

Demographics and Digitization: How to Leverage Change and Innovation to Close
America's Homeownership Gaps

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Contents

- Demographic Trends Driving Homeownership Growth** _____ 1
 - Demographic Factors Influencing Hispanic Homeownership Growth _____ 2
 - Minority Homeownership Gaps Remain Significant _____ 4
- Barriers to Advancing Homeownership Opportunities** _____ 5
 - Home Price Appreciation Acceleration During the Pandemic _____ 5
 - Home Price Appreciation Slowed in 2023, but a Smaller Share of Homes is Considered Affordable__ 6
 - Interest Rates Hit a Twenty-Three-Year High _____ 7
 - Higher Interest Rates Make Qualifying for a Mortgage More Difficult _____ 8
 - Higher Interest Rates Result in Less Purchasing Power _____ 9
 - Housing Supply Inadequate to Meet Demand _____ 11
 - Diversity in the Real Estate Industry is Key to Homeownership Gains _____ 12
- Innovative Solutions to Solve the Affordability Crisis** _____ 12
 - Government-Led Solutions _____ 13
 - Restoring America’s Existing Housing Stock _____ 13
 - Increasing Accessibility of New Construction _____ 14
 - Incentivize Diversity in Mortgage Lending _____ 15
 - Industry-Led Solutions _____ 16
 - Expanding Access to Credit and Innovations in Underwriting _____ 16
 - Increasing Affordability and Access in Marginalized Communities _____ 17

Homeownership has long been the cornerstone of the American dream, and the number one way American families build wealth. It acts as a stabilizing force within a community – providing shelter, a sense of security, belonging, and freedom. Children of homeowners tend to perform better in school and exhibit fewer behavior problems than children of renters.ⁱ These children are also more likely to become homeowners themselves.ⁱⁱ Moreover, homeownership is the greatest factor in building generational wealth and closing wealth gaps, with homeowner households possessing exponentially more wealth than renter households.

While the benefits of homeownership are well documented, access to it is becoming increasingly restricted. Housing market affordability has reached crisis levels, compounded by the aftermath of the COVID-19 pandemic. Near-zero interest rates, inflationary pressures, supply chain disruptions, and a halt in residential construction created a perfect storm, resulting in what is now the least affordable housing market on record.

The challenges for homebuyers, particularly first-time homebuyers, in the wake of the COVID-19 pandemic are undeniable. However, updated government policies and creative industry practices have the potential to significantly lower the current barriers to entering the housing market. Prioritizing the implementation of these policies and practices, including rehabilitating America’s existing housing stock, increasing the accessibility of new construction, and creating innovative programs to assess capacity and finance homes, is essential to addressing the affordability crisis and increasing homeownership.

Demographic Trends Driving Homeownership Growth

When considering demographic indicators, the future of homeownership growth in America will undoubtedly stem from diverse communities. Analysis from the Urban Institute predicts that between 2020 and 2040, the net growth in owner-households will be made up entirely of non-White households, with 70 percent of this growth being Hispanic.ⁱⁱⁱ This prediction aligns with the trajectory of

homeownership growth over the last decade: during this period, Latinos were the only demographic to experience consistent growth in homeownership rates.

U.S. homeownership growth is being disproportionately driven by Hispanic households. Over the past ten years, Latinos have accounted for 25.6 percent of the country's overall homeownership growth, despite only making up 14.8 percent of households.^{iv} After non-Hispanic White households, Latinos are responsible for the largest share of homeownership growth among any racial or ethnic demographic. Latinos are also seeing strong household formation growth, a key precursor to homeownership. In the last decade, Latinos formed an additional 4.6 million new households, a 31.0 percent increase.^v

Despite increasing barriers to housing affordability, Hispanic homeownership rates continue to rise. In 2023, which was arguably the least affordable housing market on record due to low inventory and high mortgage rates, Latinos added a net gain of 377,000 owner-households, marking the largest single-year gain for Hispanic owner households since 2005.^{vi}

