for first-time homeowners of color.

Midway through the project, advisory committee members also recommended a survey of two dozen financial institutions that had made mortgages to homeowners of color in the Twin Cities. The survey was designed to identify what information individual lending institutions were retaining on mortgages to homeowners of color; and to identify practices that could be used by other institutions to help better serve people of color.

Given the voluntary nature of the request for information, only one financial institution completed and returned the survey. The project's co-sponsors believe this signals both a proprietary unwillingness to release information on such mortgages from individual lenders—as well as the need for ongoing monitoring and information-sharing to ascertain actual progress, or continuing challenges, related to meeting the needs of potential homeowners of color.

THE FOCUS GROUP PROCESS

Participants for 15 focus groups were recruited by 50/30 Steering and Advisory Committee members, The Urban Coalition staff, facilitators of each focus group and community-based service providers in each respective interest area and community of color.

Under the direction of 50/30 Project consultant, Judith Hencel of Hencel, Inc., a facilitator from each representative group or community of color participating in the study co-facilitated each session. A discussion guide of standardized questions was prepared, and all facilitators participated in a pre-training session.

Focus groups were held between May 12 and June 16, 1998, in neighborhoods where focus group members lived, worked and felt comfortable. Approximately 150 people were involved in the focus groups. Sessions were one and a half to two hours long, with an average of 10 persons per focus group.

Residents of color from neighborhoods in Minneapolis, Saint Paul and the surrounding suburbs were recruited for 10 of the focus groups. The other 5 focus groups were comprised of staff and directors of non-profit, community-based, affordable housing programs; home mortgage, lending and real estate professionals; and government housing staff serving the Twin Cities metropolitan area.

Community participants were from the African American, American Indian, Cambodian, Chicano/Latino, Hmong, and Laotian communities in the Twin Cities Metro area—with most from Minneapolis or Saint Paul. Focus group participants fell between 20 and 40 years of age, with family incomes between \$20,000 and \$40,000 a year.

Particular attention was paid to recruiting heads of households who had been denied a mortgage; successful homeowners; renters; and participants in both pre-purchase, homeownership education programs, and post-purchase, mortgage foreclosure prevention programs.

FOCUS GROUP RESULTS

Participants in the focus group process from communities of color faced the homebuying process with trepidation. In some instances this trepidation stemmed from limited information, or what they perceived as manipulation in the homebuying process. Resentment also arose from feeling slighted or disrespected by a realtor who attempted to “steer” them toward houses or neighborhoods that were simply unacceptable. In many cases, they felt uncomfortable or disrespected in mostly white institutions, and from questions that they believed were invasive—or that suggested the realtor or lender did not believe them.

When asked *What kept you from buying a house*, some of the respondents indicated, *not having a down payment, poor credit and a general lack of familiarity with the homebuying process*.

Housing professionals acknowledged challenges they saw in effectively meeting the needs of customers of color: a shortage of staff; a lack of funds to develop programs that served specific cultural needs; not enough time to meet the demands of a growing housing market; and a shortage of affordable housing. Patience, empathy, timely follow-through and taking the time to help customers make informed choices were also cited by housing professionals as prerequisites to improve the situation.

While there were significant distinctions within and among different communities of color, everyone felt that a combination of trust, respect, cultural competency, affirmative hiring and marketing policies, clear, concise information and a user-friendly homebuying process were absolutely essential to increase homeownership in communities of color.

THE POLICY MODEL

Following a thorough review of the research, the focus group results and discussions at 50/30 Project Committee meetings, six policy options were examined as possible ways to improve homeownership among people of color. A model was created to predict the effect of each policy on homeownership.

The Location Policy¹¹ selected the 12 Twin Cities census tracts with the highest populations of people of color in order to study how changes in ownership in those tracts would affect ownership rates, both in those 12 tracts and the Twin Cities overall. Seven tracts in Minneapolis and five tracts in Saint Paul were identified. Homeownership predictions were then made based on:

1. 50 percent of renters in those tracts becoming owners.
2. The ownership rates of people of color in those tracts being equal to the ownership rates of whites in those tracts.
3. 100 percent of renters of color in those 12 tracts becoming owners.

I wish there were more access to knowledge about the different programs that would help us—especially like first time home buyers or people of low income.

SE Asian community member

¹¹ Chicano/Latino ownership rates could not be measured in this model.

¹² Transitory income is temporary or one-time income. It may include inheritance or income from a seasonal or second job.

The Subsidy Policy examined how certain income incentives would affect ownership rates. The incentives studied were:

1. Increasing transitory income¹² by 110 percent.
2. Increasing transitory income by \$5,000 per person.
3. The increase needed in transitory income to increase ownership by one percent by the year 2000.

The First-time Homebuyer Policy looked at how an increase in first time homebuyers by 50 percent would affect overall homeownership.

The Homeowner Education Policy studied how improving the qualifications of loan applicants to have their loan accepted would affect ownership rates. Predictions were based on decreasing loan rejection rates by 50 percent and by eliminating bad credit histories.

The Homeownership Demand Policy looked at doubling and tripling the number of home mortgage loan applications.

The Fair Housing Policy measured changes in homeownership if an equal treatment policy were implemented; and each factor affecting loan decisions and homeownership rates were equalized between whites and people of color.

THE POLICY MODEL RESULTS

Each of the six policies examined would have a different impact on each community of color. The policies do not assist all groups equally. The policies also have a different effect on each community depending on whether the policy would be employed in 2000 or 2010. Only one policy would have the same beneficial effect on ownership rates for all four communities in both years. Tripling loan applications is the most effective way to increase ownership among Blacks, Asians, American Indians and Chicanos/Latinos.

Combining Policies A final model was constructed which measured the rate of ownership among each group of color, if certain policy initiatives were combined. First, population projections were combined with estimates of homeownership, assuming none of the policy initiatives were implemented, to establish homeownership rates for 2010. In this model, Chicanos/Latinos had 49.2 percent rate, Asians 47.1 percent, American Indians 41.5 percent and Blacks 23.7 percent. (These projections are for each total racial category and would not take into account the wide discrepancies within each community of color discussed on page xi).

Then the population projection was combined with doubling loan applications. In this scenario, Chicanos/Latinos homeownership rose to 62.3 percent, Asians to 73.4 percent, American Indians to 64.3 percent and Blacks to 43.4 percent.

The third model combined the population projection, doubling applications and pursuing equal treatment policies in housing and loan markets. This would lead to a 65.6 percent homeownership rate for Chicanos/Latinos, 79.7 percent for Asians, 82 percent for American Indians and 46.9 percent for Blacks.

Finally, the population projection, doubling applications, and equal treatment models were combined with an increase in first time buyers by 50 percent. This yielded a rate of 79 percent among Chicanos/Latinos, 100 percent among Asians and American Indians, and 59.1 percent among Blacks.

Thus armed with the research, the focus group results, the review of best practices, the analysis of the policy models, projections on future homeownership rates in communities of color and two years of discussions on the topic; the recommendations in the following section of this report were carefully identified, thoroughly reviewed and are now shared with policy makers, the housing community and the community at large.

DEFINING “AFFORDABLE HOUSING”

The term “*affordable housing*” conjures up a variety of different definitions for different people, communities, organizations and programs. It can signal a dream come true for decent, working class families and neighborhoods—or seemingly overnight become a vulgar, “racially charged” flash point for white suburban enclaves.

The federal government defines housing as affordable if it requires no more than 30 percent of total household income.

The Metropolitan Council has defined housing affordability for ownership units as 30 percent of household incomes at 80 percent of the regional median for a family of four, and for rental housing, 30 percent of income at 50 percent of the same median. In 1996, these affordability thresholds translated into a purchase price of \$120,000 and a monthly rental cost of \$685¹³ in the Twin Cities metropolitan area.

If the 50/30 project’s goal—to increase the percentage of employed, 30-year-old homeowners in communities of color to 50 percent within the next 12 years—is to be realized, then “affordable housing” must be defined and implemented as housing affordable to residents with annual household incomes of \$24,050 per year (50 percent of the 1998 Metro median income).

AUTHORS’ NOTES

Housing rental and ownership needs must be met!

Homeownership by people of color is one means toward the desirable end of reducing economic inequality. It is not the only means and may not be the easiest or least expensive. At the same time, there are other—often more immediate—housing needs of people of color that remain unmet.

The sponsors of the 50/30 Project applaud the many efforts in our region to promote safe, energy efficient, affordable, rental housing options for low-income individuals and families—in every community. This report is intended to augment and support those efforts.

RACE AND ETHNICITY

In conducting the research contained in this report it became quite apparent that there are significant differences between and within individual communities of color. This is especially true in the Asian and Chicano/Latino communities. Because census and other research data generally combine the members of dozens of different ethnic groups (or countries of origin) within each racial category, the results do not always accurately portray each sub-group within those larger communities.

The supply of affordable housing is actually dwindling in proportion to the incomes that people are earning.

Mortgage banker

¹³ “Losing Ground: The Twin Cities Livable Communities Act and Affordable Housing”; Center for Urban and Regional Affairs, University of Minnesota, Edward G. Goetz and Lori Mardock, 1998.

The advantage we have in the metro we have some of the best programs in the country.

Realtor of color

In looking at the Asian and Chicano/Latino communities, it became apparent that Southeast Asians (Hmong, Cambodians and Laotians in particular), and those groups which the census bureau refers to as “non-white Hispanics”—showed characteristics (lower homeownership and lower family incomes) that were very similar to those of Blacks and American Indians. At the same time, non-Southeast Asians and “white Hispanics” had homeownership rates and incomes that were often similar to their white counterparts.

Because of the small samples and the absence of further identification in the non-census data, we are unable to explain these differences in the policy models. Research sources used in this report were the most recent data available for the particular area of research in question. As we approach the 2000 Census, more current and valuable data will be available for monitoring, analysis and action.

CONCLUSIONS

The research we conducted was an essential step in the 50/30 Project. It provided the necessary underlying data for all involved to understand the current and future dynamics of homeownership in communities of color. It permitted an exploration of a variety of policy alternatives before a commitment is made to any one, and it helped those involved gain a firm understanding of the consequences of action or inaction.

With this in mind, two key and overarching themes arose from the 50/30 Project and the recommendations that follow, which were formulated by the Project Committee.

First, no single factor emerges as the underlying cause of the significant racial disparity in homeownership. Therefore, no one solution, no quick fix or magic bullet exists for correcting the disparity. Multiple approaches must be taken by both the public and private sectors to improve homeownership among people of color.

Second, the most significant outcome of the 50/30 Project was the coordination and regular meetings of key stakeholder group representatives. These meetings raised awareness and understanding of the scope and details of homeownership challenges in communities of color.

It is our hope that the realtors, bankers, non-profit, community and government representatives who participated in this effort, emerged from the process with a greater sensitivity to the challenges and opportunities of increasing homeownership among people of color—and a stronger commitment to addressing them.

50/30 PROJECT RECOMMENDATIONS

The following recommendations grew directly out of the 50/30 project, including: the quantitative research studies; the 15 qualitative focus groups; the policy simulation models analyzed; the literature search of best practices; and 50/30 project steering and advisory committee meetings.



MONITORING

1. PRIMARY RESPONSIBILITY

Progress in achieving the numeric goals of the 50/30 Project (in each community of color) should be monitored and reported to the public on a biannual basis. Monitoring should start on a metro-wide basis and be expanded.

