

# The Transitioning Nature of Hispanic Renters

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## *Abstract*

In the 1980, 1990, and 2000 censuses, Hispanic households had the lowest rate of homeownership of any major ethnic group. Since 2000, however, growth in Hispanic homeownership has outpaced that of other groups. This article uses a four-stage transitional framework to examine Hispanic homeownership progression: renting without plans to buy; renting with plans to buy, but not actively saving; renting while saving for a home; and owning a home.

Data from the Survey of Consumer Finances indicate that, after we control for other demographic factors, Hispanic renters are much more likely to be actively saving to buy a home than either non-Hispanic white or non-Hispanic black renters. However, Hispanic households are less likely to move from the saving to the owning stage. We find evidence of three explanations for this phenomenon: informational barriers to credit, purchase of foreign homes, and recent entry into the saving stage.

**Keywords:** Demographics; Hispanics; Homeownership

## **Introduction**

The story of Hispanic homeownership in recent years includes reasons for both concern and celebration. In 1980, 1990, and 2000, Hispanic households in the United States had the lowest rate of homeownership of any major ethnic group, falling below non-Hispanic white, non-Hispanic black, Asian, and other non-Hispanic households (Cortes et al. 2006). In the 2000 census, the Hispanic homeownership rate was 47.3 percent, compared with 48.4 percent for non-Hispanic blacks and 75 percent for non-Hispanic whites. Conversely, more recent data suggest that since 2000, homeownership levels for Hispanics grew faster than they did for either their non-Hispanic white or their non-Hispanic black counterparts (Cortes et al. 2006). Data from the

2006 Current Population Survey place the Hispanic homeownership rate at 49.5 percent, above the 48.2 percent for non-Hispanic blacks, but still well below the 76 percent for non-Hispanic whites (Callis and Cavanaugh 2007).

Hispanic homeownership is becoming increasingly critical to national homeownership policy goals. Between 2005 and 2015, the number of Hispanic households in the United States will grow faster than any other group, with total net increases exceeding those of non-Hispanic white households (Masnick and Belsky 2006). By 2020, approximately 15 percent of all U.S. households will be Hispanic (Masnick and Belsky 2006). Consequently, understanding the nature and causes of the Hispanic homeownership gap is of great importance.

We first outline previous research on barriers to Hispanic homeownership in the Literature Review section. Next, in the Theoretical Framework section, we propose a tenure continuum model that includes three stages of renting, each progressively closer to homeownership: renting with no plans to purchase; renting with plans to purchase, but not saving for those plans; and renting while saving for a planned home purchase. In the Data and Methods section, we discuss strategies to answer the following research question: Where within the proposed tenure continuum do Hispanic households find unusual barriers to achieving homeownership? Cross-tabulation and probit and multinomial logit analyses of data from the Survey of Consumer Finances (SCF) suggest that Hispanic renters are more likely to save for the purchase of a home, but less likely to complete the transition from saving to homeownership. In the Discussion section, we review evidence about the nature of this phenomenon, and in the Conclusion section, we examine the significance and potential policy implications of these findings.

## **Literature review**

The potential barriers to Hispanic homeownership discussed in previous research can generally be divided into three categories: demographic, immigration, and artificial. Demographic barriers are those family and economic characteristics of Hispanic households that independently affect the probability of homeownership: for example, age, income, and education. Immigration barriers are those special factors related to the immigration transition of some Hispanic households. Finally, artificial barriers include factors such as discrimination in credit or misinformation about credit processes.

### *Demographic barriers*

Income and wealth are positively associated with higher homeownership rates; Hispanic households, however, have on average less income and wealth (Krivo 1995; Painter, Gabriel, and Myers 2001). Indeed, 2000 data from the Survey of Income and Program Participation (SIPP) indicate that as a group, Hispanic households with a net worth in excess of \$10,000 had higher average homeownership rates than non-Hispanic whites (Cortes et al. 2006).<sup>1</sup> As the authors explain,

Interestingly, Hispanic homeownership rates surpass [those] of non-Hispanic whites by 3 percentage points among households with \$10,000 to \$19,999 in net worth. The 3 percentage-point gap continued among Hispanic households with \$20,000 to \$49,999 in net worth, and reached parity among the wealthiest households. This finding suggests that increased net worth negates barriers to homeownership among Hispanic households. (Cortes et al. 2006, 29)

In addition, higher levels of education are also associated with higher homeownership rates, and Hispanic households have lower average levels of education (Myers, Megbolugbe, and Lee 1998). However, as these economic circumstances improve, homeownership levels for Hispanics rise and often rise at a faster rate than they do for non-Hispanics (Cortes et al. 2006; Myers 2007). For example, Painter, Gabriel, and Myers (2001) found that for college-educated Hispanic households, the probability of homeownership was actually higher than it was for non-Hispanic households.

The relatively younger age of Hispanic households, however, contributes to lower homeownership rates. Before retirement, age is positively associated with movement into homeownership (Feijten, Mulder, and Baizán 2003). People tend to form independent households in their twenties, then gradually make the transition to ownership, especially during their thirties and forties (Masnick 1998). More Hispanic households are now entering the age ranges associated with the transition to homeownership (Masnick 1998; Myers 2007). As the proportion of Hispanic households in these homeownership-transition ages grows over time, homeownership rates for the group

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<sup>1</sup> “Net worth was calculated as the difference between the sum of the market value of assets owned by each member of a household and secured liabilities associated with each household member. Assets included savings accounts, equity in a home, mutual funds, vehicle ownership, 401K plans, and other financial assets. Liabilities included a variety of unsecured liabilities (e.g., credit card debt, medical bills, and educational loans)” (Cortes et al. 2006, 28). While the SIPP does oversample certain wealth segments, reweighting allows for projections that remove the bias introduced by the sampling scheme, and these calculations in particular compare individuals within the same wealth segments.

can be expected to rise. This is especially true because Hispanics not only include more younger adults who will be moving into homeownership, but also fewer retired homeowners who are more likely to exit homeownership through tenure change or mortality (Masnick 1998).

### *Immigration barriers*

Barriers related to immigrant status are particularly significant for Hispanic households, given that more than 40 percent of Hispanics in the 2000 census were foreign born (Malone et al. 2003). Following the general trend of lower homeownership rates among immigrants (Myers, Megbolugbe, and Lee 1998), the homeownership rate for foreign-born Hispanics in the 2000 census was 7.6 percentage points lower than it was for native-born Hispanics. The impact of immigrant status on homeownership can be explained largely by associated factors such as the length of U.S. residence, age cohort, remittances to relatives in the native country, and English-language proficiency (Borjas 2002; Bradley, Green, and Surette 2007; Coulson 1999; Flippen 2001). While immigrant status does have a negative effect on the probability of homeownership, this effect diminishes as the number of years in the country rises (Coulson 1999; Myers 2007; Myers, Megbolugbe, and Lee 1998). Consequently, the large cohort of Hispanics who came to this country during the 1980s and 1990s are becoming more likely to purchase homes (Lee, Tornatzky, and Torres 2004; Myers 2007).

An additional barrier to Hispanic homeownership is the concentration of Hispanic households in expensive housing markets. Most Hispanic immigrants enter the country through gateway cities in California, New York, Texas, and Florida (Frey 2001). Housing costs in many of these cities, such as Los Angeles, Miami, San Francisco, and New York, are much higher than the national average (Clark and Blue 2004; Coulson 1999; McArdle 1995). Hispanic populations are also more concentrated in city centers and urban counties where homeownership rates tend to be relatively low (Herbert et al. 2005; Masnick 2006).