Demographic Factors Influencing Hispanic Homeownership Growth

1. Age: Latinos are young and are just now aging into their prime homebuying years. With a median age of 30.7, Latinos are the youngest racial or ethnic demographic in the U.S., a full 10 years younger than non-Hispanics. Making up a larger segment of the overall youth population means the median age for Latinos skews younger. Today, one in four children under the age of 18 is Hispanic (26.0 percent). As young Latinos move out of their parents' homes and form new households, Latino households are expected to increase. Currently, nearly a third (29.5 percent) of Latinos are under the age of 18, with 2.2 million turning 18 within the next two years alone.^{vii}

Not only are Latinos younger than non-Latinos, but they are also more likely to buy homes younger. The largest share of Hispanic homebuyers falls into the 25-34 age bracket, with 42.8 percent of Hispanic home purchase originations in 2023 going to someone under 35.

Additionally, 7.9 percent of Hispanic homebuyers were under 25, a higher share than non-Hispanic buyers.^{viii}

2. **Population:** The Latino population is growing rapidly and remains the second-largest racial or ethnic demographic in the nation. With a total population of 63.6 million, Latinos account for 19.1 percent of the U.S. population. Over the last decade, the Hispanic population grew by 10.6 million, responsible for more than half (54.7 percent) of net U.S. population growth.^{ix} This growing Latino population creates significant opportunities for household formation and increased demand for housing.
3. **Income:** Latinos have seen substantial household income growth over the past ten years. In 2022, the median household income for Hispanic households was \$65,882, an 8.8 percent increase from the previous year. Although the income gap between Hispanic households and the overall population remains significant, Hispanic household income growth is outpacing the general population's and is growing more quickly than other racial or ethnic groups. Over the last decade, Hispanic household income grew by over \$25,000, a growth rate of 63.0 percent compared to 45.5 percent for households overall.^x
4. **Education:** The number of college-educated Latinos has nearly doubled over the last decade. Between 2012 and 2022, the rate of Bachelor's degrees earned by Latinos increased by 90.6 percent, far outpacing the general population's increase of 34.8 percent.^{xi} College education plays a significant role in homeownership readiness. Latinos with college degrees have higher incomes and greater wealth than those without, two key factors in the ability to purchase a home. Latino households headed by someone with a college degree have a median net worth of \$229,000, more than 5 times higher than those without a college degree (\$41,870).^{xii} Similarly, Latinos with a

Bachelor's degree or higher have a personal income of more than double that of non-college-educated Latinos, a median of \$50,000 annually compared to \$20,000.^{xiii}

5. Household Composition: More than any other racial or ethnic demographic, Latinos are the most likely to live in multigenerational households, allowing them to share resources and offset affordability challenges. In 2022, there were 5.9 million multigenerational Hispanic households, representing 31.4 percent of Hispanic households overall. Comparatively, only 18.0 percent of non-Hispanic households in the U.S. are multigenerational. The largest share of multigenerational households for Hispanic families falls into the category of two adjacent adult generations, such as parents living with their adult children. In 2022, this included 4.3 million, or 23.0 percent, of Hispanic households, a net increase of nearly 110,000 households from the previous year.^{xiv}

Minority Homeownership Gaps Remain Significant

While homeownership trends among the Latino community are strong, a significant homeownership gap remains between Latinos and the overall population. For decades, housing advocates have made concerted efforts to close homeownership gaps for Latinos and other communities of color, with little progress. Between 2000 and 2023, the gap between the Hispanic homeownership rate and the overall population has narrowed by only 3.2 percentage points, and half of this change can be attributed to the overall homeownership rate declining since 2000.^{xv} This trend is largely expected to continue, as the Urban Institute predicts the overall homeownership rate will decline for most age groups over the next two decades.^{xvi}

Addressing affordability challenges will be a key step in ensuring access to homeownership opportunities for American families. Inventory challenges must be resolved, and the U.S. housing and home lending industries must create an environment more accessible to first-time homebuyers, especially

for communities of color. Failure to address the housing supply crisis could result in a steep decline in the overall homeownership rate, with a devastating impact on the nation's economic well-being.