***Responsibility:** Primarily Minnesota Housing Finance Agency (MHFA) with participation/collaboration from: Minnesota Housing Partnership, Federal Reserve Bank, Mortgage Bankers' Association, Minnesota Association of Realtors, and Minnesota Affordable Homes Congress.¹⁴ The Minnesota Affordable Homes Congress and others should consider a leadership role in ensuring implementation of, and accountability for 50/30 Project Objectives.*

HOUSING FINANCE

1. PRIMARY RECOMMENDATION

Increase funding for first-time homebuyer programs and other programs serving low and moderate income homebuyers, such as mortgage revenue bond programs, mortgage enhancement (down payment assistance) programs, bank community lending programs and mortgage lending programs.

***Responsibility:** Minnesota congressional delegation, the Minnesota Legislature, the banking and lending community, MHFA, local housing authorities and the philanthropic community.*

2. PRIMARY RECOMMENDATION

Expand the availability of purchase/rehabilitation and refinance/rehabilitation homeownership programs.

***Responsibility:** Minnesota Legislature, the banking/lending community, HUD Block Grant recipients and the philanthropic community.*

¹⁴ The Minnesota Affordable Homes Congress is the official Minnesota partner for the President's national homeownership strategy.

3. PRIMARY RECOMMENDATION

Congress should increase resources for affordable homeownership financing. One important resource is Mortgage Revenue Bonds, or MRBs. The Tax Reform Act of 1986 capped the amount of “private activity bonds,” which includes MRBs, that may be issued each year in a state at \$50 per capita. Since then, inflation has eroded the purchasing power of this bonding authority by approximately 45 percent. The 105th Congress increased the bond cap to \$75 per capita, but the increase will be phased in over five years beginning in 2003. Congress should immediately increase the bond cap to \$75 per capita and index it to inflation to restore and maintain this important resource.

Responsibility: Minnesota congressional delegation

1. SECONDARY RECOMMENDATION

Communicate the availability of programs enabling low-income households to supplement earned income with Section 8 subsidies, to assist low-income renters in becoming homeowners.

Responsibility: HUD and public housing authorities

2. SECONDARY RECOMMENDATION

Finance culturally desirable and affordable design and build programs, which meet the needs of low and moderate-income people of color, i.e., extended family and non-traditional configuration.

Responsibility: Secondary mortgage market¹⁵

3. SECONDARY RECOMMENDATION

Expand acceptance throughout the mortgage industry of non-traditional savings and pooling programs for down payments.

Responsibility: HUD/GNMA (Government National Mortgage Association)

GOVERNMENT

1. SECONDARY RECOMMENDATION

Expand the availability of foreclosed properties that may be made available for rehabilitation and resale to low and moderate income homebuyers.

Responsibility: Government insurers and lenders, private lenders and investors

2. SECONDARY RECOMMENDATION

Funding should be continued for neighborhood improvement programs in low-income neighborhoods to enhance their livability and make these neighborhoods more attractive homeownership locations.

Responsibility: Federal, state and local government, and the philanthropic community

¹⁵ The “Secondary Mortgage Market” includes federal agencies and federal “governmental sponsored enterprises” which insure, guarantee or purchase residential mortgage loans. The term includes Fannie Mae, Freddie Mac, HUD, VA and USDA/Rural Development.

FAIR HOUSING ENFORCEMENT

I. PRIMARY RECOMMENDATION

Entities with a regulatory responsibility must provide adequate, coordinated leadership, funding and staffing to enforce anti-discrimination and fair housing laws and policies in all sectors—by auditing, testing, monitoring and strong enforcement.

Responsibility: United States Congress; the Office of the Comptroller of the Currency; the Office of Thrift Supervision; the Federal Reserve System; the Federal Deposit Insurance Corporation; the National Credit Union Association and other fair housing regulators; HUD; the U.S. Department of Justice; state and local units of government, the Minnesota Attorney General's Office, the Minnesota Department of Human Rights, the Minneapolis and Saint Paul Human and Civil Rights Departments, and non-profit, civil rights, fair housing and legal services organizations.

2. PRIMARY RECOMMENDATION

Initiate and sustain Fair Housing Campaigns.

Responsibility: Federal, state and local governments, Mortgage Bankers' Association, Boards of Realtors, Minnesota Bankers' Association and the Independent Bankers' Association of America (Minnesota Chapter)

3. PRIMARY RECOMMENDATION

Use professionally conducted, self-testing programs to assess the business practices of staff in lending businesses especially in meeting the goals of the 50/30 Project.

Responsibility: Lenders, the real estate industry and insurers.

4. PRIMARY RECOMMENDATION

Because numerous complaints have been made by consumers of color about inaccurate credit reporting, housing-related program providers and community-based agencies must make information available on how and where consumers can file an official complaint and get redress on these issues. Further, Credit Bureaus must be more responsive to buyer appeals and make corrections as soon as they are aware of verified incorrect entries.

Responsibility: Credit bureaus, housing-related programs and community-based non-profits.

I. PRIMARY RECOMMENDATION

Make a commitment to hire and train more staff of color in all of the areas that relate to homeownership (realtors, appraisers, inspectors, loan officers, outreach and marketing, underwriters, mortgage servicers, homeownership counselors, finance counselors and processors, etc.)

Responsibility: Mortgage Bankers' Association; Minnesota Bankers' Association; State and local Boards of Realtors Association, federal, state and local government agencies and non-profits.

I. SECONDARY RECOMMENDATION

The homeownership industry should commit to or increase the use of contractors, sub-contractors, consultants and vendors of color.

***Responsibility:** National and local real estate finance and real estate sales trade associations, the Mortgage Bankers' Association, the Minnesota Bankers' Association, non-profit developers and community development corporations (CDCs).*

EDUCATION

I. PRIMARY RECOMMENDATION

Provide increased support for homeownership training programs that prove to be high quality, credentialed, neighborhood-based, and outcome driven (both pre- and post-purchase counseling). The cost for such programs could be included as a portion of the tax on filing deeds and mortgage transactions and should include some fee for participants.

***Responsibility:** Minnesota legislature, the business community, MHFA and the philanthropic community.*

2. PRIMARY RECOMMENDATION

Make certain that understanding housing, finance, and the use of credit are a part of the public school curriculum from the sixth grade on.

***Responsibility:** The Minnesota Department of Children, Families and Learning and local school districts*

3. PRIMARY RECOMMENDATION

A designation for effective cultural competency training and fair housing training should be established for lenders, realtors, and other housing-related professionals.

***Responsibility:** The Mortgage Bankers' Association; HUD, the Minnesota Association of Realtors, the Minnesota Bankers' Association, community-based organizations representing communities of color and the National Association of Human Rights Workers.*

I. SECONDARY RECOMMENDATION

Fund post-secondary and apprenticeship programs that recruit, retain and assist young people of color in majoring in and receiving training in housing-related areas such as marketing, lending, legal and title work, construction, rehabilitation, and architecture.

***Responsibility:** Minnesota post-secondary institutions, labor, the Builders' Association of Minnesota, the Real Property Section of the Minnesota State Bar Association and the title industry.*

NON-PROFITS

I. PRIMARY RECOMMENDATION

Continue and expand culturally specific, pre- and post-purchase, homeownership training programs.

Responsibility: All program operators, including MHFA and the Homeownership Center.

2. PRIMARY RECOMMENDATION

Non-profit, housing-related organizations and individual service providers should make information available to their constituents on the broad range of homeownership opportunities available in our community.

Responsibility: HUD, the Minnesota Affordable Homes Congress, the Minnesota Mortgage Bankers' Association, the Minnesota Housing Partnership and the Homeownership Center.

ADVERTISING, MARKETING, AND PUBLIC OUTREACH

I. PRIMARY RECOMMENDATION

A significant, coordinated, ongoing marketing campaign should be developed and implemented to encourage households in communities of color to pursue homeownership opportunities.

Responsibility: Fannie Mae, Freddie Mac and the Mortgage Bankers' Association, the Minnesota Association of Realtors, HUD, lenders, the non-profit community, churches, the Minnesota Affordable Homes Congress and MHFA.

I. SECONDARY RECOMMENDATION

All sectors should use culturally and ethnic specific media when advertising and marketing housing products.

**You give your
payments with joy,
because you are
not throwing your
money away.
If you live in a
home... you put
something into your
house and the value
goes up.**

*Chicano/Latino
homeowner*

CHAPTER 1: 50/30 PROJECT RESEARCH RESULTS

1 CHAPTER ONE

**Home Ownership Rates by Race
in the Twin Cities Metro Area, 1980 and 1990**

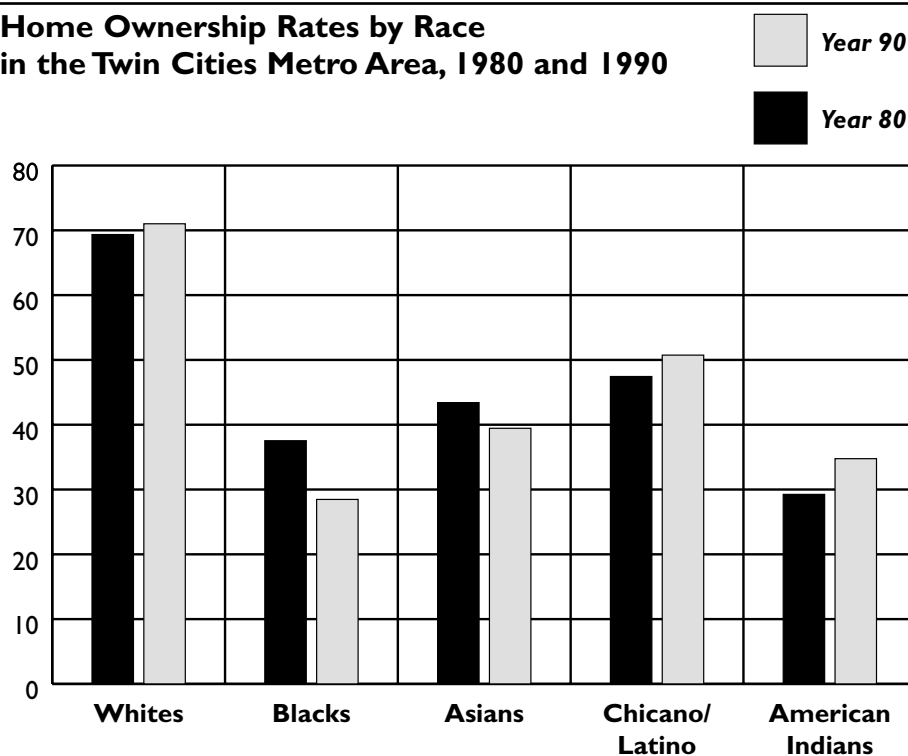


Figure 1. Source: PUMS A (5%) in 1980 and 1990

Many national trends have played out in Minnesota, the Twin Cities metropolitan statistical area (MSA), and the cities of Minneapolis and Saint Paul.

- In all three geographic areas, whites had higher overall homeownership rates than people of color in 1980 and 1990. Figure 1 illustrates the ownership rates in the Twin Cities metropolitan area, which includes the Minnesota counties of Hennepin, Ramsey, Anoka, Dakota, Scott, Carver, Wright, Washington, Chisago, Isanti and Sherburne.¹⁶
- Between 1980 and 1990 in Minnesota, the ownership gap grew between whites and communities of color, except between whites and American Indians, where the gap closed by less than one percent. Large disparities also existed in the Twin Cities MSA and the cities of Saint Paul and Minneapolis. More ethnic groups did experience an increase in ownership in the Twin Cities between 1980 and 1990 than in the state in general, however. Although the ownership rate for Chicanos/Latinos and American Indians increased, the rates were only 70 and 50 percent of the white rates respectively (Figure 1). See addendum for further information on homeownership rates.

EMPIRICAL ANALYSIS

¹⁶ The Wisconsin counties of Pierce and St. Croix are usually included in the Twin Cities MSA. However, for the purposes of the 50/30 Project these two counties were eliminated from 50/30 analyses.

