

# Immigrant Homeowners Were Hit Hard During the Housing Collapse, but Experience Varies by Country of Birth

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“While native-born Americans and many immigrant groups fared poorly during the housing crisis, Chinese-born homeowners – who experienced stable homeownership rates and median home values – remained relatively unscathed.”

## Introduction

Owning a home is one of the major goals for most native-born and foreign-born Americans<sup>1,2</sup>. Homeownership has meant arrival into America’s middle class, along with attaining some level of economic and financial security. But during the recent housing crisis, buying a new home was difficult and sustaining homeownership was a serious challenge for many Americans, including for certain immigrant groups.

As immigrants have traditionally been, and will continue to be, a vital source of housing demand<sup>3</sup>, it is important to examine how the housing downturn affected immigrants in an effort to gain insight into their potential role in the housing recovery. Using the Census Bureau’s American Community Survey (ACS) data for 2007 to 2011, this issue of *Housing Insights* finds that native-born and foreign-born homeowners were hit hard by the recent housing collapse and economic recession – their homeownership rates declined and median home values<sup>4</sup> fell.

This analysis focuses on the five most-populous immigrant groups as they represent nearly half of the foreign-born population. Four of the immigrant groups – Mexican, (Asian) Indian, Filipino, and Salvadoran<sup>5</sup> – suffered significant homeownership rate and median home value declines. Only Chinese immigrants experienced a stable homeownership rate and median home value during the housing bust.

One encouraging finding for those who maintained homeownership is that the proportion of mortgagors with a housing-cost burden<sup>6</sup> has lessened for both native-born and foreign-born Americans. All of the largest immigrant communities in the U.S. experienced some easing of their housing-cost burden, though the decline was not statistically significant for Chinese homeowners. Although improved, housing cost burdens among

<sup>1</sup> The foreign-born population comprises those who are not a U.S. citizen at birth. Conversely, the native-born population includes anyone who was a U.S. citizen or U.S. national at birth. In this analysis, the terms "foreign-born population" and "immigrants" are used synonymously.

<sup>2</sup> The Fannie Mae Housing Survey has consistently found that more than 8 of 10 immigrants and non-immigrants think owning a home makes more sense than renting because it provides protection against rent increases and is a good investment over the long term.

<sup>3</sup> According to a Research Institute for Housing America special report *Immigrant Contributions to Housing Demand in the United States: A Comparison of Recent Decades and Projections to 2020 for the States and Nation*, the volume of growth in foreign-born homeowners has increased each decade, rising from 0.8 million additional immigrant homeowners in the United States during 1980–1990, to 2.1 million added in 1990–2000, to 2.4 million added in 2000–2010, and is projected to rise further to 2.8 million in growth in the current decade (2010–2020).

<sup>4</sup> In the ACS, the Median Home Value is based on the owner-occupant respondent estimates of how much the property (house and lot, mobile home and lot, or condominium unit) would sell for if it were for sale, and therefore it does not measure transaction-based prices.

<sup>5</sup> According to the 2011 ACS, immigrants born in Mexico, China (including Hong Kong and Taiwan), India, the Philippines and El Salvador comprised almost 18.8 million individuals, representing almost half (46.7 percent) of the US foreign-born population.

<sup>6</sup> The housing-cost burden is a common measure of housing affordability. As used here, it refers to the percentage of homeowners with a mortgage who spend 30 percent or more of their pre-tax income on housing costs. Housing costs include payments on first mortgages, second mortgages and/or home equity loans; real estate taxes; homeowners insurance; condo fees; mobile home costs; and utilities. Housing costs that exceed 30 percent of income are deemed to indicate a housing affordability problem in some federal housing programs.

mortgagors from Mexico and El Salvador still exceed 55 percent, compared with a rate of just over a third for native-born mortgagors. Declining household incomes for these groups during the economic recession are at least partially to blame.

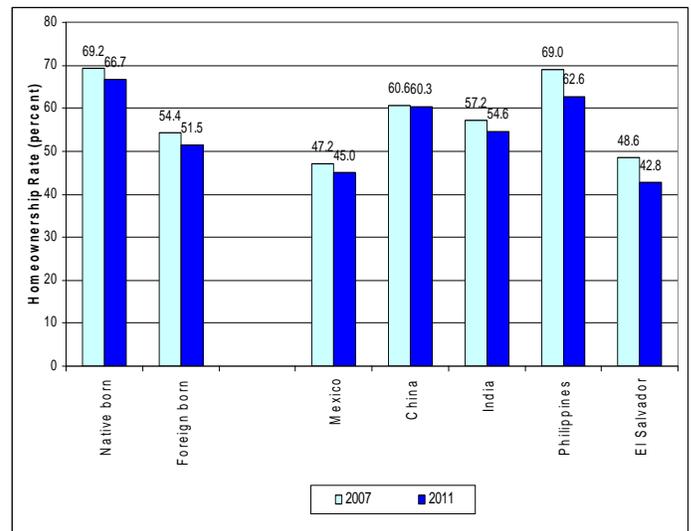
Much of the level and trend differences across countries of birth for these homeowner measures are likely due to variations in the demographic composition of the immigrant communities, along with the uniqueness of the housing markets and economic conditions of immigrant communities.