Barriers to Advancing Homeownership Opportunities

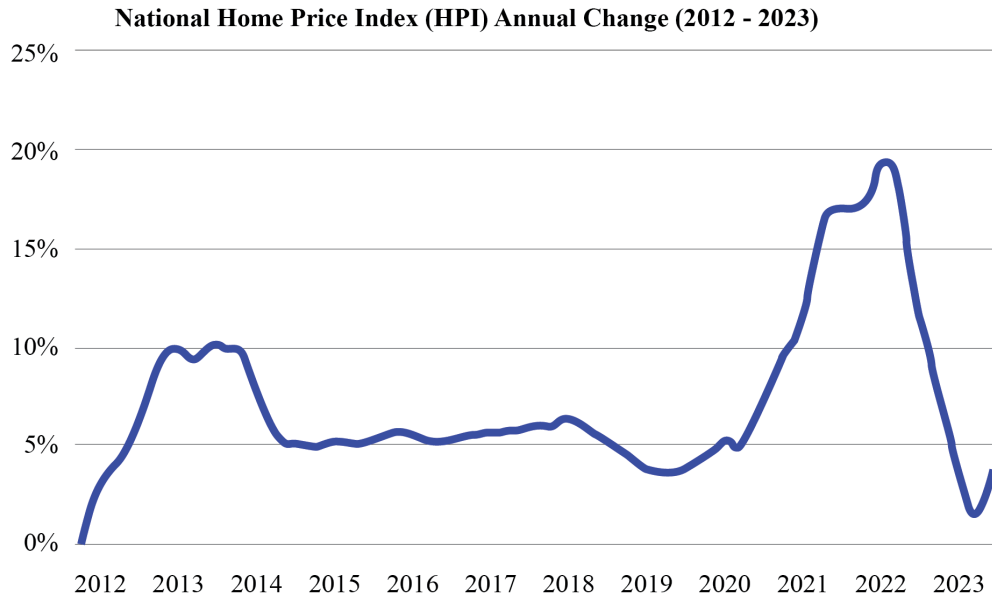
Housing affordability today is at an all-time low, creating economic insecurity for American families. The steepest decline in affordability began after the 2008 housing crisis when unsound lending practices led to massive mortgage defaults, leaving many consumers underwater on their mortgages. As a result, the Hispanic community lost up to two-thirds of their household wealth.^{xvii} The economic impacts of the housing crisis are still being felt today. Housing construction slowed down dramatically after the crisis and has yet to fully rebound. We simply do not have enough housing stock to meet demand, and the gap between what is available and what is needed continues to grow. It is estimated that the U.S. is short 2.5 million housing units relative to demand.^{xviii}

Housing affordability challenges worsened during the COVID-19 pandemic. During the pandemic-related shutdowns, new home construction completely halted, setting an already low-inventory environment further back. In 2019, there were 1.2 million active listings in the U.S., however, by 2023, that number dropped to 645,000, declining by almost half.^{xix} At the same time, the rising cost of materials and supply chain disruptions made homebuilding more expensive. As a result, home prices appreciated dramatically in nearly every market across the country. Coupled with interest rates that began rising rapidly in 2022, homeownership was pushed out of reach for many.

Home Price Appreciation Acceleration During the Pandemic

Since the start of the pandemic, home price appreciation has reached unprecedented levels. According to CoreLogic's national home price index, year-over-year price appreciation hit a record high of 19.5 percent in April 2022, marking the largest increase in decades. While home prices have been slowly rising since the end of the Great Recession, the most dramatic increases occurred during the

pandemic. In 2021 and 2022, nearly every month saw double-digit year-over-year increases. Over the past ten years, the national home price index has more than doubled.^{xx}



CoreLogic National Home Price Index Monthly Year-Over-Year Change, January 2012 through August 2023.