- Between 1980 and 1990, among household heads aged 25–34, these differences persisted. In the Twin Cities metro area, the ownership rate for whites 25–34 was more than twice as large as all other ethnic groups, 25–34, except Chicanos/Latinos. The Chicano/Latino rate was over 40 percent, but declined from 47 percent to 45 percent between 1980 and 1990.
- Whites 25–34, were more likely to own homes than almost all Blacks and American Indians of any age, in 1980 and 1990.

Home Ownership Rates of Whites, Blacks and American Indians, 1980

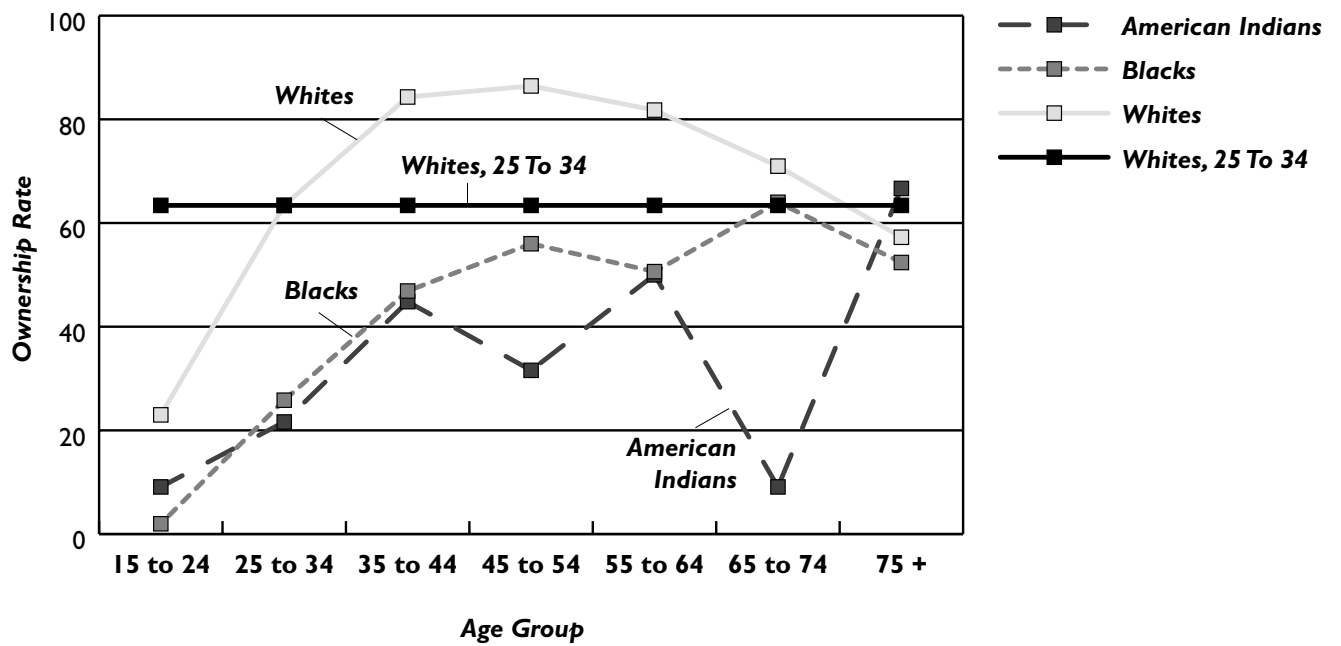


Figure 2. Source: PUMS A (5%) in 1980

- Predictions suggest that if current trends persist the racial disparities in ownership will persist into the next century.

Home Ownership Rates of Whites, Blacks and American Indians, 1990

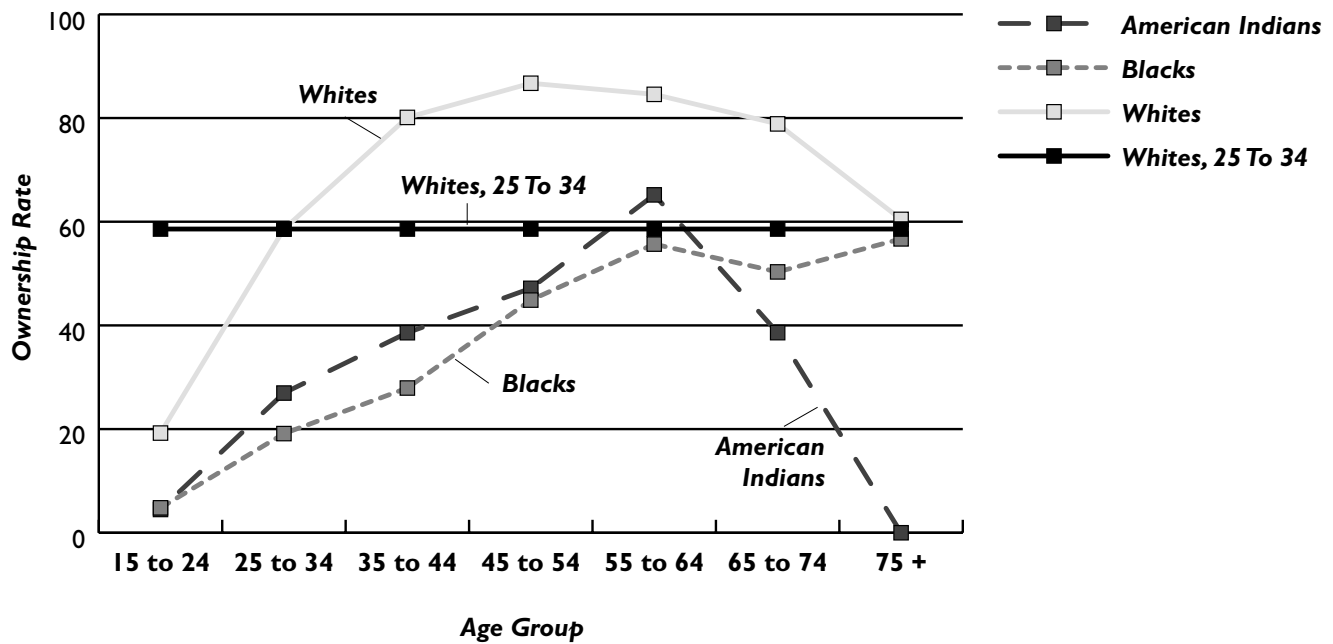


Figure 3. Source PUMS A (5%) in 1990

Twin Cities Home Ownership Trends 1980–2010, by Race

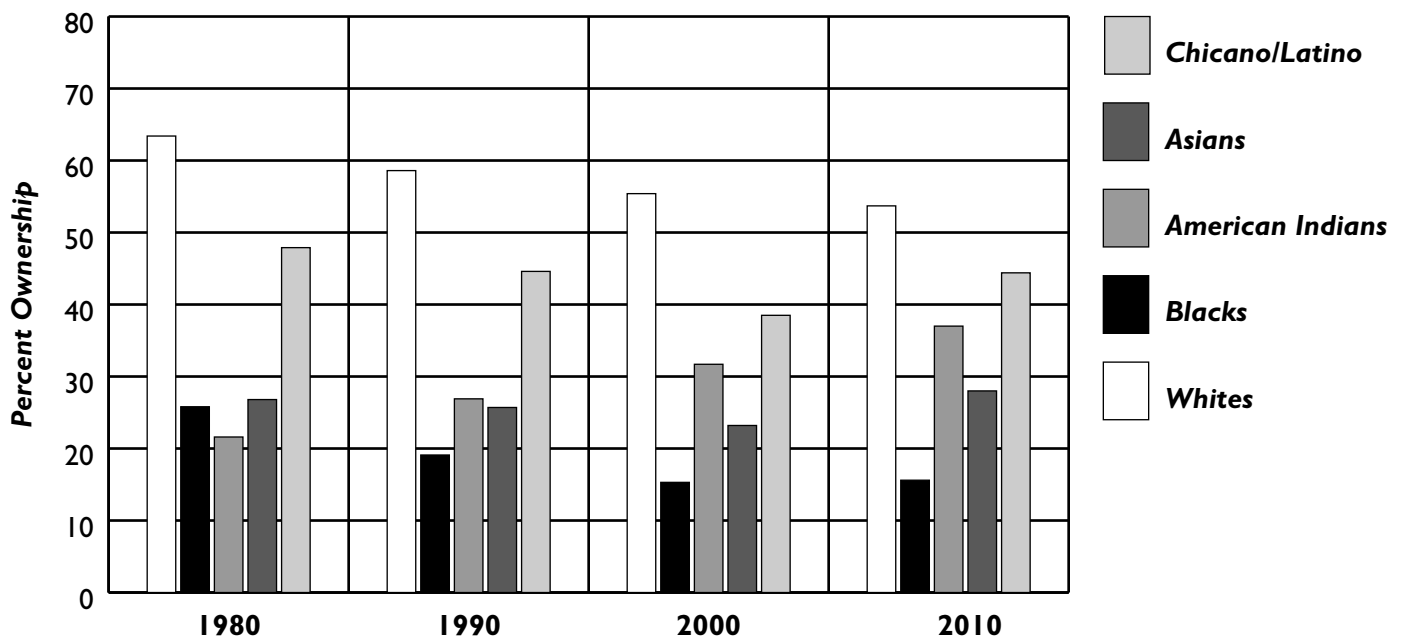


Figure 4. Source: 50/30 Policy Simulation Model. Full discussion available in Appendix

During the first half of 1997, the steering and advisory committees used the information gathered from the stakeholder meetings to design a quantitative and qualitative research plan.

On the quantitative side, the committees wanted to understand the local population: the demographics of the target population, employment and unemployment, the effect of migration to/from the region, etc. They also wanted hard facts about the housing market: *What is the potential of the Twin Cities market? Is it a desirable market? Is it affordable for whites and communities of color? What are the extent and dimensions of the housing disparity? Does the disparity exist across the entire region or is it localized to certain areas? Where do homebuyers want to live? What are the possible solutions?*

On the qualitative side, the committees distinguished between communities of color, lenders and government agencies and housing service providers. They wanted to ask community members, *Why do homebuyers want to buy homes? Why is homeownership important? What are the perceived barriers to homebuying? What is their decision making process?* The committees also wanted to understand the challenges and solutions to working with communities of color from lenders, government agencies, and housing service providers perspectives.

Since disparities in homeownership between the white community and communities of color will only become worse if not addressed, the 50/30 Project was developed. As previously discussed, in the quantitative research phase, the Project partners wanted to understand the causes of the racial disparity and the viability of various policy options to increase ownership among people of color. They also wanted to estimate the difference in future ownership disparities based on maintaining the status quo and based on actively working to increase ownership among 25–34 year old household heads of color.

LITERATURE REVIEW

A review of housing literature (See addendum for further information) revealed a number of relevant demographic and socio-economic factors. They include income, place in the economic life-cycle, marital status, household size and number of earners and children, housing costs and costs associated with buying a home, immigration status, educational attainment and residency in the city or suburbs. Contextual factors have also been identified including: lender characteristics, lender discrimination, broker prejudice, housing costs and affordability, user costs, construction rates and vacancy rates in existing housing and community development corporations (CDC). However, even accounting for these factors, there is a substantial race effect.