### *Artificial barriers*

Artificial barriers to homeownership may come from institutional or informational barriers to purchasing a home. Although it is prohibited by the 1974 Equal Credit Opportunity Act, institutional discrimination could result in a higher probability that a loan application will be rejected or a higher interest rate on the loan that is offered. However, the mixed results from previous research do not make a strong case that Hispanic purchasers systematically pay higher interest rates. Boehm, Thistle, and Schlottmann

(2006) found that Hispanics received slightly better rates than non-Hispanic whites for government-insured loans, but slightly worse rates for conventional loans, while Boehm and Schlottmann (2006) found that Hispanic households paid higher rates for home equity loans but not for second or junior mortgages. Crawford and Rosenblatt's 1999 study of a national mortgage lender included detailed information on borrowers, but found no price-related discrimination against Hispanics in conventional loans.

Similarly, studies of discrimination as measured by denial of loan applications have also found mixed results. Bostic (1996) found that lenders gave favorable treatment to minorities on approved loan-to-value ratios, but unfavorable treatment in terms of total debt burdens. Rosenblatt's (1997) examination of a national mortgage lender found that for conventional loans, risk-adjusted denial was significantly more likely for blacks but not for Hispanics. Although there is much research on the topic of discrimination in mortgage lending, Dymski notes, "Taken as a whole, academic debate has reached no definitive conclusions about whether applicant race and gender and neighborhood racial composition per se affect housing and credit market outcomes" (2006, 215).

In addition to the issue of institutional access to credit, some Hispanic families may face additional barriers caused by a misunderstanding of credit requirements. Such an information gap can create functional barriers even if financial institutions provide equal access to credit. For example, Hispanic immigrants may expect that very large down payments are required because these are typical in their countries of origin (National Council of la Raza 2004). The Fannie Mae 2003 National Housing Survey indicated that Hispanics who spoke mostly Spanish at home were much less likely to have an accurate understanding of the mortgage process. This lack of knowledge is exacerbated by a lack of involvement with mainstream financial institutions (Congressional Hispanic Caucus Institute 2004).

Many Hispanic immigrants do not maintain a bank account and instead rely on the alternative financial sector in the form of check cashers, payday lenders, and tax refund advance loans (Barr 2004). Almost one-third of foreign-born households in the United States have no financial accounts (Newberger, Rhine, and Chiu 2004). These practices often prevent consumers from developing positive credit ratings. Indeed, Hispanics cited credit concerns as the most common reason for not purchasing a home (Fannie Mae 2003). Hispanic families were also less likely to understand the steps involved in creating a good credit rating and often have mistaken notions about what constitutes good credit management practices (Bendixen and Associates 2004; Ratner 1996).

## Theoretical framework

Most previous research has focused exclusively on the division between owners and renters. A common economic approach is to assume that tenure choice results exclusively from comparing the cost of acquiring housing through renting and owning (Follain and Ling 1988; Ortalo-Magné and Rady 2002). In such a model, relative costs, subject to permanent income constraints, determine tenure choice.

However, much empirical research points to the validity of a transitional model where tenure choice results from homeownership preference subject to a liquidity constraint (Jones 1995; Wood, Watson, and Flatau 2006). The inability of rental markets to provide certain attributes such as long-term guaranteed residency, control over unit use and modification, control over long-term housing service costs (Sinai and Souleles 2003), and resident privacy “suggest owner and rental housing are distinct goods that are weak substitutes at best” (Jones 1995, 54). Nevertheless, a household’s preference for homeownership is constrained by liquidity requirements that may take the obvious form of a down payment. In some models, additional risk-free savings are required to balance the uncertainty of the large investment in housing (Grossman and Laroque 1990).

Under either scenario, the transition from renting to owning is a gradual process requiring both a preference for homeownership and money saved over time to meet liquidity constraints. Empirical results suggest that saving by renter households is an effective predictor of future homeownership (Boehm 1993). Using this approach, we propose a four-stage model of transition to homeownership. One purpose of breaking the tenure transition process into four stages is to allow us to identify any areas of difficulty that may be particularly important for Hispanic households. The stages are as follows (see figure 1):

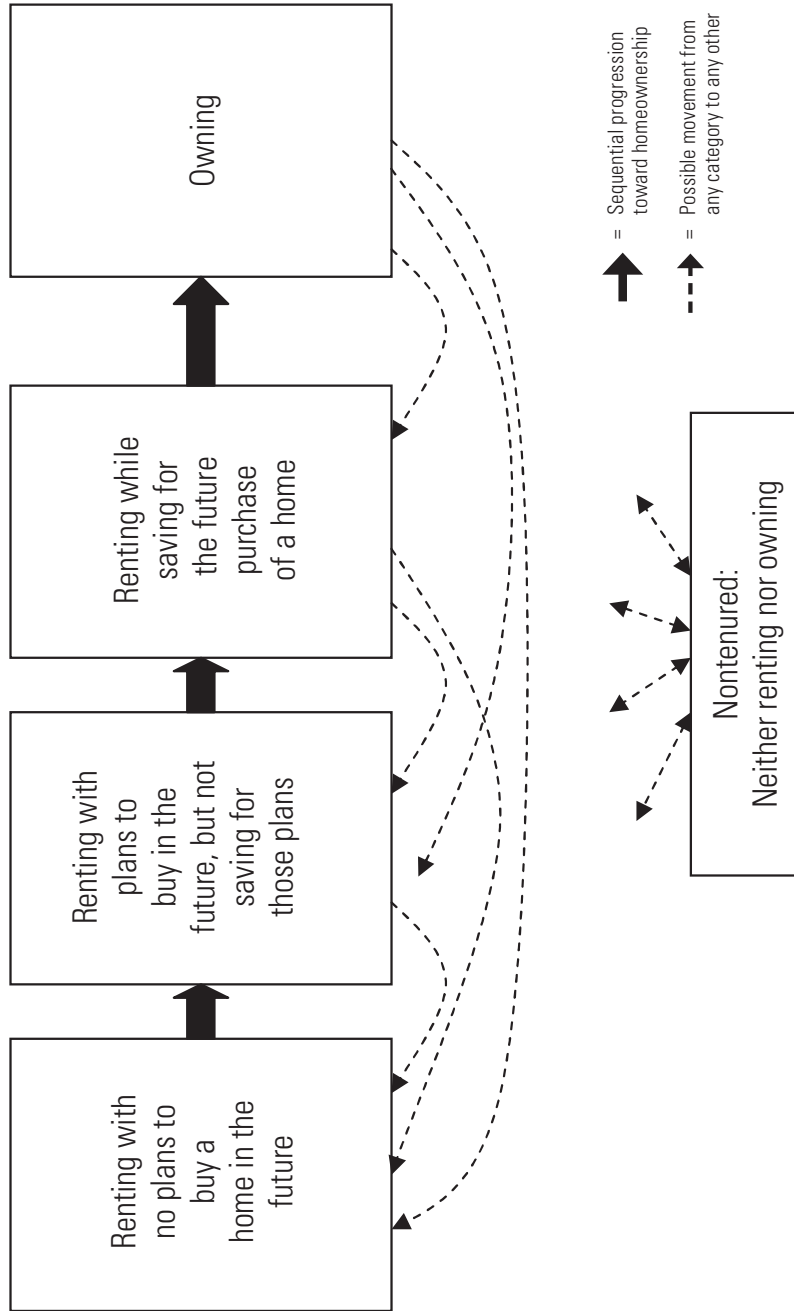
1. Renting with no plans to buy in the future
2. Renting with plans to buy in the future, but not yet saving for those plans
3. Renting while actively saving to fulfill plans to buy
4. Homeownership

Moreover, people may fall outside these categories if they neither rent nor own.<sup>2</sup>

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<sup>2</sup>Examples include those living with family, those receiving free housing from friends or family members, or those who are homeless. For a similar model that divides Mexican-heritage family tenure status into the five categories of visitors, dreamers, planners, doers, and achievers, see Lee, Tornatzky, and Torres’ (2004) study of households in Los Angeles, Houston, and Atlanta.