Examining housing measure trends in a granular manner – such as by country of birth – can assist in identifying groups that provide more growth opportunity, help spot early indicators of future housing weakness, or simply provide insight to better project overall housing demand.

### Homeownership rates declined for native-born and most of the largest immigrant groups, but Chinese immigrants bucked the trend

As the number of new homeowners failed to replace those who lost their homes or chose other exits from homeownership, the homeownership rate has decreased<sup>7</sup>. Foreign-born Americans experienced a substantial homeownership rate decline from 54.4 percent in 2007 to 51.5 percent in 2011, while the homeownership rate dropped from 69.2 percent in 2007 to 66.7 percent in 2011 for the native-born population (Exhibit 1)<sup>8</sup>.

**Exhibit 1. Homeownership rates have declined for native-born and four of the five most populous immigrant groups**



Source: U.S. Census Bureau, American Community Survey.

Homeownership rate levels and trends vary by an immigrant's country of birth. Among the top five countries of birth, the homeownership rate in 2011 ranged from 42.8 percent for Salvadoran immigrants to 62.6 percent for Filipino immigrants. Each of the five largest immigrant communities, except for foreign-born Chinese, registered a statistically significant decline in homeownership rate from 2007 to 2011. Rates dropped from 47.2 percent to 45.0 percent for Mexicans, 48.6 percent to 42.8 percent for Salvadorans, 57.2 percent to 54.6 percent for Indians, and 69.0 percent to 62.6 percent for Filipinos. The homeownership rate among Chinese immigrants was statistically unchanged at 60.3 percent in 2011.

### Median home values fell precipitously for Salvadoran, Mexican, and Filipino immigrants

A decline in home values accompanied the decline in homeownership. Median home values fell from 2007 to 2011 for all groups except for Chinese immigrants, whose median home value remained stable (Exhibit 2). The median home value for the native-born homeowners fell 8.2 percent, much less than the 25.6 percent decline experienced by foreign-born homeowners. The home values of Salvadorans, Mexicans, and Filipinos were hit particularly hard by the housing downturn, with values declining 47.6

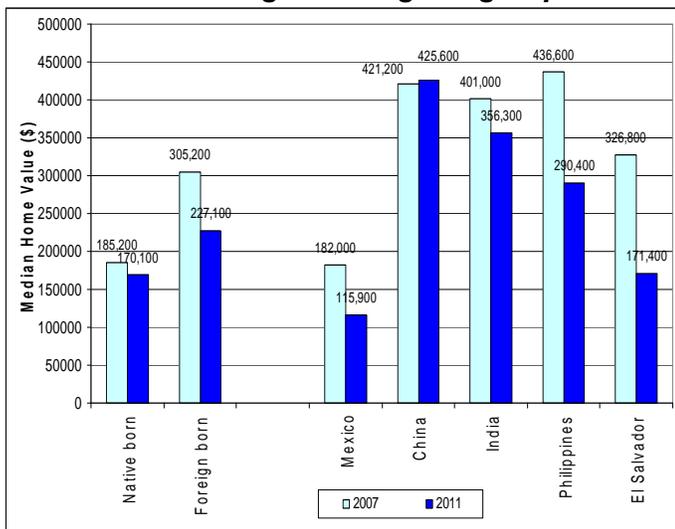
<sup>7</sup> The Joint Center for Housing Studies of Harvard University noted in *The State of the Nation's Housing 2012* that there were 1.0 million fewer owners and 3.9 million more renters at the end of 2011 than at the peak number of homeowners in 2006.

<sup>8</sup> Unless otherwise noted, all differences or changes mentioned in the text are statistically significant at the 90 percent confidence level.

percent, 36.3 percent, and 33.5 percent, respectively.

Native-born Americans owned homes that were generally much lower in value than the foreign-born population. In 2011, the median home value was \$227,100 for foreign born homeowners versus \$170,100 for the native born population. Median home values varied widely by an immigrant's birth country, ranging from \$115,900 for Mexican homeowners to \$425,600 for Chinese homeowners.

**Exhibit 2. Median home values have fallen for most of the five largest immigrant groups**



Source: U.S. Census Bureau, American Community Survey.