DETERMINANTS OF HOMEOWNERSHIP

Household income and size, marital status, age, education, employment, veteran status and residency location are the major determinants of homeownership. Ownership favors:

- Larger household incomes and a smaller number of household members
- Married over single status
- Older buyers
- Higher educational attainment
- Long-term employment
- Veterans of military service
- Suburban over urban residency

75 percent of the gap between Blacks and whites and Asians and whites; 80 percent of the gap between Chicanos/Latinos and whites; and 63 percent of the gap between American Indians and whites can be accounted for by demographic factors. For example, in 1990 whites had an average income of \$40,634 while Blacks had an income of \$21,875, Asians \$30,047 Chicanos/Latinos \$32,914 and American Indians \$24,139. This is just one point in a portrait where potential white homebuyers tend to have larger incomes and smaller families; be older, married, and more educated; have longer full-time employment histories; and live outside the central city more than their counterparts of color do. In regard to marriage rates, however, Chicanos/Latinos approach whites.

HOUSING AVAILABILITY

Since generally people of color have lower incomes, the availability of affordable housing especially affects their ability to live within their means, and their ability to consider homeownership. The definition of affordable housing used in this study is:

Housing that requires a household, at equal or less than 50 percent of the median household income—adjusted for family size—to pay no more than 30 percent of its gross household income for housing and housing related expenses.

To understand the distribution of family size and the income threshold of this definition, the Wilkins Center determined what 50 percent of the median income was for families of two to five or more persons in the Minneapolis/Saint Paul MSA in 1990. They then estimated the number of families who fell within this income category and how these families were distributed among family size categories. The results (Table 1) show that the lion's share of those in need are families of two.

Distribution, by Family Size, of Families Earning One-Half or Less of Median Household Income, Twin Cities MSA, 1990

Family Size	Distribution of Families	Median Household Income
2 people	41.0%	\$18,440
3 people	22.8%	\$22,500
4 people	22.4%	\$24,452
5+ people	13.8%	\$23,000
Total	100.0%	

Table 1. Source: PUMS A 1990

Percent of All Households by Race, in Twin Cities MSA, Covered by Affordable Housing Value¹⁷

Family Size	White NH	Black NH	American Indian NH	Asian NH	Chicano/Latino
2 people	39,238	3,608	965	1,052	618
% of Households	15.9%	53.2%	62.1%	44.3%	33.0%
3 people	17,673	2,230	634	1,046	668
% of Households	13.1%	51.0%	45.0%	46.5%	47.6%
4 people	11,512	2,044	579	1,058	402
% of Households	8.7%	52.8%	49.1%	42.2%	25.6%
5+ people	6,010	2,668	614	2,145	192
% of Households	7.9%	59.9%	52.8%	48.5%	17.0%
Total Families	74,433	10,550	2,792	5,301	1880
% of All Households by Race	12.6%	54.2%	52.6%	45.9%	31.5%

Table 2. Source: PUMS A, 1990. NH = Non-Hispanic

The Wilkins Center then divided up the total number of households in the Twin Cities MSA by racial/ethnic identity and determined the percentage of families of each size in each racial group that fell under the definition of affordable housing. From Table 2, it is clear that communities of color have a significantly greater need for affordable housing than do whites.

I had one lady, it took her 9 months to find something that was a good place for her and her child to live in. In today's market, if a house is under \$100k, it's gone.

Mortgage banker

¹⁷ Affordable Housing Value is one half of MSA's Median Household Income per respective family size.

The differences between individual ethnic groups are interesting. Over half of all Black families come under the affordable housing income threshold, while less than one third of Chicano/Latino families do. However, among Chicanos/Latinos the variance in need among family sizes is greater than the other ethnic groups; ranging from 17 percent for families of five or more people to almost 48 percent for families of three.

**Number of Households Covered by Affordable Housing Value
Who Do Not Have Affordable Housing: Owners and Renters**

	White NH	Black NH	American Indian NH	Asian NH	Chicano/Latino
Family Size					
2 people	21,765	2,558	663	746	327
% of Households ¹⁸	55.5%	70.9%	68.7%	70.9%	52.9%
3 people	12,623	1,697	477	701	441
% of Households	71.4%	76.1%	75.2%	67.0%	66.0%
4 people	8,401	1,474	364	635	219
% of Households	72.7%	72.1%	62.9%	60.0%	54.5%
5+ people	4,740	2,231	536	1,458	192
% of Households	78.9%	83.6%	87.3%	68.0%	100.0%
Total Families	47,529	7,960	2,040	3,540	1,179
% of Covered Households	63.9%	75.5%	73.1%	66.8%	62.7%

Table 3. Source: PUMS A, 1990.

The next factor to consider was: of families making 50 percent or less of the median income, how many actually have affordable housing? Tables 3, 3A and 3B show the number of families at the 50 percent or less threshold who are paying more than 30 percent of their income for housing and its related costs. Looking at owners and renters together, 60 percent or more of families with the qualifying income in all ethnic groups are paying too much. The low is 62.7 percent among Chicanos/Latinos while the high is 75.5 percent among Black families. When considering renters and owners separately, a much greater portion of renters lack affordable housing than do owners—particularly among communities of color.

¹⁸ Percentage of households whose housing cost is greater than 30 percent of household income and whose household is one half or less of median household income.

**Number of Households Covered by Affordable Housing Value
Who Do Not Have Affordable Housing: Owners**

	White NH	Black NH	American Indian NH	Asian NH	Chicano/Latino
Family Size					
2 people	9,301	224	45	32	37
% of Households	23.7%	6.2%	4.7%	3.0%	0.1%
3 people	5,169	256	83	73	75
% of Households	29.2%	11.5%	13.1%	7.0%	0.2%
4 people	4,921	174	47	179	41
% of Households	42.7%	8.5%	8.1%	16.9%	0.1%
5+ people	2,891	215	28	208	41
% of Households	48.1%	8.1%	4.6%	9.7%	0.1%
Total Families	22,282	869	203	492	194
% of Covered Households	29.9%	8.2%	7.3%	9.3%	10.3%

Table 3A. Source: PUMS A 1990

**Number of Households Covered by Affordable Housing Value
Who Do Not Have Affordable Housing: Renters**

	White NH	Black NH	American Indian NH	Asian NH	Chicano/Latino
Family Size					
2 people	12,464	2,334	618	714	290
% of Households	31.8%	64.7%	64.0%	67.9%	0.7%
3 people	7,454	1,441	394	628	366
% of Households	42.2%	64.6%	62.1%	60.0%	0.9%
4 people	3,480	1,300	317	456	178
% of Households	30.2%	63.6%	54.7%	43.1%	0.5%
5+ people	1,849	2,016	508	125	151
% of Households	30.8%	75.6%	82.7%	58.3%	0.4%
Total	25,247	7,091	1,837	3,048	985
% of Households	33.9%	67.2%	65.8%	57.5%	52.4%

Table 3B. Source: PUMS A, 1990

Average Gap between Actual Housing Cost and 30% of Household Income in Households Covered by Affordable Housing Value

		White NH	Black NH	American Indian NH	Asian NH	Chicano/Latino
Family Size						
2 people	Renter	\$215	\$203	\$265	\$127	\$161
	Owner	\$260	\$373	\$259	\$331	\$266
3 people	Renter	\$231	\$296	\$145	\$149	\$225
	Owner	\$339	\$167	\$81	\$327	\$356
4 people	Renter	\$279	\$283	\$263	\$110	\$319
	Owner	\$345	\$413	\$255	\$378	\$792
5+ people	Renter	\$329	\$313	\$259	\$200	\$126
	Owner	\$401	\$434	\$145	\$444	\$912

Table 4. Source: PUMS A, 1990

Finally, the Wilkins Center measured the difference between actual housing costs and 30 percent of income to measure the strain housing places on family finances, for renters and owners separately. Except for American Indian home owning families of three, renters and owners of all ethnic and family groups face a gap of over \$100 between what they actually pay and what they should pay under the affordable housing definition. Among renters, the gap ranges from \$110 for Asian families of four people to \$329 for white families of five or more persons. The range of the gap is greater among owners, from a low of \$81 for American Indian families of three to a high of \$912 for a Chicano/Latino family of five or more persons.

What is the difference between the gap renters face and owners face? Only one racial group has a smaller gap for owning than renting for all family sizes: American Indians. Otherwise except for American Indians and Asian families of four people, the gap between housing cost and 30 percent of income is smaller for renters than buyers.

The average gap between rental costs and 30 percent of income across all racial and family groups is \$225. For owners, the gap is \$368. By racial group, the gap for renters ranges from \$147 among Asians to \$274 among Blacks. For owners, the range runs from \$185 for American Indians to \$582 among Chicanos/Latinos. This clearly indicates that in the current market renting is a more realistic, yet still unaffordable, option for families. For renters to consider ownership they have to consider an average increase in costs of \$139. Only American Indians would save (about \$48) by becoming owners. Whites and Blacks on average would spend about \$73 more to own, while Asians would have to spend about \$224 more and Chicano/ Latinos \$582 more to become owners. Such increases for all, except American Indians, may be outside the realm of possibility for low-income families.

Thus, although renters in general face greater difficulty in finding affordable housing, the financial burden of renting is less than owning.

LOAN REJECTION RATES

Many of the factors that influence ownership are related to mortgage application acceptance or rejection. They include:

- Income, credit record, employment history, and debt-to-income ratio
- Census tract characteristics of applicants' neighborhoods
- Purpose and type of loan
- Family structure

In other words, higher income families with strong credit and employment histories or a low debt-to-income ratio are looked upon more favorably by financial institutions. Furthermore, preference is given to those who apply for regular mortgage loans with a larger down payment and wish to buy in census tracts with fewer poor people, higher housing prices and fewer older homes. Even with this in mind, people of color are penalized more than whites for having a low income and/or weak credit history.

An examination of loan rejection rates from 1992 to 1996 demonstrates a disparity between whites and people of color. In all years whites had a lower rejection rate than did people of color. The difference ranged from .2 percentage points between whites and Asians in 1995 to 16.5 percentage points between Blacks and whites in 1996. These differences reflect the overall picture in which Blacks face the greatest disparity with whites, followed by American Indians, Chicanos/Latinos and Asians. It is also clear that, except for Asians, when changes have occurred in the white rejection rate, the other groups have followed the same pattern. From 1992 to 1996, when white rates went down so did rates for American Indians, Chicano/ Latinians and American Indians and when white rates increased so did those for the three groups. Asians followed a pattern that fluctuates more.

Loan Rejection Rates by Race in the Twin Cities MSA, 1992-1996¹⁹

	1992	1993	1994	1995	1996
White	6.6%	5.2%	7.7%	8.9%	12.1%
Black	23.4%	17.0%	24.6%	23.5%	28.4%
equal treatment	8.9%	6.8%	8.6%	9.7%	11.2%
American Indian	9.3%	9.1%	14.4%	22.2%	28.6%
equal treatment	7.0%	6.2%	7.8%	10.8%	10.8%
Asian	8.5%	6.4%	9.4%	9.1%	14.1%
equal treatment	5.9	5.2%	7.4%	9.5%	9.4%
Chicano/Latino	11.9%	10.2%	10.7%	16.1%	17.9%
equal treatment	7.7%	6.7%	9.8%	10.2%	11.6%

Table 5. Source: Myers for HUD, 1999.

Sometimes people do get flopped around. Sometimes the rules are used for a good thing—and sometimes the rules are used for bad things.

Mortgage banker

¹⁹ The analysis illustrated in this table does include the Wisconsin counties of Pierce and St. Croix.