Figure 1. Tenure Continuum Model



While recognizing that people may move from any one category to any other (represented by the dashed lines), we will focus primarily on the sequential progression toward homeownership (represented by the block arrows). An important implication of the tenure continuum model is that appropriate policy approaches to encourage homeownership will differ among types of renters. Successfully encouraging renters to progress through the steps may require very different approaches depending on where renters are in the process. Those with no plans to buy in the foreseeable future perceive themselves as farthest from the homeownership option. They may have little desire to own or may feel that such a desire is hopeless. Targeting these renters may require an emphasis on the benefits of homeownership or its financial feasibility. Affecting renters who have plans to buy but have not started saving may require a focus on personal financial management issues. Renters who are planning to buy and are already saving toward that goal are the most motivated. These households often face their greatest challenge in successfully navigating the complex process of acquiring a mortgage. Thus, the best assistance for this group may lie in expanding familiarity with and access to credit.

## **Data and methods**

### *Data*

The SCF, a cross-sectional national survey that is sponsored by the Board of Governors of the Federal Reserve System in cooperation with the Statistics of Income Division of the Internal Revenue Service, is conducted every three years. The 2004 survey contains responses from 4,522 households selected in a two-layered process. Most of the households (3,007) are chosen using a standard multistage area-probability design (Kennickell 2006). In the first stage, the United States is divided into geographic regions. A sample of these regions is selected to ensure national representation. Next, smaller areas within these regions are chosen and a sample of dwelling units is drawn (Fries, Starr-McCluer, and Sundén 1998). In-person interviews are then conducted in either English or Spanish with a resident of the selected unit.

Another layer of observations (1,515), based on a list generated from tax data by the Statistics of Income Division, is then added specifically to oversample households with greater wealth. Oversampling is necessary to analyze investment behavior not broadly distributed throughout the population. Consequently, to project to a nationally representative sample, weights must be applied to avoid overrepresentation of wealthy households. Additional weighting also compensates for variation in the level of survey response across different areas and types of households.

We assign renters to a tenure continuum category based on their responses to a series of questions asked in the 2004 SCF. Participants were asked, “In the next five to ten years, are there any foreseeable major expenses that you (and your family) expect to have to pay for yourself (yourselves), such as educational expenses, purchase of a new home, health care costs, support for other family members, or anything else?” (Kennickell 2006, 222). If the answer is yes, a follow-up question specifically identifies the type(s) of upcoming major expenses, including the purchase of a new home. Finally, respondents are asked whether they are currently saving for these upcoming expenditures. Tenure continuum category 1 (renters with no plans to buy) contains those who are not expecting to buy a home in the next 5 to 10 years. Category 2 (renters planning a purchase but not saving) includes those who are expecting to buy a home, but are not currently saving for it. Finally, category 3 (renters saving for the purchase of a home) contains those who are expecting to buy and are also saving for it.

*Descriptive statistics.* Using 2004 SCF-supplied weights, we weight the descriptive statistics to project a nationally representative sample. The ethnic identification of a household is based on the respondent’s answer to the question, “Which of these categories do you feel best describes you: white, black or African-American, Hispanic or Latino, Asian, American Indian or Alaska Native, Hawaiian Native or other Pacific Islander, or another race?” (Kennickell 2006, 406). Our resulting descriptive statistics approximate the ethnic distributions found in other studies. The 2003 American Housing Survey results as weighted by the Joint Center for Housing Studies (2006) show renter ethnic distribution as 57.2 percent non-Hispanic white, 20.6 percent non-Hispanic black, and 15.8 percent Hispanic. This compares with the weighted averages in the current 2004 SCF data set of 56.6 percent non-Hispanic white, 23.0 percent non-Hispanic black, and 15.1 percent Hispanic.

Table 1 describes the characteristics of renters in our data set. Data on marriage, gender, race, education, and years at the current job all refer to the SCF-designated household head, who is the economically dominant adult in a noncouple household, the male in a mixed-sex couple, or the older individual in a same-sex couple (Kennickell 2006). All marital status reports other than married (never married, separated, widowed, or divorced) are collapsed into the “single” category. For education (“highest level of education completed”), one to three years of college is designated as “some college,” while four years is categorized as a “bachelor graduate.” Trade school does not count as college. The variable “years at the current job” records current unemployment as a zero. The income and liquid assets variables refer to total household levels. Total income comes from the question, “How much was

the total income you and your family living here received from all sources, before taxes and other deductions were made?” (Kennickell 2006, 393). The liquid assets variable includes only assets held by financial institutions (checking accounts, savings accounts, and marketable securities owned by members of the household). The presence of a financial account reflects a positive liquid assets variable.

A significantly smaller proportion of Hispanic renters fell into the category of not planning to buy a home. More specifically and dramatically, the proportion of Hispanic renters saving for a home purchase was 50 percent higher than the proportion of non-Hispanic white or non-Hispanic black renters doing so. Demographic differences between the different ethnic groups could explain part of this variation. Namely, a significantly higher proportion of Hispanic renters were married. Marriage is one of the strongest determinants of homeownership in all ethnic groups, with married couples being much more likely to own a home (Callis 2003; Coulson 1999; Myers and Lee 1998). However, the presence of children reduces the likelihood of homeownership (Cortes et al. 2006), and table 1 indicates that Hispanic renters were also more likely to have minor children at home. Common barriers to Hispanic homeownership noted in other studies also appear in our data set. Hispanic renters had significantly less income, assets, and education than other renters did.

Table 1 also includes a measure of respondents' financial time horizon. As financial distress increases, the time horizon tends to decrease (Becker and Mulligan 1997). Thus, a measure of this time horizon can provide an additional indicator of financial distress beyond the observable measurements of income, assets, education, and family size. The SCF asks participants, “In planning (your/your family's) saving and spending, which of the time periods listed on this page is most important to [you/you and your (husband/wife/partner)]? 1) Next few months, 2) Next year, 3) Next few years, 4) Next 5-10 years, 5) Longer than 10 years” (Kennickell 2006, 748). We convert this response into a quasi-continuous variable by defining “next few months” as 0.25 years, “next year” as 1 year, “next few years” as 2.5 years, “next 5-10 years” as 7.5 years, and “longer than 10 years” as 12.5 years. The significantly shorter financial time horizons of Hispanic renter households (see table 1) are consistent with observable financial constraints reflected by lower income, fewer assets, and larger family size. What appears unusual is the prevalence of saving for a home purchase among Hispanic renters despite both observable financial constraints and a significantly shorter financial time horizon.