Home Price Appreciation Slowed in 2023, Yet Fewer Homes Are Considered Affordable

Interest rates had a much-needed cooling effect on home price appreciation in 2023. Compared to its peak in April 2022, year-over-year home price appreciation dropped to 2.3 percent in April 2023. Yet, despite this slowdown, prices remain high, and an increasingly smaller share of homes on the market are considered affordable. According to national listing data compiled by Realtor.com®, in 2023, just over one-third (37.5 percent) of homes listed for sale were priced under \$350,000. This is a significant decline from pre-pandemic markets, when, in 2019, over half (57.0 percent) were priced below that threshold.^{xxi}

In certain markets, the decline in more affordable homes has been far more dramatic. Each of the top 10 most populous Hispanic markets saw a significant reduction in the share of homes for sale in affordable price ranges pre- and post-pandemic. The largest drops were in markets historically considered

relatively affordable. For example, Phoenix, Arizona, saw its share decline from 46.0 percent in 2019 to only 14.7 percent in 2023.^{xxii}

Share of homes listed for sale at \$350,000 or less nationally in the top 10 Hispanic markets (2019 and 2023)		
	2019	2023
United States	57.0%	37.5%
Chicago-Naperville-Elgin, IL-IN-WI	55.4%	46.8%
Dallas-Fort Worth-Arlington, TX	49.2%	29.0%
Houston-The Woodlands-Sugar Land, TX	58.2%	45.8%
Los Angeles-Long Beach-Anaheim, CA	7.9%	2.0%
Miami-Fort Lauderdale-Pompano Beach, FL	42.4%	25.5%
New York-Newark-Jersey City, NY-NJ-PA	24.2%	15.5%
Phoenix-Mesa-Chandler, AZ	46.0%	14.7%
Riverside-San Bernardino-Ontario, CA	36.7%	12.7%
San Antonio-New Braunfels, TX	63.9%	50.2%
San Diego-Chula Vista-Carlsbad, CA	8.2%	2.0%
<i>Calculations made in partnership with Realtor.Com® using annual listing data by metropolitan statistical area (MSA), 2019 and 2023.</i>		

Interest Rates Hit a Twenty-Three-Year High

In response to inflationary pressures, the Federal Reserve has raised interest rates 11 times since March 2022, marking the fastest interest rate increase since the 1980s. While borrowing and savings rates have risen across the board, mortgage rates have seen an unusually large hike relative to other securities. In fact, mortgage rates climbed faster in 18 months than the Federal Reserve’s rate increases by a factor

of about 3-10 basis points for most loans.^{xxiii} This “spread,” or difference between the Federal Reserve’s interest rate on ten-year notes and a regular 30-year mortgage, is the highest it has been in years.

In October 2023, the average 30-year fixed interest rate reached a high of 7.79 percent, the highest weekly average rate since 2000.^{xxiv} In combination with high home prices, these interest rates created a tough market for buyers in 2023, resulting in what has been reported as the least affordable market on record. According to Redfin, a homebuyer with a median U.S. income spent a record 41 percent of their earnings on monthly housing costs in 2023, up from 39 percent in 2022 and 31 percent in 2021.^{xxv}

Higher Interest Rates Make Qualifying for a Mortgage More Difficult

The rapid rise in interest rates following the historic lows seen during the COVID-19 pandemic had a massive impact on prospective Hispanic homebuyers. Increased rates made it more difficult for buyers to qualify. In some cases, rates rose so quickly that buyers who qualified one month were pushed out the next. Participants in the NAHREP’s Top Real Estate Practitioners Study repeatedly shared the impacts of interest rates on their Latino buyers. Raul Lopez of San Diego, California, said, “It was very hard to qualify this year, because rates were so high, and every time rates go up one point, that affects 10% of your buying power.”