Ratio of Minority to white denial rates, 1992–1996

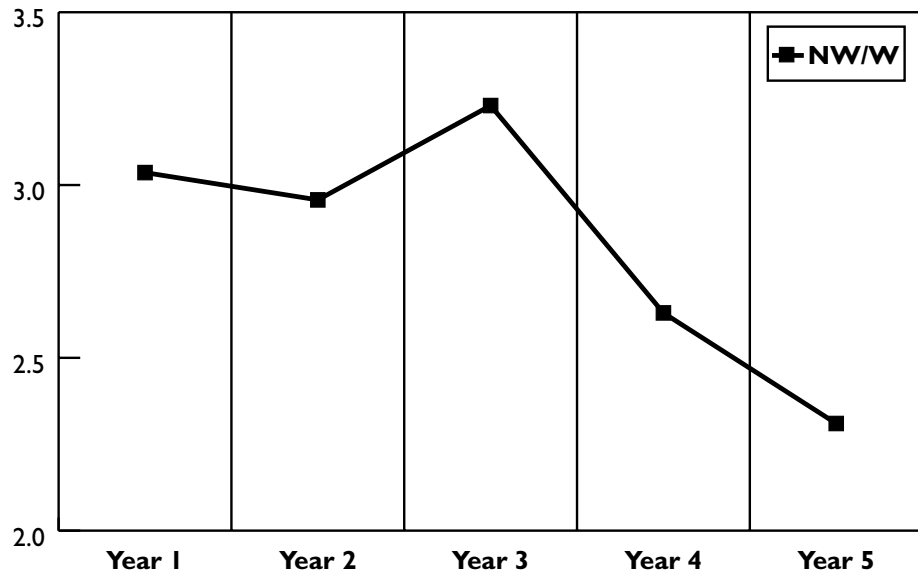


Figure 5. Source: 50/30 Project

If rejection rates are re-analyzed to treat people of color like whites, the gap narrows significantly, but not completely. Equal treatment can be measured by employing the same equation used to compute rejection rates by race. But, the factors used (as expressed by co-efficients) to measure the sample group for people of color are the same as those used to measure the white sample group. This produces rejection rates that measure each group equally, rather than rates that result from different factors applied to each group.

If people of color were treated like whites, the Asian rate would be lower than whites in 1992, 1994, and 1996; in 1993 it would be equal. In 1995 it would be higher for Asians, but by less than a percentage point. Blacks, American Indians and Chicanos/Latinos draw within one to two percentage points in any given year except 1996. In 1996, their rates would be lower than whites at 11.2, 10.8 and 11.6 percent respectively, as compared to the white rate of 12.1 percent.

THE SECONDARY MORTGAGE MARKET

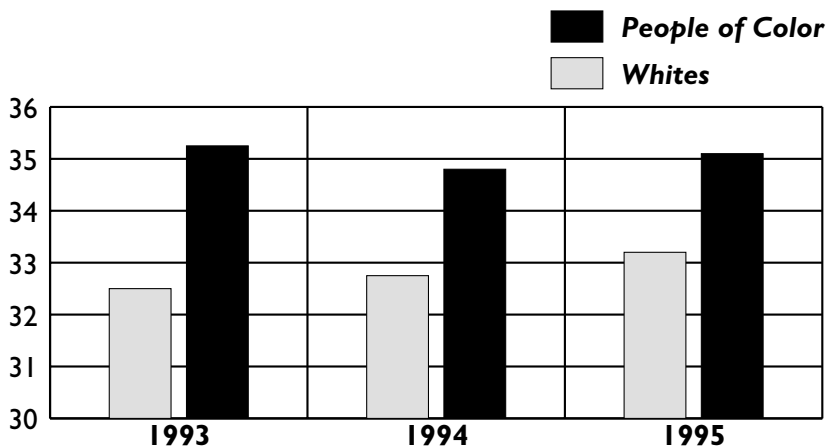
Increasingly, financial institutions are selling mortgages to government sponsored enterprises (GSE)²⁰ on the secondary mortgage market. It is, therefore, important to consider the role the secondary mortgage market plays in mortgage acceptance or rejection, particularly to first-time homebuyers. In 1993, seven percent of GSE loans in the Twin Cities MSA were for first-time buyers. Among mortgages to people of color, this number was 13 percent. In 1994 these numbers were 12 percent overall and 20 percent among people of color. In 1995, they were 22 percent and 38 percent, respectively.

Due to this growing influence of GSEs on first-time buyers, and buyers of color in particular, the Wilkins Center sought to understand the differences between white buyers and buyers of color who have their mortgages purchased by GSEs. The Center compared eight socio-economic factors between these two populations: age, gender, applicant income, unpaid principal balance, number of borrowers on the loan, borrowers' income ratio, central city or suburban location of property, population of color in property location and median family income in property location.

A distinct picture emerges. The buyers of color tend to be older and more likely to be male than their white counterparts. They tend to have a lower income, but have a lower principal balance on the loan. There tend to be more borrowers on the loan with a lower income ratio. Borrowers of color are more likely to live in the central city and come from census tracts with higher populations of color and lower median family incomes.

Due to the apparent attractiveness of people of color to GSEs, they represent an important source of funding to the Twin Cities' first-time homebuyers of color. It should be noted, though, that since 1993 while GSE have been increasing the purchase of mortgages to first-time buyers, the differences between white buyers and buyers of color—which were very similar—have been increasing.

Age

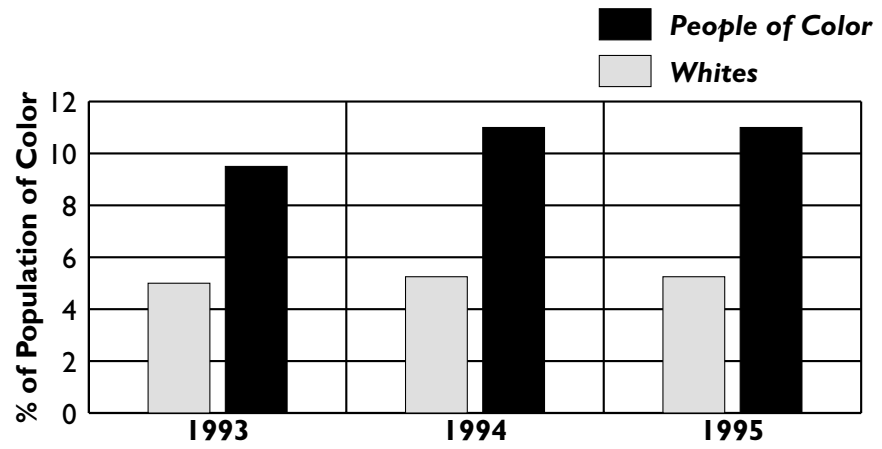


I've been in the business for 30 years and that's the way business was done, but I think not understanding the cultures is a big deal to how we do business today.

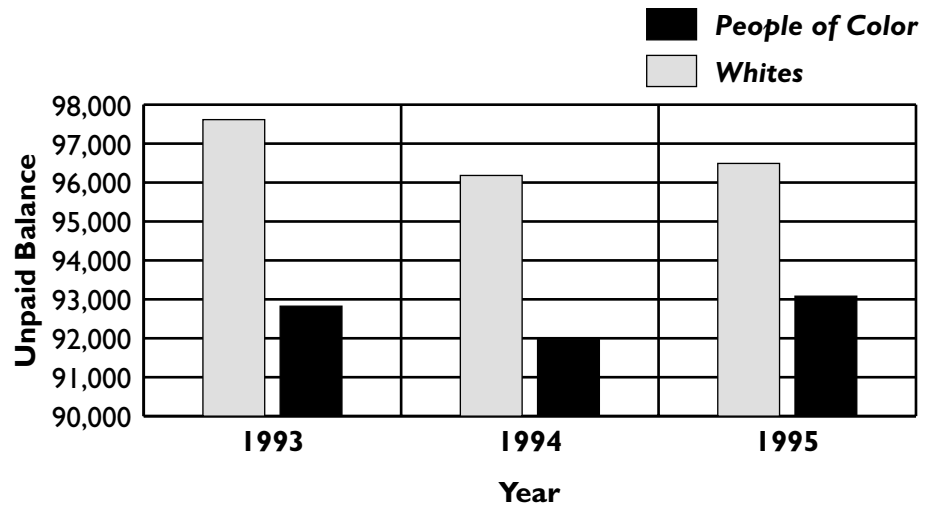
Mortgage banker

²⁰ Government sponsored enterprises are half-private, half-public corporations, sponsored by the US government, whose mission is to increase ownership among people of color. The two GSEs studied in the Project were the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

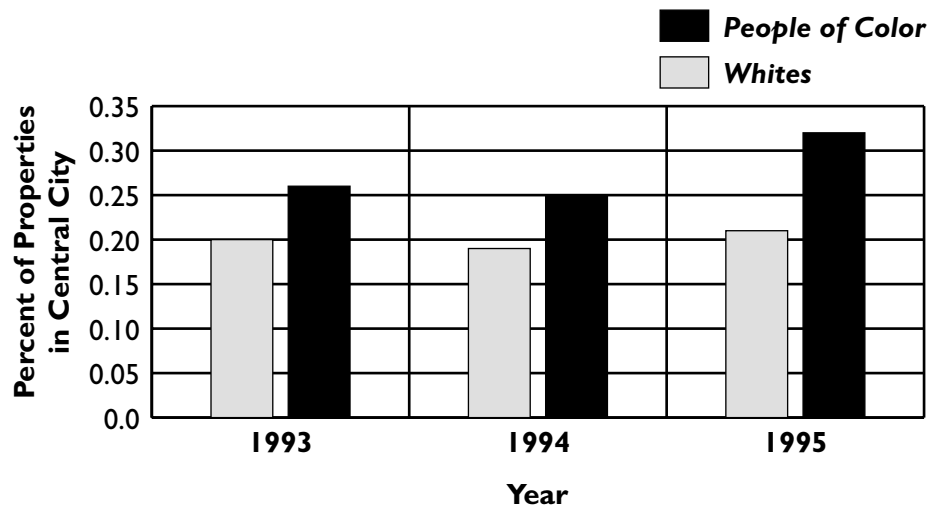
Census Tract Population of Color



Unpaid Principal Balance



Central City Property Location



FOCUS GROUP OUTCOMES

FOCUS GROUP OUTCOMES

FOCUS GROUP METHODS AND PROCESS

Fifteen focus groups were convened by the 50/30 Project, under the direction of 50/30 Project Consultant, Judith Henc of Hencforth, Inc. In addition, a member of each representative group or community of color participating in the study co-facilitated each session. A discussion guide of standardized questions was prepared and all facilitators were required to participate in a training session.

We are convinced that the tremendous success enjoyed by the focus groups would not have been possible without the support of the co-facilitators from each of the communities of color and interest areas involved. Because those facilitators were credible, respected members of their communities, participants felt comfortable enough to pour out their souls (in a number of languages—and often in tears), reliving their successes and heartfelt failures—in the hope that others might benefit from their experiences.

Focus group participants were recruited by Urban Coalition staff, 50/30 Steering and Advisory Committee members, the facilitators of each focus group and community-based service providers in each respective community of color and interest area.

Focus groups were held at locations in the neighborhoods where focus group members lived and felt comfortable and in community meeting spaces accessible to participants within the Twin Cities area. Approximately 150 people were involved in the 15 focus groups. The focus group sessions were one a half to two hours long with an average of 10 persons per focus group. They were conducted between May 12 and June 16 of 1998.

PROFILE OF FOCUS GROUP PARTICIPANTS

Community participants were recruited for participation in 10 focus groups for residents of color from neighborhoods in Minneapolis, Saint Paul and the surrounding suburbs. The other five focus groups were comprised of staff and directors of non-profit, community-based, affordable housing programs; home mortgage, lending and real estate professionals; and government housing staff serving the Twin Cities metropolitan area.

In keeping with the focus of the study, the community participants were from the African American, American Indian, Cambodian, Chicano/Latino, Hmong, and Laotian communities in the Twin Cities Metro area—with most from Minneapolis or Saint Paul. Focus group participants selected fell between 20 and 40 years of age, with family incomes of between \$20,000 and \$40,000 per year.