**Table 1.** Descriptive Statistics of Renters from the 2004 SCF (Weighted)

	All Renters	Non-Hispanic White Renters	Non-Hispanic Black Renters	Hispanic Renters
Number	1,122	639	277	150
Weighted proportions (%)	100	56.6	23.0	15.1
Not planning a home purchase (%)	59	60	62	53***
Planning but not saving for a home purchase (%)	19	20	17	17
Saving for a home purchase (%)	22	20***	20	30***
Single male (%)	33	34	31	35
Single female (%)	41	42	54***	28***
Married (%)	25	24	16***	37***
Family size	2.38	2.11***	2.40	3.19***
Financial time horizon (years)	3.29 (3.63)	3.63*** (3.81)	3.03*** (3.51)	2.41*** (3.00)
Presence of a financial account (%)	79.4	86.6***	66.3***	68.3***
Total household liquid assets	\$10,178.61 (\$90,057.04) [\$700]	\$16,116.17*** (\$119,338.87) [\$1,120]	\$2,144.43*** (\$6,542.68) [\$200]	\$1,335.16*** (\$2,477.20) [\$300]
Total household income	\$33,438.05 (\$58,795.40) [\$24,000]	\$38,203.76*** (\$75,664.85) [\$25,000]	\$27,157.12*** (\$22,532.33) [\$23,000]	\$25,644.55*** (\$16,092.64) [\$23,000]
Less than a high school education (%)	22	15***	25	47***
High school graduate (%)	31	31	32	33
Some college (%)	25	26	29***	13***
Bachelor graduate (%)	15	18***	11***	6***
Graduate school (%)	7	9***	3***	1***
Age	41.78 (16.73)	42.5*** (18.3)	42.87 (15.65)	37.32*** (11.62)
Minor living in the home (%)	23	19***	24	31***
Years at the current job	3.70 (3.71)	3.61 (3.61)	4.30*** (4.29)	3.09*** (4.19)

*Notes:* Means are given, with standard errors in parentheses and medians in brackets. The SCF oversamples wealthy households such that descriptive statistics of the unweighted observations will not be representative. In addition, variations in sample collection success rates can skew unweighted results. Consequently, SCF weights have been applied to the observations to project a representative result. Totals in the Number row represent the original (unweighted) number of observations in each category. All other variables are weighted. Also, totals may not equal 100 percent because of rounding.

\* $p < 0.1$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ . Significance values for Hispanic versus non-Hispanic renters are based on a  $t$ -test.

The higher incidence of saving for a home seems to conflict with the lower average level of liquid assets held by Hispanic renters. There are several possible explanations. The relative standing of Hispanic renter households improves when median, rather than mean, liquid assets are considered. Also, we have no information about how long the household has been saving for a home. A more recent decision to begin saving may not be reflected in

dramatically higher asset holdings. In addition, it may be that Hispanic renters are saving smaller amounts, but are more likely to designate their limited savings for the future purchase of a home. Indeed, Hispanic renters in this sample were less likely to indicate that they were saving for other expenses, such as a car or other large durable goods.

*Characteristics.* Table 2 provides a description of the characteristics of Hispanic and non-Hispanic households within each of the four proposed tenure continuum categories. Consistent with the descriptions in table 1, Hispanic households average fewer assets than other households within each tenure category. However, these lower holdings do not indicate a tendency away from saving. Instead, the family and economic circumstances of these households explain the reduced level of savings. Results from weighted ordinary least squares (OLS) regressions within each individual tenure category, as well as on all renters as a group, indicate that after we control for differing levels of income, age, family size, gender, education, presence of children, and years at the current job, the liquid asset level of Hispanic households is not significantly different from that of non-Hispanic households with similar characteristics.<sup>3</sup>

Hispanic households also have consistently shorter financial planning time horizons across all tenure categories. Unlike the difference in savings, other observed family and economic circumstances did not fully explain this variation. Commonly, a shorter time horizon can be caused by financial constraints in the form of health considerations, familial obligations, costs or risks due to immigration status, foreign remittance payments, or other unreported factors. However, because these constraints do not appear in our data set, we are ultimately unable to determine what causes the shorter financial planning time horizon.

In many descriptive measures, the proposed progression through the tenure continuum categories appears to match the gradual improvement of economic circumstances. Homeowners have more assets than renters saving to own do; renters saving to own have more assets than renters planning to own but not saving for a home; renters not planning to own have fewer

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<sup>3</sup> In all of the models, the impact of Hispanic status on household savings after we control for income, age, family size, gender, education, presence of children, and years at the current job was statistically insignificant. The coefficients [*p* values] for Hispanic status (compared with non-Hispanic status) in the weighted OLS regressions on liquid asset levels including these controls was as follows: (1) for all renters, +\$1,742.92 [0.6303]; (2) for renters not planning to own, +\$1,167.01 [0.6574]; (3) for renters planning to own but not saving, -\$7,507.35 [0.5371]; (4) for renters saving to own, +\$5,739.98 [0.3813]; and (5) for homeowners, \$5,748.60 [0.9205]. Because these *p* values are all well above the normal ranges for a statistically significant relationship, we find no relationship between saving and Hispanic status.

**Table 2.** Descriptive Statistics of Tenure Categories from the 2004 SCF (Weighted)

	Renter Not Planning to Own		Renter Planning to Own but Not Saving		Renter Saving to Own		Homeowner	
	Non-Hispanic	Hispanic	Non-Hispanic	Hispanic	Non-Hispanic	Hispanic	Non-Hispanic	Hispanic
Single female (%)	50.4	36.2***	40.3	23.8***	27.8	15.7***	22.2	12.6***
Single male (%)	31.3	32.5	32.5	43.0**	38.6	35.9	15.4	21.9***
Married (%)	18.3	31.3***	27.2	33.2	33.6	48.4***	62.4	65.5*
Family size	2.0	3.2***	2.6	3.0***	2.4	3.3***	2.6	3.6***
Financial time horizon (years)	3.4	2.5***	3.2	2.3***	3.8	2.3***	5.2	3.5***
Presence of a financial account (%)	77.6	47.4***	81.2	85.7	92.5	95.3	96.6	84.7***
Total household liquid assets	\$10,720 [\$530]	\$779** [\$0]	\$9,444 [\$640]	\$897 [\$250]	\$16,947 [\$3,100]	\$2,552*** [\$1,400]	\$89,129 [\$9,500]	\$15,749*** [\$2,100]
Total household income	\$27,961 [\$21,000]	* [\$18,000]	\$36,232 [\$26,000]	\$34,964 [\$27,000]	\$53,680 [\$41,000]	* [\$26,000]	\$89,875 [\$57,000]	\$56,258*** [\$40,000]
Less than a high school education (%)	22.6	56.8***	11.1	35.0***	8.1	35.8***	9.9	40.0***
High school graduate (%)	31.7	30.2	30.7	38.7*	27.5	35.8***	26.3	29.9**
Some college (%)	24.8	8.3***	31.8	17.6***	30.8	19.8***	22.8	14.8***
Bachelor graduate (%)	20.9	4.6***	26.5	8.8***	33.5	8.6***	40.9	15.3***
Age	47.9	40.0***	33.0	34.1	36.0	34.4**	53.6	46.7***
Minor living in the home (%)	21.7	34.8***	30.0	18.4***	14.9	32.2***	21.4	32.4***
Years at the current job	3.4	3.0	3.2	2.9	5.5	3.3***	8.3	7.6**

*Notes:* Means are given, with medians in brackets. The SCF oversamples wealthy households such that descriptive statistics of the unweighted observations will not be representative. In addition, variations in sample collection success rates can skew unweighted results. Consequently, SCF weights have been applied to the observations to project a representative result. Totals may not equal 100 percent because of rounding.  
\*  $p < 0.1$ . \*\*  $p < 0.05$ . \*\*\*  $p < 0.01$ . Significance values indicating the difference between Hispanic and non-Hispanic households in the same tenure category are based on a  $t$ -test.

assets than renters planning to own but not saving for a home. One exception to this trend is that non-Hispanic renters not planning to own actually have slightly higher mean assets (but lower median assets) than non-Hispanic renters planning to own but not saving for a home. This distinction in mean assets is driven by the presence of a few very wealthy renter households and disappears if millionaire households are excluded.

Another exception is that Hispanic households saving to own have less income than Hispanic households planning to own but not yet saving for a home purchase. Also of interest is the higher mean financial planning time horizon for renters not planning to own. Given that age is positively associated with a longer financial time horizon (Bishai 2004; Rogers 1994), this is likely driven by the higher average age of these renters. The older age of renters not planning to own is probably influenced by retired households having transitioned to renting as a permanent tenure choice.