### Cost burdens for immigrant mortgagors declined, but remain at high levels

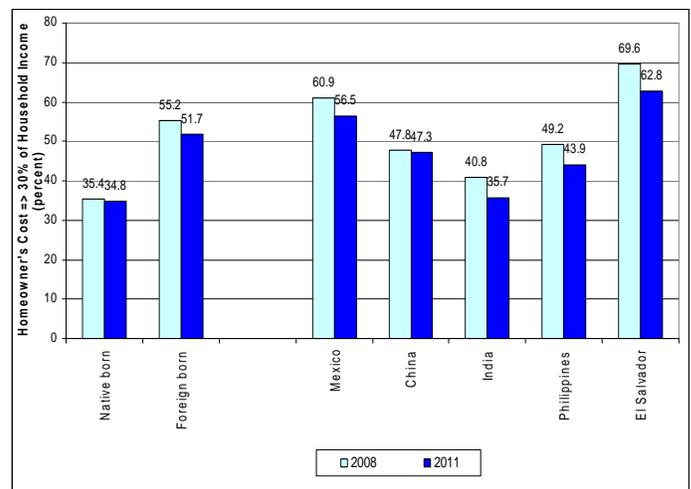
Another impact of the housing (and economic) crisis on homeowners is the housing-cost burden, which measures the proportion of households experiencing high housing costs relative to income. In 2011, 51.7 percent of foreign-born mortgagors spent 30 percent or more of their household income on housing costs, compared with 34.8 percent for native-born mortgagors (Exhibit 3).

Salvadoran and Mexican mortgagors – who experienced household income declines – have the highest housing-cost burdens, 62.8 percent and 56.5 percent, respectively, whereas Indian and Filipino mortgagors – who experienced stable incomes –

have the lowest at 35.7 percent and 43.9 percent, respectively.

Though many American homeowners are stressed by housing cost burdens, there were some positive trends for those who maintained home ownership. Housing-cost burdens decreased from 2008<sup>9</sup> to 2011 for most immigrant groups analyzed except Chinese immigrants, for whom the percent of mortgagors with a housing cost burden remained statistically unchanged.

**Exhibit 3. Mortgagor cost burdens fell sizably for most groups, but remained elevated for Mexican and Salvadoran immigrants**



Source: U.S. Census Bureau, American Community Survey.

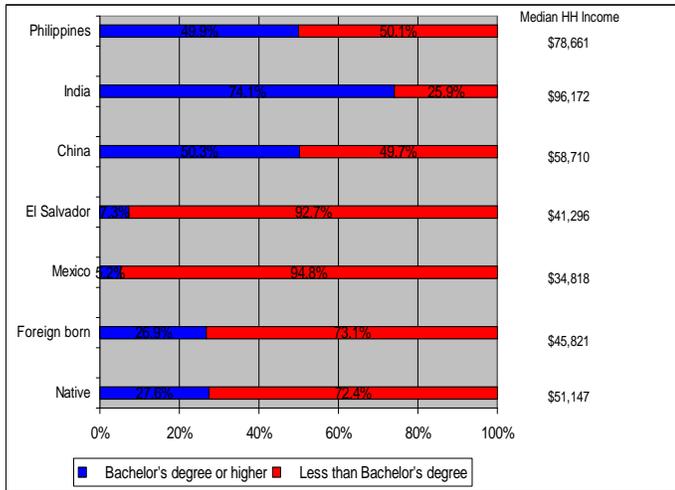
### The influence of socio-economic characteristics

The analysis found that the levels and trends of homeownership rates, median home values, and housing-cost burdens differed greatly by country of birth. Differences in characteristics such as income, citizenship, education, year of entry into the country, and occupation between the native-born and foreign-born populations and among immigrant subgroups may help to explain some of the observed differences in homeowner conditions and trends. For example, Chinese, Indian, and Filipino

<sup>9</sup> The universe for the housing-cost burden in the 2007 ACS summary tables used in this analysis is all owner-occupied respondents; whereas summary tables for 2008 and later years are based on owner-occupied units with a mortgage. Because of this discontinuity, only data for the 2008 to 2011 timeframe was examined in this analysis.

immigrants – who generally have above average education levels and incomes among the foreign-born groups analyzed (Exhibit 4) – have higher homeownership rates, higher median home values, and lower housing-cost burdens than do Mexican and Salvadoran immigrants.

**Exhibit 4. Education and income vary substantially across native-born and the five most populous immigrant groups**



Source: U.S. Census Bureau, American Community Survey.

A better understanding of homeownership demand by socio-economic characteristics and other traits can help to identify future growth opportunities that might lure private capital back into the marketplace and allow for improved risk-based decisions mitigating cost to taxpayers and private investors.

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