Particular attention was paid to recruiting heads of households in communities of color who had been denied a home mortgage; those who were successful homeowners; renters who may not have considered homeownership; and participants in both pre-purchase, homeownership training programs and post-purchase, mortgage foreclosure prevention programs.

Because the focus of the study is on increasing the homeownership rate of employed heads of households in communities of color, the majority of focus group participants were women.

Five other focus groups were held with representatives of private bank and home mortgage institutions, realtors, federal, state and local housing agency representatives, and non-profit, affordable housing service providers.

SUMMARY OF FOCUS GROUPS

COMMUNITIES OF COLOR

What kept you from buying a house?

Of those participants responding to the question directly or during the course of their focus group, the majority said not having a down payment was the primary deterrent to buying a home. Other factors included poor credit and a lack of familiarity with the homebuying process.

Why did you look for a house?

All seven groups said the need for room to accommodate children and extended family were key reasons to look for a home. The majority of respondents wanted more privacy. The remaining considerations were: having something to pass along to the children; a sound investment decision; safety and security; and pride in having one's own place.

For one African American participant, it was keeping a promise to her children and her late husband:

I was determined. I was very confident that I was going to own a house. That was something I always promised my kids and my late husband.

Once the decision to buy a home was made, clients “drove around the neighborhood,” contacted a real estate agent, or enrolled in homeownership programs to prepare for the application process.

Tell us what you did and did not like about your homebuying experience?

Negative experiences with the loan officer or real estate agent surfaced as the biggest problems for first-time homebuyers. A Cambodian participant felt manipulated by the real estate agent who she described as pushy and not honest. When we met with the real estate agents, some were very pushy. Some are not honest and do not care about us, but pushed us to buy. We asked the realtor to ask the seller to fix the roof and change the carpets. We did not ask them in writing, nor did we have a written agreement from the seller. We thought a verbal request was enough.

An African American participant resented having to continually prove their ability to afford the loan. Several American Indian participants believed they were not treated as *legitimate people* with the resources to purchase a home. They were often shown houses a participant described as *just horrible*. Conversely, other participants were shown very expensive homes, then ignored when they requested homes in the \$60,000 to \$75,000 range.

Cambodian, American Indian, and Chicano/Latino participants believed their appearance (race and manner of dress) influenced the decision to approve or deny the loan. An American Indian woman said the relationship with the lender was *fine during a telephone conversation, but appeared to change when we met*. Another American Indian woman described her experience with a lender, *I remember that loan agent, because he didn't stand up, he didn't shake my hand, and he didn't look at me. I was absolutely sure that he was denying [the loan] just on our appearance.*

There were also good experiences with service providers. *I talked to a real estate agent and she helped me to determine what my debt was. My [agent] was very, very, very aggressive, which was good for us. She called two to four times a day. She told us everything that needed to be done and asked if we got things.*

Many times we don't start the education process soon enough, not only about buying a house and becoming home owners, but about handling your finances.

Mortgage banker

My neighbors don't like me. I was there 4 years and one day the old man looked over the fence and he said, 'are you a nigger?' I said 'no, I'm not' and after that he talked to my wife.

*American Indian
homeowner*

Overall, buying a home was a positive and productive experience when the participants were involved in homebuying programs, and likely to be less productive if the participant entered the working relationship without prior knowledge or experience of what to expect.

How did you find a real estate agent?

Focus group participants found real estate agents through referrals from family and friends and follow-up calls listed on for sale signs. The likelihood of a successful client-agent relationship seemed higher if the agent was the same race. *I like to work with agencies and people where I see people that look like me, that understand where I'm coming from; that understands my culture characteristics and my communication style.* Successful agents took the extra time to become acquainted with the culture of the customer, were contacted as part of a homebuying program, and helped the residents become familiar with the homebuying process.

These circumstances did not, however, influence or eliminate instances of discrimination, racism, or rude behavior. *My husband and I went to see a house and the agent was helping another white couple. When he finished... he asked in a rude way if we had enough money to buy the house. It was as if he didn't want to talk to us, because it would be a waste of time for him.*

They don't have any respect for us. Although it was a bad experience, I don't think that it was the company... he worked for that was bad—I think it was just him. It doesn't matter if the agent is white or Hmong, if they are rude, it is just that person. I know that we can't blame the whole company.

How did you select a lender?

Again, the clear majority of respondents to the question said they relied on their real estate agents or the homebuyer program to find lenders. While language and culture were significant concerns, all participants said they were frustrated by the paperwork involved in applying for and qualifying for a loan. Frustration increased when differences in cultural values and language were involved. *Paperwork, books, everything was in English. It was very difficult to have trust in the person who was helping us.*

Many of the participants said their lenders were friendly, but were insulted by loan officers who did not take the time to explain the application or what the participants were signing. *Our community does not know what bank and what program each provide. The bank always wants to sell the products and they always try to convince you to buy their products. It is even more confusing when English is a second language.*

Participants from all 10 focus groups comprised of residents of color believed many of the problems could be resolved by working with lenders of their own ethnic community. They felt such service providers would have their customer's best interests in mind.

How respectful or considerate was your homebuying experience with the mortgage-related service provider?

While participants from every group experienced what they described as racism and discrimination at some point in their relationship with a lender or real estate agent, there were a number of good experiences: *My loan officer was pretty friendly. I was pretty nervous when I first went in to see if I qualified for a loan. I liked the personal touch; he was really down to earth. My real estate agent kept me informed of his itinerary the entire week. If there were any changes, he would let me know.*

In other cases, the fear of racism's influence on being approved for a loan or the selection and location of the house they wanted, motivated some American Indian applicants to suggest a front person do the financial negotiating. *That way they wouldn't see the color of the skin, just*

the color of the money. In one case, the agent preferred to communicate with an American Indian's white wife rather than with him. *They didn't talk to me... they talked to my wife, like maybe I couldn't understand. They weren't discourteous, but they just didn't talk to me. So, when it came time to sign anything, they explained it all to her.*

An African American woman said the lender questioned the legitimacy of her financial resources. *My lender couldn't understand how I had so much money. They had the checks right in front of them and I couldn't understand why they would make statements like that. They were almost saying that I was out prostituting or stealing it or something—that the money wasn't made honestly.*

Nearly all of the focus group participants believed that if people of color patronized only culturally sensitive lending institutions and real estate agents, it would reduce discrimination and racism. Participants would like to see a list or directory of culturally competent service providers and there was a suggestion that lenders go through a process to be certified as culturally sensitive.

A majority of the participants spoke highly of homebuying programs and said had it not been for the experience gained through the program, they may not have qualified for their loan. *We need organizations [like neighborhood programs] to direct us in the right way. Most of our credit problems occurred when we were young.*

HOUSING PROFESSIONALS

ORGANIZATION/ AGENCY BACKGROUND

Lending institutions; municipal, state, and federal government agencies; realtors; and non-profit, community-based organizations employed the participants in these focus groups. Most of the lending and realty institutions and community-based organizations have offices in the neighborhoods they serve. Government agencies were generally located in downtown Minneapolis and Saint Paul.

What major challenges do you face in serving people of color?

The biggest challenges they saw in effectively meeting the needs of customers of color were an overall shortage of staff, a lack of funds to develop programs that served specific cultural needs, and not enough time to meet the demands of a growing housing market. Service providers also said a shortage of affordable housing created problems for their clients. *If a house is under \$100,000—it's gone.*

One participant noted that over the last three years, over 80 houses in the Central neighborhood were boarded up and vacant. There appeared to be a trend to over-improve housing stock in Minneapolis: that is, to tear down older homes and replace them with new ones. *New houses are great... but we also have a lot of incredible resources in the older housing stock. If you can rehab or encourage people to invest their own effort and sweat equity to develop that housing, you would be preserving a piece of housing that [could] be a \$50,000 mortgage instead of a \$90,000 mortgage.*

What are the biggest challenges to people of colors as they look for a house?

Participants said, *poor credit, lack of familiarity with the homebuying process, language and diverse cultural values* were the principal challenges for their customers of color.

Real estate agents of color believed patience and empathy were important characteristics for professional agents. Those very characteristics helped them to understand the culture, to

I've had loan officers who have quit their companies because the underwriters were obviously biased and they went to another company. I've supported those loan officers because they have supported my clients.

Realtor of color

address language barriers, and to develop the kind of trust necessary to effect a positive working relationship with potential homeowners.

Non-profit service providers and government agencies saw challenges with lenders who rushed to qualify applicants for mortgages, put them into a home, then failed to provide follow-up. Other concerns included the temporary nature of factors used to qualify for a loan (part time employment, etc.); and lenders who *lacked the time to educate their customers*.

Which neighborhoods have the highest homebuying activity?

Lenders believed buying trends were dictated by supply and demand—with the exception of *impoverished neighborhoods*. It was also noted that more members of Southeast Asian communities are buying multiple-family dwellings, (such as duplexes and fourplexes) because of their desire to maintain culturally-preferred, extended-family living arrangements.

About 65 percent of one agent's African American customers preferred to stay in the city. Other participants indicated that the same can be said for American Indians.

Are there particular issues related to people of color when they look for a home?

Key issues mentioned by many of the focus group participants included a preference to do their house hunting in specific, (culturally-preferred or familiar) neighborhoods; and religious and cultural differences. In one case, a service provider mentioned Muslim clients' refusal to pay interest, which they believed supported corporations. Real estate agents of color repeatedly pointed out that they were careful to select only lenders they knew who could relate to their customers. "I won't send them to a loan officer who doesn't have a track record of successfully working with people of color."

FOCUS GROUP CONCLUSIONS

Focus group participants who were housing professionals acknowledged challenges they saw in effectively meeting the needs of customers of color: a shortage of staff; lack of funds to develop programs that served specific cultural needs; not enough time to meet the demands of a growing housing market; and a shortage of affordable housing.

Patience, empathy, timely follow-through, and taking the time to help customers make informed choices were also cited by housing professionals as prerequisites.

Participants in the focus group process from communities of color faced the homebuying process with the same initial combination of optimism and trepidation that anyone in a similar situation might expect to face. Somewhere along the home-buying path, however, many of the focus group participants of color felt their optimism was completely consumed by trepidation.

The source of trepidation for participants of color was varied. In some instances it stemmed either from limited information about—or what they perceived as manipulation in—the homebuying process. In others, resentment arose from feeling slighted or disrespected by a realtor who attempted to "steer" them either toward overpriced houses on the one hand, and substandard, run-down houses in poor neighborhoods on the other. In many cases, they felt uncomfortable, or simply not respected in mostly white institutions, or from questions that they believed were invasive—or that suggested the realtor or lender did not believe them.

While it was quite clear that there were significant distinctions within and among different communities of color (issues, concerns, housing location preferences, suggested solutions, etc.), there was one very clear consensus. Everyone felt that a combination of trust, respect, cultural competency, affirmative hiring and marketing policies, clear, concise information and a user-friendly process were absolutely essential.