### *Methods*

*Probit analysis.* The descriptive statistics in table 1 indicate an unusually strong likelihood of saving for a future home purchase among Hispanic renters. Compared with non-Hispanic renters, Hispanic renters are significantly more likely to be in the “saving for a home purchase” category (30 percent versus 20 percent, respectively). However, this may simply be the result of other demographic characteristics of Hispanic renters. As an initial examination of whether Hispanic status is significantly associated with planning or saving for a home after we control for other demographic characteristics, we use a probit analysis that looks at data from renters only.

The probit approach allows for an estimation of the probability of the outcome and, unlike an OLS model, ensures that predicted probabilities will fall between zero and 1. The probit model assumes a latent variable for each household measuring the tendency toward a particular tenure stage. This latent variable is predicted by the independent variables. The assumption that the error terms of this prediction are normally distributed generates the probit model.<sup>4</sup> The binary dependent variables used in these analyses result from grouping renters’ tenure continuum positions into two sets of categories.

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<sup>4</sup>See an extensive use of this model in Coulson’s 1999 examination of Hispanic homeownership. When a dummy dependent variable is used, probit models provide an advantage over the OLS model because probabilities cannot be negative or exceed 1. The logistic approach is also acceptable, but produces results in terms of odds ratios rather than converting to probabilities using the standard normal distribution.

In the first analysis, the single category of not saving for a home includes both renters who are planning to buy a home but are not saving for it and renters who are not planning to buy a home. In the second analysis, renters who are planning to buy a home are grouped into the planning category, regardless of whether they are saving to fulfill those plans. In both analyses, we examine only renter households. These two dependent variables allow a separate calculation of the probability, among renters, of saving for a home and planning for a home.

To account for the differing importance of each household in terms of the number of households it represents nationally, we weight each observation. The contribution of each observation to the likelihood function is multiplied by the value of the weight variable. We then adjust the final standard errors to compensate for the effect of the weighting. An additional modification is generated because of the SCF's use of multiple imputation. If a respondent does not provide complete information for some variable, the multiple imputation approach employs multivariate statistical methods to impute the missing data, thereby resulting in multiple complete data sets (Montalto and Yuh 1998).

Table 3 indicates that the propensity of Hispanic renters to save for a home purchase is not simply the result of the demographic characteristics included as independent variables (such as age, education, income, wealth, and family structure). When the likelihood of renters' currently saving for a home purchase is predicted, Hispanic status is indeed significantly associated with such savings (0.3915), even after we control for the independent variables listed in table 3. Using the standard normal distribution to convert these coefficients into probabilities indicates that a Hispanic renter household with sample mean characteristics would have a 30.3 percent predicted probability of saving for a home, while an otherwise identical non-Hispanic household would have an 18.2 percent predicted probability. Similarly, a Hispanic renter household with sample mean characteristics would have a 43.8 percent predicted probability of planning for a home purchase (whether saving or not), while an otherwise identical non-Hispanic household would have only a 37.5 percent predicted probability of doing so.

The coefficients on the control variables listed in table 3 are generally as expected and are in line with the results discussed in the Literature Review section. For example, in table 3, unmarried status is negatively associated with saving for a home (Coulson 1999; Myers and Lee 1998), as is the presence of children (Cortes et al. 2006). Both education and number of years at the current job are positively associated with progressing toward homeownership (Myers, Megbolugbe, and Lee 1998).

**Table 3.** Renters Planning and/or Saving to Buy a Home: Probit Analysis of Renter Households from the 2004 SCF

	Saving for a Home Purchase in the Next 5 to 10 Years	Planning a Home Purchase in the Next 5 to 10 Years, Either Saving or Not
	Estimate (Standard Error)	Estimate (Standard Error)
Intercept	-0.0239 (0.1079)	1.0968*** (0.1009)
Hispanic	0.3915*** (0.0568)	0.1638*** (0.0537)
Single male	-0.2154*** (0.0556)	-0.3036*** (0.0536)
Single female	-0.4214*** (0.0571)	-0.3195*** (0.0534)
Family size	0.0107 (0.0173)	0.0344** (0.0157)
Financial time horizon (years)	0.0022 (0.0056)	-0.0112** (0.0052)
Total household liquid assets (in \$10,000 units)	-0.0048 (0.0036)	-0.0041 (0.0028)
Total household income (in \$10,000 units)	0.0237*** (0.0044)	0.0419*** (0.0057)
Less than a high school education	-0.2281*** (0.0626)	-0.2469*** (0.0551)
Some college	0.1591*** (0.053)	0.1224** (0.0489)
Bachelor graduate	0.2530*** (0.0619)	0.2373*** (0.0594)
Graduate school	0.1195 (0.0839)	-0.0093 (0.0795)
Age	-0.0214*** (0.0016)	-0.0356*** (0.0015)
Minor living in the home	-0.1958*** (0.0515)	-0.0244 (0.046)
Years at the current job	0.0310*** (0.0033)	0.02310*** (0.0032)
Predicted probability that a renter will be saving to buy a home (calculations otherwise based on sample mean demographic characteristics)	Hispanic Non-Hispanic	30.3% 18.2%
Predicted probability that a renter is planning to buy a home within 5 to 10 years whether saving for a home or not (calculations otherwise based on sample mean demographic characteristics)	Hispanic Non-Hispanic	43.8% 37.5%

\* $p < 0.1$ . \*\* $p < 0.05$ . \*\*\* $p < 0.01$ .

The probit analysis provides helpful information. However, the simple exclusion of homeowners from the analysis relies on the assumption that the error terms associated with predicting homeownership, and those associated with predicting renters' decisions to plan and save for homeownership, are not correlated. This seems unlikely. Omitted variables that influence both the likelihood that a household owns a home and the likelihood that a household is saving for a home while renting would cause our estimates to suffer from sample selection bias, due to the exclusion of all homeowners. We address this issue by including all households, including homeowners, in the next analysis.

*Multinomial logit.* We next use all four stages of the proposed tenure continuum, including homeownership, to examine the full set of renter and owner households. Although represented as stages, the tenure continuum

model (see figure 1) reflects the reality that individuals do not always progress smoothly from one stage to the next. A renter may skip the planning stage and go directly to the saving stage. A homeowner may become disenchanted with ownership and become a permanent renter, and so forth. In addition, tenureless individuals who were previously outside these categories, and hence unobserved, can move directly into any one of the four stages. Such tenureless outsiders could include a recent immigrant or a child living with family and not paying rent.

Consistent with these realities, testing the proportional odds assumption of an ordered logit analysis indicates that a purely sequential approach is not appropriate.<sup>5</sup> Instead, we use a multinomial logit model with a maximum likelihood analysis to examine factors associated with each of these situations separately. The multinomial logit approach allows us to identify separately the impact of factors on the likelihood of being in one category compared with another without requiring that households be truncated or that categories be collapsed. Because we are interested in predicting a dependent variable (tenure stage) with several different nonnumerical, nonsequential values, a multinomial logit analysis is a logical approach (Allison 1999).<sup>6</sup>

The results of the multinomial logit analysis in table 4 are instructive. Consistent with our observations in the probit analysis, Hispanic status is significant and positively associated with progressing to the saving stage. Hispanic status significantly increases the likelihood of planning and saving for a home purchase compared with being either a nonsaving renter (0.4421)

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<sup>5</sup>The ordered logit is appropriate if the dependent variable represents a series of sequentially higher ordered stages (e.g., a Likert scale of agree somewhat, agree, or agree strongly). As such, the ordered logit estimates a single coefficient for the impact of moving into any higher ordered category. The score test for the proportional odds assumption helps indicate whether the ordinal restrictions are valid, with high  $p$  values suggesting potential validity (Allison 1999). In the current data set, the score test for the proportional odds assumption is chi square = 176.1329,  $df = 12$ ,  $p = < 0.0001$ . This suggests that estimating a single coefficient for the odds of moving from a lower-ordered (farther from homeownership) to a higher-ordered (closer to homeownership) category would not be an ideal approach because of the diversity in coefficients depending on which two categories are being compared. Consequently, the analysis employs a multinomial logit where every category is compared with every other category, rather than assuming that the variables will affect the outcome in a sequentially ordered fashion.