While rising interest rates impacted all homebuyers, the effect was more pronounced among Hispanic households, many of whom have relatively lower median household incomes and live in more expensive markets. “Rates had a huge impact, especially on the Latino community trying to qualify,” Pablo Picasso, an agent in Peoria, Arizona said. “[The] average salary here for Latinos is anywhere from \$40,000 to \$60,000, and with rates at 7 plus, obviously, it had a big impact on qualifying... we're not quite there yet to really compensate for that borrower to qualify.”

For those who did qualify, approval amounts dropped while potential payments soared. This often meant adjusting expectations in terms of size or location of the home. As Junior Ibarra (Des Moines, Iowa) shared:

[Buyers] were approved for less based on DTI because interest rates were higher, right? That sometimes created a problem [depending] on what you needed or wanted for your family. You wanted a three-bedroom, two-bath house with a two-car garage. Well, now, the new price that you were approved for would only get you a two-bedroom, one-bath, one-car garage.

In these cases, agents encouraged buyers to see real estate as an investment, explaining that, while they may not currently be able to afford their dream home, even a starter home “can help you build wealth over time” (Junior Torres, Seattle, Washington).^{xxvi}

Higher Interest Rates Result in Less Purchasing Power

The rise in interest rates has greatly reduced purchasing power. According to CoreLogic, a rise in interest rates from 3 percent to 7 percent translates into a 30 percent loss of purchasing power.^{xxvii} This impact is evident across nearly every market.

According to calculations made in partnership with Realtor.com®, the average monthly mortgage payment for newly purchased starter homes has nearly doubled since the onset of the COVID-19 pandemic. Between 2019 and 2023, the average monthly mortgage payment on a 0–2-bedroom home listed for sale increased by 99.0 percent. Additionally, some of the most populous Latino markets experienced some of the highest increases in monthly mortgage payments. The largest jump in the top 10 most populous Hispanic markets was in Phoenix, Arizona, a market historically considered more

affordable. Average monthly mortgage payments in Phoenix increased by 123.6 percent between 2019 and 2023.¹

Average monthly mortgage payments for 0-2-bedroom homes listed for sale nationally and in the top 10 Hispanic markets in 2019 and 2023			
	Average Monthly Mortgage Payment (2019)	Average Monthly Mortgage Payment (2023)	Rate of Increase
United States	\$1,115	\$2,219	99.0%
Chicago-Naperville-Elgin, IL-IN-WI	\$1,100	\$1,721	56.4%
Dallas-Fort Worth-Arlington, TX	\$1,656	\$2,003	20.9%
Houston-The Woodlands-Sugar Land, TX	\$1,175	\$1,881	60.1%
Los Angeles-Long Beach-Anaheim, CA	\$2,634	\$4,343	64.8%
Miami-Fort Lauderdale-Pompano Beach, FL	\$1,457	\$2,528	73.5%
New York-Newark-Jersey City, NY-NJ-PA	\$2,454	\$3,653	48.9%
Phoenix-Mesa-Chandler, AZ	\$1,035	\$2,313	123.6%
Riverside-San Bernardino-Ontario, CA	\$1,049	\$2,118	101.8%
San Antonio-New Braunfels, TX	\$1,103	\$1,630	47.8%
San Diego-Chula Vista-Carlsbad, CA	\$2,342	\$4,013	71.4%

Source: Calculations made in partnership with Realtor.com® using annual listings data by metropolitan statistical area (MSA), 2019 and 2023. Mortgage payments were estimated by calculating the average listing price for a 0-2-bedroom home listed for sale within the given year, assuming a 10% down payment and including a 1.72% tax and insurance rate. Mortgage rates are estimated at an average of 3.9% in 2019 and 6.8% in 2023.

¹ Calculations made in partnership with Realtor.com using annual listings data by metropolitan statistical area (MSA), 2019 and 2023. Mortgage payments were estimated by calculating the average listing price for a 0-2-bedroom home listed for sale within the given year, assuming a 10% down payment and including a 1.72% tax and insurance rate. Mortgage rates are estimated at an average of 3.9% in 2019 and 6.8% in 2023.