POLICY SIMULATION MODELS



CONCEPTUAL STRUCTURE OF 50/30 POLICY SIMULATION MODEL²¹

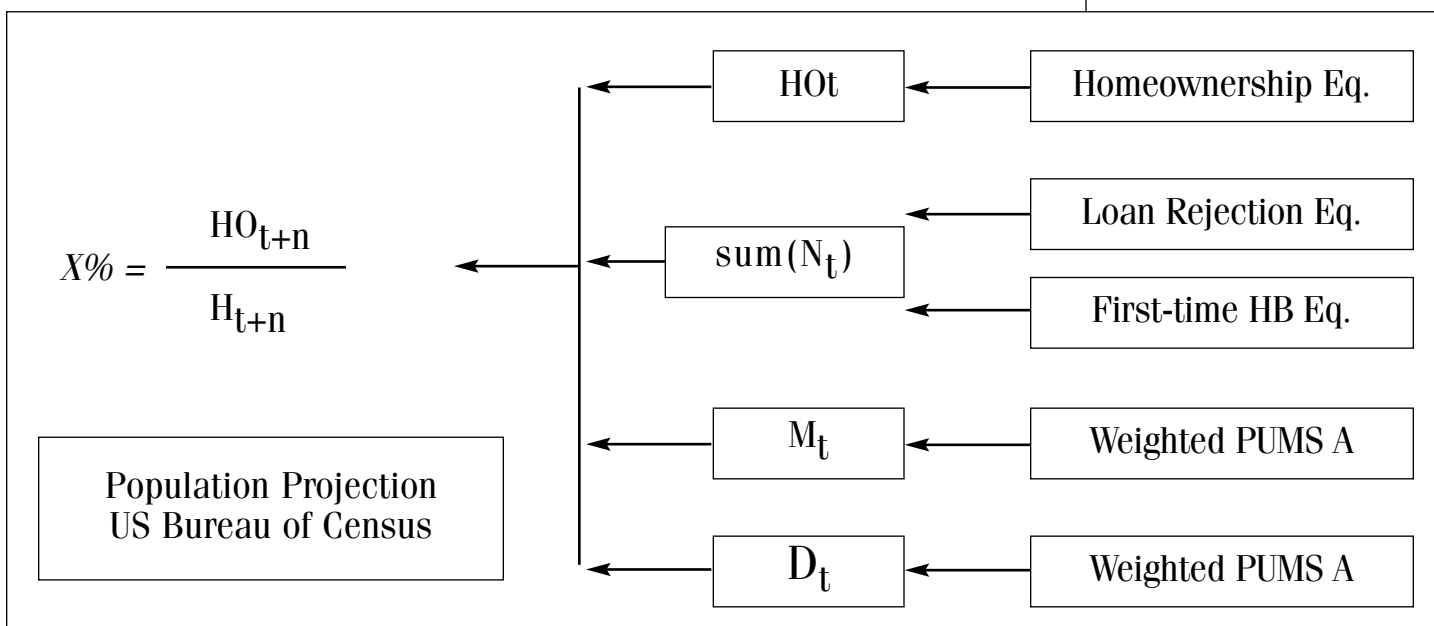
The research team developed a policy simulation model to estimate the impacts of various policy alternatives on homeownership among people of color. The policy simulation model consists of a series of equations determining homeownership rates, loan rejection rates, first-time homebuyer rates and rates of immigration and outmigration of homeowners. These equations and rates were estimated from HMDA, HUD and Census data compiled for the Twin Cities metropolitan area. These resulting estimates were then linked together to provide a basis for forecasting homeownership rates in year 2000 and year 2010.

The conceptual framework for the forecasts is simple: the proportion of households of color that own their own homes in the future is the ratio of the number of owner-occupied households of color to the number of households of color in any year. We obtained the forecasts for the number of households of color (appropriately adjusted for geographical area) from state estimates performed by the Bureau of Census.

The forecasts for the number of owner-occupied households uses this straightforward logic: the current number of households owning their own homes, plus the additional homeowners in a ten-year span that arise from new homeowners (first-time homebuyers) among accepted loan applicants, plus migrants who are homeowners, less homeowners who leave (who die or who move out of the metropolitan area) equals the number of homeowners in the next period. This conceptual scheme is depicted in chart below.

Using this model, along with an analysis of homeownership rates in 1990 by census tract, we are able to assess the impact of five different policy alternatives. These are: a) Location policy; b) Subsidies; c) First-time homebuyer policies; d) Homeownership demand policies and e) Fair housing policies.

²¹ X = Homeownership Rate;
 H = Number of Households;
 HO = Number of Home Owners;
 N = First Time Home Owners;
 M = Previous Home Owners
 from Outside the State;
 D = Deceased Home Owners;
 t = Current Year;
 n = Number of Years.



**12 Census Tracts
in Location Policy**
(Tract Number)

Minneapolis

Kingfield/Central/Bryant
(94)

Kingfield/Regina
(109)

Near North
(33)

Near North
(34)

Phillips
(59–61, 69, 71–73,
78–79)

Summer-Glenwood
(42)

Willard Hay
(27)

Saint Paul

East Side of Saint Paul
(331,344–345)

Frogtown
(325)

North End
(305)

Summit/University
(335)

West Side of Saint Paul
(360, 370–372)

The Location Policy²² examined how changes in ownership in the 12 Twin Cities census tracts with the highest populations of color would affect overall ownership rates, in the 12 tracts and the Twin Cities. Seven tracts in Minneapolis and five tracts in Saint Paul were identified. Predictions were based on:

1. 50 percent of renters in those tracts becoming owners.
2. The ownership rates of people of color in those tracts being equal to the ownership rates of whites in those tracts.
3. 100 percent of renters of color in the selected tracts becoming owners.

The Subsidy Policy examined how certain income incentives would affect ownership rates. The incentives were:

1. Increasing transitory income²³ by 110 percent.
2. Increasing transitory income by \$5000 per person.
3. The increase needed in transitory income to increase ownership by one percent by 2000.

The First time Homebuyer Policy looked at how an increase in first time homebuyers by 50 percent would affect overall homeownership.

The Homeowner Education Policy studied how improving the qualifications of loan applicants would affect ownership rates. Predictions were based on decreasing loan rejection rates by 50 percent and by eliminating bad credit histories.

The Homeownership Demand Policy looked at doubling and tripling the number of home mortgage loan applications.

The Fair Housing Policy measured changes in ownership if an equal treatment policy (regardless of race) were implemented; and if the effects of each factor determining loan decisions and homeownership rates were equalized between whites and people of color.

RESULTS OF THE 50/30 POLICY SIMULATION MODEL

LOCATION POLICY

Measures changes in ownership if 50 percent of renters became owners in the 12 census tracts with the largest concentrations of people of color. This initiative would increase ownership within the studied tracts 31 to 45 percent, and give each group of color ownership rates of over 50 percent. However, the incremental effect of ownership among each group of color in the Twin Cities MSA would be less than 10 percent and each group would still have a less than 50 percent ownership rate; Blacks would be below 40 percent. For example, in the 12 census tracts Black ownership is currently 30 percent and would climb to 65 percent in the 12 tracts. In the Twin Cities, the overall Black ownership rate would be 37.5 percent.

Probability of ownership by people of color if probabilities for whites and people of color were equalized in those 12 census Tracts. This would equalize all groups' ownership to 44.8 percent (the white rate) in the 12 tracts, which is lower than the rates predicted above. It would also have less of an impact on overall ownership of color in the Twin Cities MSA. Whites would still have a 70.8 percent ownership rate, while groups of color would be between 33 (Blacks) and 46 percent (Asians).

²² Chicano/Latino ownership rates could not be measured in this model.

²³ Transitory income is temporary or one-time income. It may include inheritance or income from a seasonal or second job.

Probability of ownership by people of color if all renters of color became owners in the 12 census tracts. This result doubles the results found in the first measure and has the greatest impact. Ownership rates would be 100 percent for all people of color in the 12 tracts, increasing current rates dramatically—90 percent for American Indians and Asians. Ownership of color in the Twin Cities would increase 11 to 20 percent; increasing the ownership rate at the low end to 45.2 percent among Blacks and at the high end to 54.5 percent for non-Black, non-American Indian, non-Asian people of color. Only Blacks would be below 50 percent ownership.

SUBSIDY POLICY

Changes in ownership if transitory income is increased by 100 percent. In 2000, the impact on ownership would be less than 2 percentage points. Among Blacks and Asians, ownership would only increase .6 of a point to 24 and 38 percent respectively. The high, an increase of 1.3 points, would be among American Indians at 38.6 percent. The impact would be less in 2010. American Indians would have the largest increase, but only one point, to 42.5 percent ownership. Blacks and Asians would still have an equal change, .4 of a point, to 24.2 and 47.6 percent.

In both years a large disparity in ownership between Blacks and all other people of color would exist. In 2000, the total difference between American Indians and Asians (38.6 percent ownership) and Chicanos/Latinos (44.2 percent) is 5.6 percentage points, but the difference between American Indians and Asians and Blacks (23.6 percent) is 15 percentage points. In 2010, the difference between American Indians (42.5 percent) and Chicanos/Latinos (50 percent) is 7.5. The difference between American Indians and Blacks (24.2 percent) increases to 18.3 points.

Changes in ownership if transitory income is increased by \$5000 per person. As above, the impact in 2000 is less than two percentage points among all groups except American Indians. They would see an increase of 4.4 points to ownership of 41.7 percent. The impact in the year 2010 would again be less than in 2000. American Indians would experience the greatest ownership increase, from 3.4 percentage points to 44.9 percent. Also as above, a larger disparity exists between Blacks and other people of color in both years.

Increase in transitory income needed to increase homeownership one percent in 2000. To see a one percent ownership increase, transitory income would need to rise \$1,202 for American Indians, \$1,788 for Chicanos/Latinos, \$2838 for whites, \$3,280 for Blacks and \$4,051 for Asians.

FIRST-TIME HOMEBUYER POLICY

Changes in homeownership by increasing probability of first-time buyers 50 percent. Asians would gain the most in both years. In 2000, their ownership would increase 7.74 points to 45.7 percent and in 2010 it would increase 13.14 points to 60.28 percent. In both years Blacks would gain the least. In 2000, their ownership would increase 2.84 points to 25.85 percent. In 2010, it would be 28.65 percent, an increase of 4.92 percentage points. Also, as seen in previous models, although all groups would benefit from this policy, the difference between Blacks and other people of color would be significant. The difference between Blacks and American Indians in 2000 would be 17.93 percentage points, while the difference between American Indians and Chicanos/Latinos would be 3.18 points. In 2010, the difference would grow to 24.26 points between Blacks and Americans Indians while the difference between American Indians and Asians would be 7.37 points.

I think the lending community, instead of lowering the standards, we have to maintain the standard and help people to come up.

Mortgage banker

The white people that lived next door didn't welcome me to the neighborhood and they threw garbage in my yard. The neighbors just didn't like us and till this day, they just aren't friendly.

American Indian homeowner

HOMEOWNER EDUCATION POLICY

Changes in probability of homeownership rates if loan rejection rates are decreased by 50 percent. In 2000, people of color would see an increase of less than three percent. The range runs from a 2.16 point increase to 25.2 percent ownership for Blacks to 2.75 points to 40.1 percent ownership for American Indians. The rates of change would remain under five points for people of color and whites in the year 2010, although the amount of change between groups would be greater. Blacks would see their ownership reach 27.49 percent, an increase of 3.76 points, while American Indians would reach 46.38 percent, an increase of 4.87 points. The vast disparity in ownership between Blacks and other people of color can also be seen in this model. In 2000, the gap would be 14.9 points between Blacks and American Indians. By 2010, this gap would grow to 18.89 points. Meanwhile, the gap between American Indians and Chicanos/Latinos would be 5.3 points in 2000 and 6.84 points in 2010.

Changes in probability of homeownership if bad credit is eliminated. A greater increase in ownership is seen in this model than in the one above. In the year 2000, there is a 3.6 to 4.41 percentage point increase in ownership by people of color and a 6.25 to 7.8 point increase in the year 2010. In 2000, Black ownership would reach 26.6 percent and Chicano/ Latino ownership would reach 46.8 percent. In 2010, Blacks would reach 30 percent while Chicanos/Latinos would reach 55.5 percent. A large disparity would exist between Blacks and other populations of color.