<sup>6</sup>The multinomial logit model allows a comparison of the probability of being in any one of the four proposed tenure categories with the probability of being in another category. So, for example, the prediction comparing outcome A with outcome B is the log of the ratio with the numerator as the probability of person  $i$  being in category A and the denominator as the probability of person  $i$  being in category B. Unlike the ordered logit model, we do not need to assume that the categories are in any way sequential. They are simply different. This is appropriate because although changes in tenure status may sometimes be sequential, this is quite often not the case. Individuals may voluntarily exit homeownership or homeownership planning because of changed preferences or circumstances.

**Table 4.** Examining Stages toward Homeownership: Multinomial Logit Analysis (Maximum Likelihood) from the 2004 SCF

	Getting to the Saving Stage		Getting to the Homeownership Stage		
	Saving Renter versus Not Planning Renter	Saving Renter versus Planning (but Not Saving) Renter	Homeowner Versus Not Planning Renter	Homeowner versus Planning (but Not Saving) Renter	Homeowner versus Planning and Saving Renter
Intercept	1.0027* (0.5364)	0.3996 (0.6507)	-1.7699** (0.4114)	-2.3743** (0.5687)	-2.7727*** (0.5049)
Hispanic	0.2636* (0.1391)	0.4421** (0.1859)	-0.0133 (0.1169)	0.165 (0.1743)	-0.2769* (0.129)
Single male	-0.2572* (0.1278)	-0.101 (0.1591)	-0.7276*** (0.0941)	-0.5715** (0.1379)	-0.4704** (0.1128)
Single female	-0.4263*** (0.1334)	-0.2505 (0.1632)	-0.7652*** (0.0935)	-0.5898 (0.137)	-0.3389** (0.1207)
Family size	-0.0133 (0.0838)	-0.0199 (0.1035)	0.1457** (0.0616)	0.1393 (0.0881)	0.1590* (0.075)
Financial time horizon (years)	-0.0133 (0.0237)	0.0105 (0.0298)	0.0789*** (0.0167)	0.1028** (0.0254)	0.0921** (0.0207)
Total household income (in \$10,000 units)	0.0072 (0.0046)	0.0002 (0.0017)	0.0072 (0.0045)	0.0002 (0.0015)	0.00004 (0.0011)
Total household liquid assets (in \$10,000 units)	0.0021 (0.0063)	-0.0016 (0.0022)	0.0043 (0.0045)	0.0001 (0.0008)	0.0022 (0.0022)
Less than a high school education	-0.1711 (0.154)	0.0807 (0.1982)	-0.4036** (0.1175)	-0.152 (0.178)	-0.2326 (0.1522)
Some college	0.1064 (0.1245)	0.1586 (0.15)	0.1221 (0.091)	0.1745 (0.129)	0.0157 (0.1143)
Bachelor graduate	0.2478* (0.1407)	0.1632 (0.1649)	0.4714*** (0.1035)	0.3874** (0.139)	0.2235* (0.1204)
Graduate school	0.089 (0.1713)	0.2254 (0.2211)	0.3707** (0.1174)	0.5097** (0.1854)	0.2817* (0.1461)
Age	-0.0449*** (0.0098)	0.0046 (0.0126)	0.0344*** (0.0064)	0.0839*** (0.0105)	0.0792*** (0.0091)
Minor in the house	-0.2519* (0.1245)	-0.2344 (0.1504)	-0.0491 (0.0847)	-0.0315 (0.124)	0.2028* (0.1168)
Years at the current job	0.0191 (0.015)	0.0513* (0.0232)	0.0495*** (0.0094)	0.0818** (0.0202)	0.0304** (0.0129)

Note: Standard errors are in parentheses.

\* $p > 0.1$ . \*\* $p > 0.05$ . \*\*\* $p > 0.01$ .

or a nonplanning renter (0.2636). However, the multinomial logit analysis reveals the opposite effect when comparing saving for a home with owning one. Hispanic status significantly decreases ( $-0.2769$ ) the likelihood of being a homeowner compared with the likelihood of being a renter saving for a home purchase, even after we control for other observable variables. This suggests the presence of barriers preventing Hispanics from taking the final step to actually owning a home; however, other explanations are possible. To the extent that such barriers exist, they do not appear to deter Hispanics from moving to the stage of saving for future homeownership.

## Discussion

The previous analysis indicates the presence of two significant realities for Hispanic renters in the home-buying process. First, both before and after controlling for other financial and demographic factors, we find that Hispanic renters appear substantially more motivated to plan and save for the purchase of a home. Second, Hispanic status decreases the likelihood of taking the final step from saving for a home to actually buying one, even after we control for wealth, income, and other demographic characteristics. Three areas of discussion may illuminate the source of these apparently incongruous results:

1. Informational barriers to credit could frustrate moving to homeownership, even with sufficient savings.
2. The purchase of a foreign home by a significant portion of Hispanic renters would produce these results by showing a high propensity to save for a home without domestic homeownership.
3. Lack of resources, perhaps due to the recent commencement of savings or unobserved financial constraints, could delay the final step to homeownership.

### *Informational barriers to credit*

The findings here are consistent with the summary description provided by Cortes et al.: “In short, the information gap undermines Hispanics’ confidence in *completing* the homebuying process [*italics in the original*]” (2006, 56). The informational barriers to understanding credit options, credit scores, and interactions with traditional financial institutions are a key candidate for the missing link between Hispanics’ saving for homeownership and completing the home-buying process. Focusing on informational barriers to the credit process may be especially fruitful, given the range of existing

legislation intended to prevent discrimination in lending and the inconclusive evidence on current institutionalized discrimination.

Gabriel and Rosenthal's (2005) analysis of previous SCF data indicated that the impact of credit constraints accounted for no more than 5 percentage points of the gap between Hispanic and non-Hispanic white households. However, the impact of credit limitations due to a lack of interaction with and knowledge of traditional financial institutions might not have been captured in their analysis. Gabriel and Rosenthal (2005) classify a respondent as "not credit constrained" unless he or she had a loan request turned down or had previously planned to apply for credit but did not because rejection was expected.<sup>7</sup> This categorization does an excellent job of capturing those who were in the process of using or planning to use financial institutions, but were blocked by credit concerns. However, it would not capture households that were simply not interacting with these institutions.

This limitation is of particular importance for Hispanic households. In a study of Mexican-heritage households in three cities, Lee, Tornatzky, and Torres (2004) found that 48 percent of those who wanted to buy a home in the United States but had not yet contacted lenders or brokers for financing information had no bank account. Recent Hispanic immigrants may operate entirely outside traditional financial institutions and deal exclusively in cash (Paral 2004).