Housing Supply Inadequate to Meet Demand

Housing supply is a major factor in the current affordability crisis. There are simply not enough homes available for families to purchase. Extremely limited existing inventory and consistent underproduction of new housing means that demand will continue to outpace supply, pushing housing costs higher.

Housing underproduction, the gap between a community's total housing need and total housing availability, is worsening.^{xxviii} Between 2019 and 2021, underproduction increased 3 percent nationally. This crisis is spreading geographically, during the same period, the number of American counties experiencing underproduction increased by 32 percent.

In January 2020, just prior to the onset of the COVID-19 pandemic, nearly one million single-family homes, condos, or townhomes were available for sale.^{xxix} During the first two years of the pandemic, inventory fell sharply, bottoming out at 346,511 in February 2022. Although inventory has been trending in the right direction, and the last year has shown marked improvement with a 30 percent increase in active single-family listings between April 2023 and April 2024, the number of homes for sale remains far below pre-pandemic levels, which already did not meet demand.

A decrease in new construction has exacerbated the inventory crisis. Single-family home construction starts have decreased dramatically since early 2022.^{xxx} This decline is particularly pronounced for smaller, more affordable homes. In its annual "State of the Nation's Housing Report," the Joint Center for Housing Studies noted, "In 2021, just 24 percent of new homes – or 236,000 units – were under 1,800 square feet, compared with 37 percent of new completions in 1999."^{xxxi} Not only are fewer homes being built than in decades past, but those constructed are often out of reach for buyers seeking a starter home.

Diversity in the Real Estate Industry is Key to Homeownership Gains

Real estate companies and organizations are at the forefront of advancing homeownership. However, Latinos remain drastically underrepresented throughout the real estate industry. Only 11 percent of REALTORS® are Latino, and the figure is even lower for Latino loan officers, who make up just 8.9 percent of their industry.^{xxxii} Increasing Latino representation and leadership in the industry would bring a better understanding of cultural nuances, leading to greater innovation in program development. A McKinsey analysis found that companies with lower ethnic diversity (in the fourth quartile) had 27 percent lower profits compared to those in higher quartiles.^{xxxiii} Several practitioners from the NAHREP's 2022 Top Real Estate Practitioner Study pointed out that having Latino real estate professionals in their market to service demand had positive effects on Latino buyers in their area.

Latinos are projected to account for 70 percent of homeownership growth over the next twenty years, while non-White households are projected to account for 100 percent.^{xxxiv} Therefore, it is critical to establish a representative industry attuned to the nuances of different demographic groups. A diverse workforce allows businesses to better serve these segments and ultimately capture more of the market share. Moreover, considering the complex nature of homebuying, having practitioners who can help consumers navigate the process through shared culture and language will be invaluable.

The housing industry must further develop clear incentives for companies to build a diverse workforce and serve diverse markets successfully. The NAHREP advocates for secondary market providers and service providers to offer financial incentives, such as reducing pricing and fees, for companies that excel in this area. While diversity makes business sense, a comprehensive industry-wide strategy will be required for many companies.

Innovative Solutions to Solve the Affordability Crisis

The challenges that exist for homebuyers, particularly first-time homebuyers, in the aftermath of the COVID-19 pandemic are massive, yet they are not insurmountable. Implementing both updated

government policies and creative industry practices has the potential to create a dramatically more accessible market for first-time buyers, thereby closing homeownership gaps.

Government-Led Solutions

Affordability is the greatest obstacle to homeownership. Existing single-family inventory is both limited and aging, while new construction is often prohibitively expensive. There are avenues through which the government can provide relief for both, and we strongly urge the federal government to use all resources at its disposal to address the affordability crisis.