HOMEOWNERSHIP DEMAND POLICY

Changes in ownership rates if loan applicants are doubled. More significant increases in ownership are seen here than in the previous models. Increases, for 2000, range from 5.7 points among Blacks for an ownership rate of 28.7 to 15.5 points among Asians for ownership of 53.4 percent. In 2010, the changes range from a 9.8 percent increase among Blacks to 33.6 percent ownership to a 26.3 point increase among Asians to 73.4 percent ownership. The greatest disparity among ownership rates among people of color emerges in this model. In 2000, there is a difference of 21.5 points between Blacks and American Indians and a difference in 2010 of 28.7 between Blacks and Chicanos/Latinos. The difference between American Indians and Asians in 2000 is 3.2 points and 11.1 points between Chicanos/Latinos and Asians in 2010.

Changes in ownership rates if loan applicants are tripled. This model presents greater increases than does the previous model. By tripling applicants instead of doubling, ownership changes double in both years. Blacks would still have the lowest increases, a change of 11.4 points to 34.4 percent ownership in 2000 and a change of 19.7 points in 2010 to ownership of 43.4 percent. Asians would have the largest gain of 31 points in the year 2000—to 68.9 percent ownership and a gain of 52.6 points in 2010 to ownership of 99.7 percent. The disparity between Blacks and other people of color also grows in this model.

FAIR HOUSING POLICY

Changes in homeownership rates if all factors were evaluated identically for all households. The results of this model yield the widest range of change of all the models. In 2000, the change is 16.97 percentage points among American Indians to ownership of 54.3 percent. The low change is 2.95 points among Chicanos/Latinos for an ownership of 46 percent. In 2010 American Indians would see an increase of 13.01 points to 54.52 percent ownership, while Chicanos/Latinos would see a 2.06 percent change to 51.27 percent ownership.

Changes in homeownership rates if all factors were evaluated identically for all loan applicants. While the above model demonstrated a wide range of change, this model would increase ownership less than one point among Asians and Chicanos/Latinos and less than two points among Blacks and American Indians in 2000. In 2010, Asians and Chicanos/ Latinos would see an increase of less than one point, while the increase would climb 2.5 for America Indians and 3.2 points for Blacks.

POLICY IMPACT RANKINGS BY RACE

Each policy examined affects each community differently. Also, the impact varies whether tested in 2000 or 2010. One policy would have the same beneficial effect on ownership rates for all four communities for both years. Tripling loan applications is the most effective way to increase ownership among Blacks, Asians, American Indians and Chicanos/Latinos.

Blacks

The next two most effective strategies to increase Black homeownership in the year 2000, would be to a) have equal treatment in the housing market and b) help all renters in the 12 census tracts become owners. The two least effective policies (ranked 10 and 11) would be to increase transitory income by \$5,000 and double transitory income. In the year 2010, the second most effective policy for Blacks would be to double loan applications and the third most effective would be to have equal treatment in the housing market. The least effective policies remain the same— increase transitory income \$5,000 and double transitory income.

American Indians

The second and third most effective strategies for American Indians in 2000 are the same as for Blacks: equal treatment and help 100 percent of American Indian renters in the 12 studied census tracts become owners. In 2010, the second and third most effective strategies for American Indians would be to double loan applications and to have equal treatment in the housing market. Least effective in both years would be to have equal treatment and double transitory income.

Asians

The doubling of loan applications would be the second most effective policy in both years. Third most effective in 2000 would be equal treatment. In 2010, it would be a \$5,000 increase in transitory income. The least effective policies in both years would be to double transitory income and equal treatment in the housing market.

Chicanos/Latinos

In 2000 and 2010, the second and third most effective policies for Chicanos/Latinos would be to double of loan applications and increase transitory income \$5,000. The least effective policies for Chicanos/Latinos in both years (ranked eight and nine, since the location policy model could not be used for Chicanos/Latinos) would be to double transitory income and equal treatment.

I did a career day at my son's school talking about credit and getting them ready to buy. I was just surprised at the interest in these young kids in what I was saying—they are definitely ready.

African American homeowner

COMBINING POLICIES

A final model measured the rate of ownership among each group of color, if certain policy initiatives were combined. First, the base projection—without any policy initiatives—of homeownership for 2010 was established. In this model, Chicanos/Latinos had ownership of 49.2 percent, Asians 47.1 percent, American Indians 41.5 percent and Blacks 23.7 percent.

Then the base projection was combined with doubling loan applications. Chicanos/Latinos rose to 62.3 percent, Asians 73.4 percent, American Indians 64.3 percent and Blacks 43.4 percent.

The third model combined the base projection, application doubling, and equal treatment. This would lead to a 65.6 percent rate for Chicanos/Latinos, 79.7 percent for Asians, 82 percent for American Indians and 46.9 percent for Blacks.

Finally, the base projection, doubling applications, and equal treatment were combined with an increase of five percent in first-time homebuyers. This yielded a rate of 79 percent among Chicanos/Latinos, 100 percent among Asians and American Indians, and 59.1 percent among Blacks.

For further information on the policy models discussed in this paper, please visit the 50/30 web site at www.urbancoalition.org

ADDENDUM

For further information on the focus groups, background research, policy models and other information discussed in this report, please visit The Urban Coalition/50/30 web site at

www.urbancoalition.org

Note: This web page contains information on each of the six reports completed during the life of the 50/30 Project, and other data sources referred to in this report.



The Urban Coalition

REPORT EVALUATION FORM

Your feedback is invaluable. Please provide the following information and return this form to:

The Urban Coalition
2610 University Avenue West, Suite 201
Saint Paul, Minnesota 55114-1090

voice: (612) 348-8550 ex.0
fax : (612) 348-2533
mail to: gen@urbancoalition.org
www.urbancoalition.org

1. Name of report:

2. How is the information contained in the report helpful to you and/or your organization?

3. How will the information be used? (please check all that may apply)
 - Strategic planning
 - Fundraising
 - Advocacy / public education / information
 - Staff / volunteer development
 - Other (please describe)
4. What did you like best about the report?

5. How could this report be improved/more useful for you?

6. What type of organization do you represent (public, private, non-profit)?

7. Additional comments or suggestions for future research projects.

We appreciate your feedback. Thank you.

RECENT PUBLICATIONS AVAILABLE FROM THE WILKINS CENTER

The
Roy Wilkins Center
for
Human Relations and Social Justice

Humphrey Institute of Public Affairs

UNIVERSITY OF MINNESOTA

America's Best and Worst Lenders (originally *Who's Financing the American Dream?*) A comprehensive study of home purchase lending in twenty metropolitan areas, 1994–1996, Samuel L. Myers, Jr., William Milczarski and Joshua B. Silver, for the National Community Reinvestment Coalition, November 1998.

“The Effects of Government-Sponsored Enterprises (GSE) Secondary Market Decisions on Racial Disparities in Loan Rejection Rates,” Report to the U.S. Department of Housing and Urban Development, Office of the Assistant Secretary for Policy Development and Research, Samuel L. Myers, Jr., February 3, 1999.

“The Minnesota Paradox: Discrimination When Nobody Discriminates,” a Wilkins Center working paper, Samuel L. Myers, Jr.

“Appropriate Uses of HMDA Data in Measuring and Detecting Discrimination in Local Market Mortgage Discrimination: The Case of Chicago,” a Wilkins Center working paper, William Milczarski and Samuel L. Myers, Jr.

Bittersweet Success: Faculty of Color in Academe, Caroline Sotello Viernes Turner and Samuel L. Myers, Jr., Allyn & Bacon Publishers, 1999.

Persistent Disparity: Race & Economic Inequality in the U.S. Since 1945, William A. Darity, Jr. and Samuel L. Myers Jr., Edward Elgar Publishing, October 1998.

Civil Rights and Race Relations in the Post Reagan Bush Era, Samuel L. Myers, Jr., Editor. Greenwood Publishers, October 1997.

“Exploring Underrepresentation: The Case of Faculty of Color in The Midwest” Caroline Sotello Viernes Turner, Samuel L. Myers, Jr. and John W. Creswell. *The Journal of Higher Education*, January/February 1999.

“Racial Earnings Disparities and Family Structure”, Samuel L. Myers, Jr., William A. Darity, Jr. and Chanjin Chung. *Southern Economic Journal*, Vol. 65, No. 1 July 1998, pp. 20–41.

“Revisiting Occupational Crowding in the United States: A Preliminary Study” Karen J. Gibson, William A. Darity, Jr. and Samuel L. Myers, Jr. *Feminist Economics*, Vol. 4, No. 3, Fall 1998.

“Criminal Perceptions and Violent Criminal Victimization,” Samuel L. Myers, Jr. and Chanjin Chung. *Contemporary Economic Policy*, Vol. XVI, No. 3, July 1998, pp. 321–333.

For further information, contact the Roy Wilkins Center for Human Relations and Social Justice, Humphrey Institute of Public Affairs, 301–19th Ave. S., Minneapolis, MN 55455 (612) 625-9821.



The
Urban
Coalition

RECENT PUBLICATIONS AVAILABLE FROM THE URBAN COALITION:

(Unless otherwise specified, Reports are \$5.00 each, which includes postage and handling)

Health Issues

- Getting It all Together: The Health and Well-Being of Minnesota's Youth*, 1998
- Populations of Color in Minnesota: Health Status Report*, 1997
- Prenatal Care among Southeast Asian Women in Saint Paul and Minneapolis*, January 1997
- Resiliency and Risk Among Young People of Color*, March 1994
- Prenatal Care Among Hispanic Women in Saint Paul*, February 1991
- The Next Generation: The Health and Well-Being of Young People of Color in the Twin Cities*, January 1990, reprinted October 1992

Hunger & Poverty Issues

- Minnesota Food Shelf Use Statistics in 1997*, February 1998
- Hunger Still Hurts: A Survey of Food Shelves and On-Site Meals Programs in Minnesota*, July 1996
- Bitter Sugar: Migrant Farmworker Nutrition and Access to Services in Minnesota*, January 1996
- The Food Stamp Program in Minnesota: Barriers to Participation and Outreach Strategies*, March 1994

Demographics

- A Dream Deferred: The 50/30 Project Housing Research Initiative*, 1999 \$10.00 (Published jointly with the Roy Wilkins Center for Human Relations and Social Justice, University of Minnesota)
- Minneapolis Public School Neighborhood Student Data: 1995-96*, December 1996
- Trends in Northeast Minneapolis 1980-1990*, September 1995
- The Well-Being of American Indian Children in MN: Economic Conditions*, May 1994
- Profiles of Change: Communities of Color in the Twin Cities Area*, August 1993
- Trends in Near-North Minneapolis 1980-1990*, 1993
- Minnesota County Poverty and Housing Statistics, 1980-1990*, September, 1992
- Hidden Dreams, Hidden Lives: New Hispanic Immigrants in Minnesota*, September 1992

Newsletter:

For a free subscription to the Urban Coalition's newsletter, Information for Change, call The Urban Coalition at (612) 348-8550 x "0"; e-mail gen@urbancoalition.org; or write The Urban Coalition, 2610 University Avenue West, Suite 201, Saint Paul, MN 55114-1090

A Dream Deferred: The 50/30 Housing Research Initiative Final Report



The
Urban
Coalition

2610 University Avenue West
Suite 201

Saint Paul, MN 55114-1090

(612) 348-8550

Fax (612) 348-2533

E-mail:

gen@urbancoalition.org

www.urbancoalition.org



The
Urban
Coalition

2610 University Avenue West

Suite 201

Saint Paul, MN 55114-1090

(612) 348-8550

Fax (612) 348-2533

E-mail:

gen@urbancoalition.org

www.urbancoalition.org