Also, many Hispanics may not have requested mortgage financing simply because of misperceptions about qualifications. For example, the Fannie Mae (2003) National Housing Survey showed that 73 percent of the general population knew that the statement, "You need to have a perfect credit rating to qualify for a mortgage" (10) was false, compared with only 22 percent of predominantly Spanish-speaking Hispanics. In the Lee, Tornatzky, and Torres (2004) study, a majority of Mexican-heritage households did not know whether lenders could make mortgage loans to people who are not U.S. citizens. Misinformation about traditional financial institutions may prevent Hispanic households from even attempting to use available credit options and hence cause them to be labeled as not credit constrained in the previous research. To the extent that this is happening, credit constraints and lack of credit information may account for an even larger share of the homeownership gap than previously estimated.

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<sup>7</sup>These are the available questions from the SCF, and any limitations are not within the control of Gabriel and Rosenthal (2005). Nevertheless, such limitations may be particularly important for the present analysis.

### *Purchases of foreign homes*

Part of the observed gap between saving for homeownership and completing it could be caused by Hispanic immigrants who save to purchase a home in a Latin American country. To the extent that individuals complete the process in Latin America, we could see a continuous progression through the tenure continuum stages without ever observing homeownership in the United States.

One indication of the potential return to Latin America is the level of remittances by immigrants to people in their home countries. Approximately 60 percent of Latin American-born adults residing in the United States send money to family or friends in their birth countries at least once per quarter (De Vasconcelos 2004). These individuals transmit funds about 12.6 times per year, averaging more than \$3,000 in annual transfers (De Vasconcelos 2004). Bradley, Green, and Surette (2007) found that remittance payments to Mexico among Mexican-heritage households were a significant predictor of failing to become U.S. homeowners.

Since entry-level homes are often much more affordable in many Latin American nations, this continued connection with countries of origin may be of particular importance for homeownership. Consequently, the motivation to save for a home purchase could be much higher than for a similarly situated nonimmigrant. (See Engelhardt [1994] for empirical evidence that higher prices discourage renters from saving for homeownership.) For example, a low-income person working in San Diego, where the average home sales price is \$642,250 (Coldwell Banker 2006) may find the possibility of homeownership so remote as to be hopeless. However, if a worker living in San Diego was planning to buy a home in, say, Bogotá, Colombia, where the average sales price is less than one-tenth that much (Coldwell Banker 2006), the motivation to save could be completely different. Thus, we would not be surprised to see such a temporary resident saving to buy a home in the next 5 to 10 years, despite not having enough income to buy in the community where he or she is working. A cross-sectional survey in the United States would never record the completion of such an international transition from renter to homeowner. However, the statistical consequence from such a process would be similar to what we observe in the current data set.

The potential for international tenure transition may be especially important for Hispanic households, because more than 40 percent of Hispanics in the 2000 census were foreign born (Malone et al. 2003). A recent survey of Mexican-heritage households in Los Angeles, Houston, and Atlanta found that 42 percent of these renters who did not wish to buy a home in this country planned to return to Mexico (Lee, Tornatzky, and Torres 2004).

Consequently, it is not unreasonable to expect that at least some part of the homeownership planning observed in the SCF is directed toward foreign purchases.

### *Resources*

A third explanation may be that an unusually large number of Hispanic households have only recently entered the saving stage or are saving for a home at a slower rate. It takes time to save enough money. Consequently, it may be that the relatively large proportion of Hispanic renters saving for a home will, given enough time, generate further increases in homeownership. While we have no measure of the duration of saving for a home by these households, we can examine trends from previous cross-sectional SCFs.

Descriptive statistics from previous SCFs do provide evidence of a recent transition in savings. Although the original question used to classify households in our tenure continuum was not included in many of the earlier surveys, a related question was. The SCF asked participants, "What are your family's most important reasons for saving?" (Kennickell 2006, 221). Figure 2 shows the proportion of renters within three ethnic groups listing "buying own house" as one of the top two reasons for saving money.<sup>8</sup>

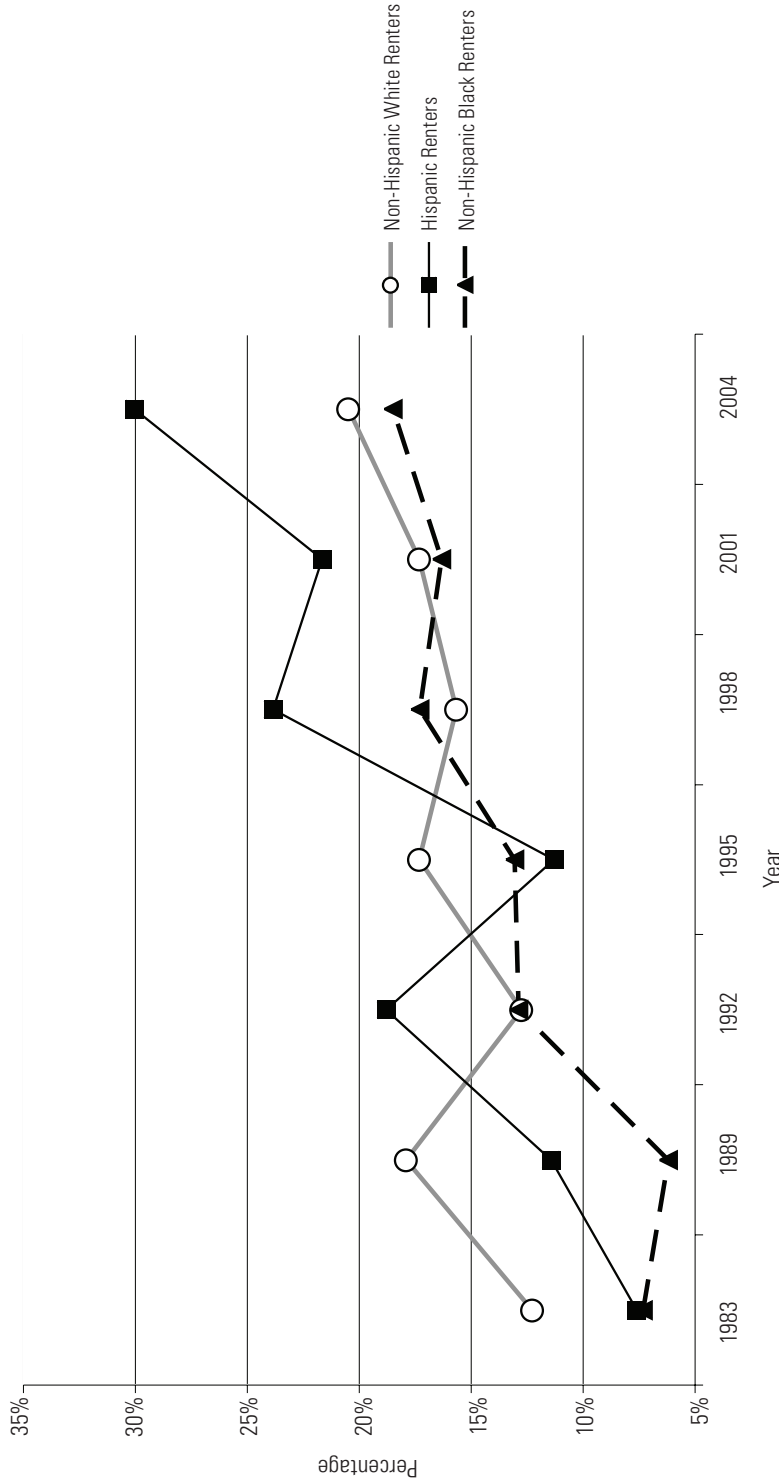
The proportion of Hispanic renter households listing "buying own house" as one of the top two reasons for saving increased from 7.6 percent to 30.1 percent between 1983 and 2004. From 1998 to 2004, the proportion of Hispanic renter households listing "buying own house" as one of the top two reasons for saving has been higher than the proportion of non-Hispanic black or non-Hispanic white renter households doing so. Such a dramatic change suggests that many Hispanic households have only recently begun to focus on saving for a home. Thus, the observed gap between Hispanic saving and owning in the 2004 SCF may result in part from normal time delays.