Restoring America's Existing Housing Stock

America's existing housing stock is aging. According to the American Community Survey (2022), the median age of owner-occupied housing is 40 years.^{xxxv} Old houses pose complications far beyond the cosmetic: structural issues, health and safety concerns, and energy efficiency are all major concerns for those purchasing older homes. In short, old homes require work. But first-time homebuyers often lack the capital to make necessary renovations. Renovation financing programs, like the FHA's 203k program, are, therefore, essential to the affordability of rehabbing existing homes.

In November 2023, the FHA announced proposed changes to the existing 203k program designed to increase access for more borrowers. Changes include increases in the maximum rehabilitation costs and the time allowed for rehabilitation, among others.^{xxxvi} These updates will make renovation accessible to more homebuyers, allowing more to make use of existing housing inventory.

Recent conversations with FHA officials have also highlighted the limited availability of 203k consultants. A 203k consultant – a licensed professional certified by the FHA – is required to apply for the program, but a shortage of professionals means that even when buyers are interested in rehabbing an existing property, they are often unable to do so. Increased compensation for 203k consultants and a

marketing campaign aimed at recruitment would expand the program’s capacity, making renovations of existing homes more accessible to buyers.

Increasing Accessibility of New Construction

While rehabilitation of existing stock is critical in addressing the housing affordability crisis, new construction is also necessary. There are simply not enough homes available, and with demand outpacing supply, prices continue to rise. There are several ways to make new construction more accessible for builders and buyers, including reducing zoning and regulatory obstacles for builders and enacting immigration reforms to address labor shortages.

Increasing the density of existing residential environments is critical. Yet, states and localities have long resisted calls to change local zoning and permitting rules, often led by “NIMBY” movements that resist new development. By incentivizing states and localities to reduce zoning and regulatory barriers to new construction, the federal government can show leadership in this arena. Programs like the Pathways to Removing Obstacles to Housing (PRO Housing) Program and the Thriving Communities Program are designed with this goal in mind. Continued funding and support of such programs are necessary.

Comprehensive immigration reform is essential to solving the current affordability crisis, given immigrant workers disproportionately occupy jobs in the construction industry. Using ACS data, the National Association of Home Builders (NAHB) found that immigrants comprised nearly a quarter (24 percent) of the construction workforce in 2021.^{xxxvii} While in construction trades, that number increased to 30 percent.

Meanwhile, builders continue to anticipate labor shortages posing significant obstacles to the construction of new homes. The NAHB and Wells Fargo recently released the Housing Market Index (HMI) survey, which asked builders to identify key problems they faced in 2023 and those issues they expected in 2024. Seventy-three percent of builders cited the “cost/availability of labor” as a significant issue in 2023, while 71 percent expected the challenge to continue in 2024.^{xxxviii}

With immigrants making up such a large part of the construction workforce, immigration reform is one way the federal government can help the current housing market. Reform should include a significant increase in the number of available H2-B (Temporary Non-Agricultural Worker) visas, a pathway to citizenship for existing workers, and new regulations allowing employers to appeal for the retention of immigrant employees for longer periods. Boosting the construction workforce by supporting immigrant workers will make a substantial impact on the supply and affordability of new construction.

Incentivize Diversity in Mortgage Lending

Diversity, Equity, and Inclusion (DEI) aspirational requirements and affordable housing goals create an environment where mortgage lenders go beyond the minimum to serve underserved communities in a socially conscious manner. Financial incentives, such as reduction in guarantee fees for surpassing minimum standards and potentially lower FDIC insurance fees for depository institutions achieving specific goals for the Community Reinvestment Act (CRA), affordable housing, low-to-moderate income lending, and social responsibility leadership initiatives, which may include expanded diversity hiring and internship opportunities, are critical.

Hispanic and Black borrowers typically have less wealth and are primarily first-time homebuyers, which means processing loans for minority borrowers can require more time and resources. Additionally, loans made to first-time buyers with small down payments are considered riskier and carry higher rates and fees. These loans also tend to be smaller, resulting in lower commissions. Consequently, loans made to Hispanic and Black borrowers often generate less profit, cost more to produce, and carry more risk. Without financial incentives, many banks and mortgage lenders do only enough minority lending to meet regulatory obligations.