Further evidence of a recent transition by Hispanic renters toward focusing on homeownership emerges when we repeat the probit analyses described in table 3 for previous years of the SCF. The same analysis can also be applied to SCFs from 2001, 1998, and 1995. (SCFs before 1995 did not include the question being considered.) The difference in the estimated probability of planning for a home purchase associated with Hispanic status, compared with non-Hispanic status, for a renter household with sample mean characteristics is as follows: 2004, +6.3 percent; 2001, -5.4 percent; 1998, -11.0

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<sup>8</sup> Other important reasons for saving could include saving for a car, boat, wedding, retirement, education, travel, funeral, business, emergencies, and so forth. Only the top two reasons are included because the earliest surveys permitted only two responses.

**Figure 2:** Renters Listing “Buying Own House” as One of the Top Two Most Important Reasons to Save in the SCF from 1983 to 2004



Notes: The 1986 SCF is not included because it was not from a new cross-sectional sample. The 1986 survey reinterviewed some respondents from the 1983 sample only.

percent; and 1995, -13.6 percent. Similarly, the difference associated with Hispanic status, versus non-Hispanic status, in the estimated probability of saving for a home for a renter household with sample mean characteristics is as follows: 2004, +12.1 percent; 2001, +0.4 percent; 1998, -0.3 percent; and 1995, -6.1 percent.

As in table 3, these predicted probability estimates come from using the standard normal distribution to convert the probit coefficients. When the outcome variable is planning to buy a home, after we control for the same variables listed in table 3, these coefficients [and  $p$  values] for Hispanic status are as follows: 2004, 0.1638 [0.0023]; 2001, -0.1448 [0.0048]; 1998, -0.3237 [ $< 0.0001$ ]; and 1995, -0.5082 [ $< 0.0001$ ]. When the outcome variable is saving for the purchase of a home, the estimated coefficients for Hispanic status are these: 2004, 0.3915 [ $< 0.0001$ ]; 2001, 0.0151 [0.7887]; 1998, -0.0132 [0.8233]; and 1995, -0.3490 [ $< 0.0001$ ].

These analyses tend to confirm the idea that Hispanic renters' focus on homeownership has been growing in recent years, even after income, assets, education, age, family size, and the other demographic characteristics listed in table 3 are controlled for. It is encouraging to note that earlier increases in Hispanic households' focus on saving for a home have corresponded to subsequent increases in homeownership. Since 2000, Hispanic homeownership levels have grown much faster than those for non-Hispanic whites or non-Hispanic blacks (Cortes et al. 2006). This recent growth, following on the heels of the dramatic growth in the number of Hispanic renters focusing on saving to buy a home, appears consistent with a time-lagged effect.

Although resource insufficiency issues are partially controlled for in our analysis by including current income and the amount of savings, there is no information on the projected rate of savings or on the portion of the existing savings designated for the future purchase of a home. Thus, resource insufficiency could be affected either by the recency of home savings commencement or by a lower rate of saving. This lower rate could itself be driven by unobserved financial constraints such as the expectation of foreign remittances or the costs associated with a particular immigration status.

### *Limitations and future research*

We have no information in our data set on the immigration status, country of origin, or language preference of the respondents. Consequently, we cannot control for the impact of these items separately in our analysis, even though they have been shown in previous research to be significantly related to homeownership (Borjas 2002; Coulson 1999; Flippen 2001).

Further, the SCF is not designed to capture a representative number of undocumented immigrant workers. Because the sample selection design for the largest group of respondents is based on dwelling units rather than, for example, lists of citizens or registered aliens, the SCF does not automatically exclude undocumented immigrants. However, citizenship status is not reported in the survey, and the potential for a lower response rate by undocumented immigrants is not directly addressed. About 3 percent of the interviews reported in the data set were conducted in Spanish. To preserve confidentiality, the SCF does not report which respondents were interviewed in that language. Consequently, although we know the overall number of interviews conducted in Spanish, we cannot determine whether these Spanish-speaking households responded differently from other Hispanic households.

The SCF data are based on self-reporting. To the extent that people choose to respond inaccurately, the analysis will be compromised. If such inaccuracies are systematically related to our variables of interest, it will bias our results. The SCF also uses a multiple imputation approach to estimate appropriate values where respondents provided incomplete information.<sup>9</sup> Thus, in some cases the analysis is based on partially or wholly imputed rather than originally reported values.

Our analysis focuses on the answer to the question of whether the respondent is currently saving for the future purchase of a home. It does not distinguish between those saving at a high rate or a low rate, nor does it ask respondents how much of the existing savings is designated for this future purchase. Thus, the category of planning and saving for the purchase of a home would include those saving \$2,000 a month as well as those saving \$20 a month. Clearly, more specificity as to the precise amount of past and current savings designated for homeownership would provide greater illumination.

Perhaps most significant, this analysis uses only cross-sectional data. We infer transitional behavior, but without longitudinal data, the inference is subject to multiple interpretations. The need for longitudinal research, especially in an area with such obvious potential for ongoing cohort transitions, is great.

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<sup>9</sup>In the case of the 2004 SCF, there are five complete data sets, referred to as implicates. Consequently, each respondent generates five different implicates, or observations, for each variable. This complicates the process of determining standard errors, necessitating the use of repeated-imputation inference techniques. Essentially, this involves estimating parameters for each implicate separately and averaging them to get the final point estimate. The average variance within each implicate and the variance between implicates are summed to create an estimate of the total variance.

## Conclusion

This study contributes to the literature on Hispanic homeownership in two important ways. First, while previous research has demonstrated the potential for growth in Hispanic homeownership given demographic characteristics, this study shows that Hispanic renters are much more likely to be actively pursuing homeownership than the socioeconomic variables alone would predict. Compared with either non-Hispanic white or non-Hispanic black households, a significantly larger proportion of Hispanic renter households is saving for home purchases. This relationship holds true even after we control for age, marital status, children, income, education, liquid assets, and other demographic variables. Second, this study suggests unusual barriers, specific to Hispanic households, that prevent them from moving from the saving stage to the owning stage and that are not explained by other economic or demographic characteristics. This finding represents an important addition to previous research exploring the possibility of informational or institutional barriers to Hispanic homeownership.

Knowing what these critical obstacles are will help inform appropriate policy choices. One approach is to do nothing. We can assume either that this gap reflects the purchase of foreign homes or that it is temporary and will disappear after savings behavior continues for a sufficiently long period. However, to the extent that the barriers are neither transitory nor driven by purchases of foreign homes, it is appropriate to focus policy efforts on resolving the disparities that have been uncovered. Given the consistent evidence of Hispanic-specific information gaps about the mortgage finance process and the somewhat inconsistent evidence on institutional discrimination, it appears that working to resolve these informational barriers may be the most fruitful approach to bridging the gap between saving and owning. Examples of such policy approaches could include informational home-buying programs, bilingual information, and financial literacy programs as suggested by Lee, Tornatzky, and Torres (2004).

The story of Hispanic homeownership continues to offer the promise of great hope, along with some concern. The recent increases in Hispanic homeownership rates, and the even more dramatic increases in the motivation to save for a home, point to the potential for a striking transition in the coming years. Yet for some, the lack of connection with credit processes in the United States and specific barriers for undocumented workers will continue to depress the likelihood of Hispanic homeownership. Given the apparently high commitment to homeownership among Hispanic renters, policy approaches that ease the transition from saving to owning hold particularly great promise.

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