To date, affordable lending goals have not significantly impacted closing the minority homeownership gaps. If Fannie Mae, Freddie Mac, and Ginnie Mae provided financial incentives to lenders that outperform the market in lending to minority, first-time buyers, the impact would be much more significant. Minority lending goals without financial incentives will continue to have modest

outcomes, but if financial incentives align with the goals, lenders will respond accordingly, leading to substantial improvements in minority lending.

Industry-Led Solutions

To adequately address the affordability crisis, the government and real estate industry must work in tandem. Industry leaders have the power to expand access to credit and qualify more borrowers, making homeownership possible for more Americans. Developing new technologies to digitize data and processes can help expedite and lower the cost of qualification for borrowers. More attention should also be paid to lending in marginalized communities, including improving Special Purpose Credit Programs (SPCPs) and enhancing language access for non-native English speakers.

Expanding Access to Credit and Innovations in Underwriting

Access to financing needed to purchase a home is not equitable across demographic groups. People of color, those in low-income neighborhoods, younger consumers, and immigrants are more likely to be “credit invisible,” meaning they have no credit record with any of the three nationwide credit reporting agencies (NCRAs).^{xxxix} Without a credit score or history, securing financing to purchase a home is extremely difficult. However, several ways to assess a borrower’s financial capacity without considering credit history exist. These innovative underwriting solutions offer great potential for expanding access to mortgage credit for historically marginalized communities.

In fall 2022, the Urban Institute released a report detailing how underwriting innovations can reduce homeownership gaps.^{xl} The authors note that the multitude of stakeholders and the “fragmented housing finance ecosystem” make incorporating new methods and technologies difficult.^{xlii} To expand the adoption of new underwriting standards, it is necessary first to update data collection and standardization methods. Collection of “alternative data,” including rental, utility, and telecommunications payments, should be encouraged and expanded. Standardizing this data and its use in underwriting would enable

various stakeholders in the housing finance ecosystem to develop technologies aimed at automating these innovative underwriting methods. The expanded use of alternative data and new underwriting methods have the potential to expand access to homeownership, even within the current market.

Technology can help. Digitizing alternative credit data and the processes used to evaluate this data would reduce the time and resources needed to incorporate innovative underwriting methods into the qualification process. For example, building a balance sheet underwriting product using algorithmic and AI technologies would reduce reliance on traditional credit scores and allow a more granular examination of a borrower's finances. This sort of alternative analysis would be especially effective for Hispanic borrowers, who often have limited credit or are credit invisible.

Increasing Affordability and Access in Marginalized Communities

Special Purpose Credit Programs (SPCPs) are designed specifically to serve underserved and minority borrowers.^{xlii} While SPCPs have the potential to reduce existing homeownership gaps, many lenders and consumers are still unaware of these programs as a financing option.^{xliii} Additionally, the creation and adoption of SPCPs have been incredibly slow, and there is limited data on their usage. Efforts should be made to expand both the availability and awareness of SPCPs.

For many marginalized communities, particularly lower-income immigrant communities, language is a major barrier to homeownership. Non-native English speakers can find it difficult to navigate the home selection and financing processes, as well as the extensive documentation necessary to apply for a mortgage and purchase a home. Currently, this documentation is available exclusively in English. Adopting documentation in additional languages will minimize this barrier, making homeownership more accessible for those with limited English proficiency.

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ⁱⁱ Jung Hyun Choi, Jun Zhu, and Laurie Goodman, "Intergenerational Homeownership: The Impact of Parental Homeownership and Wealth on Young Adults' Tenure Choices" (Urban Institute, 2018), https://www.urban.org/sites/default/files/publication/99251/intergenerational_homeownership.pdf.

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