Many Routes to Homeownership: A Four-Site Ethnographic Study of Minority and Immigrant Experiences

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Abstract

The 1990 census and numerous studies have shown that minorities and immigrants, as a whole, are less likely to be homeowners than native-born whites, even after controlling for income. This article synthesizes the findings from a four-site ethnographic study that explored this disparity by investigating homeownership and home-financing processes in specific minority and immigrant communities.

The ethnographic studies highlight the interaction of cultural, social, and economic influences by contrasting the experiences of different ethnic groups in different housing markets. Four major shortfalls were identified, which if corrected might enable more minorities and immigrants to become homeowners: (1) the lack of appropriate, affordable housing; (2) the limitations of existing financial tools; (3) the lack of home-purchasing knowledge, credit knowledge, and credit judgment; and (4) cultural gaps, misunderstandings, and biases that distance minority and ethnic group members from mainstream real estate and mortgage lending institutions.

Keywords: Homeownership; Minorities; Underserved

Introduction

In late-20th-century America, homeownership has become an icon of the good life. In the 1980 and 1990 censuses, 64 percent of households were homeowners, the highest ratio since the Bureau of the Census began collecting homeownership data in 1890.[1] Homeownership has grown from 44 percent in 1940, the lowest point in this century, because of an array of government programs and subsidies designed to extend ownership opportunities to more Americans. These include the income tax deductions for

[1] The Bureau of the Census considers a housing unit to be owner-occupied if the owner or co-owner lives in the unit, even if it is mortgaged or not fully paid for. In the 1990 census, of the 59 million owner-occupied housing units, 86 percent were single-family homes, 5 percent were in structures with two or more units, 8 percent were mobile homes, and 1 percent were "other" (including houseboats, railroad cars, campers, and vans).

mortgage interest and property tax payments; Department of Veterans Affairs (VA), Federal Housing Administration (FHA), and Farmers Home Administration (FmHA)[2] subsidized and insured mortgage programs; and direct and implicit support of the federally chartered secondary mortgage institutions, Fannie Mae and Freddie Mac.

However, as housing researchers and political activists have noted, the benefits of homeownership have not been distributed uniformly across all segments of the American population. Among the groups furthest behind are native-born minorities and immigrants. In 1990, the homeownership rate for native-born whites was 69 percent, while the rate for native-born African Americans was 44 percent and for native-born Hispanics was 51 percent. Much of the difference can be attributed to differences in income—on the average, native-born African Americans and Hispanics earn much less than native-born whites. But income does not fully explain the differences. If homeownership in each income bracket were as common for minorities as for native-born whites, 1.5 million more minorities would have been homeowners in 1990. The rates would have been 58 percent for African Americans and 60 percent for Hispanics (Joint Center 1994).

A similar pattern is found for immigrant Americans, especially recent immigrants. If immigrants who had come to the United States between 1980 and 1990 had bought homes at the same rate as native-born whites of the same income, the homeownership rate in 1990 would have been 60 percent for white immigrants, rather than 31 percent; 50 percent for African-descended immigrants, rather than 17 percent; 60 percent for Asian immigrants, rather than 30 percent; and 60 percent for Hispanic immigrants, rather than 14 percent (Joint Center 1994).

Why the disparities? Several different research approaches have been used to investigate the question. One approach has concentrated on the discrimination and bias faced by minorities, especially African Americans. In the not-so-distant past, discrimination was often blatant—real estate agents refused to sell homes in white communities to minority families, and restrictive covenants placed on the deeds of homes also prevented such sales. Many researchers have noted that over the past 30 years discrimination has become more subtle. Often there is not an outright refusal but rather less interest, less effort on the part of

[2] FmHA was abolished in October 1994, and its rural housing programs were transferred to the Rural Housing and Community Development Service of the U.S. Department of Agriculture.

real estate agents or loan officers, or a biased appraisal of resources, creditworthiness, or home value. Since the 1960s, researchers have documented discriminatory or biased behavior on the part of home mortgage lenders (Dedman 1989; Federal Reserve Bank of Boston 1992; Jones and Schnare 1991; Kim and Squires 1995), real estate agents (Galster, Freiberg, and Houk 1987; Helper 1969; Newberger 1989), and home insurers (Squires and Velez 1988).

A second stream of research has looked at discriminatory behavior aimed not at individuals, but at neighborhoods—especially the urban cores of industrial cities heavily populated by minorities. The term for such discrimination is *redlining,* said to refer originally to the red-shaded areas on city maps where no FHA loans would be made but now generally referring to any discriminatory behavior based on the characteristics of a neighborhood. Critical research on redlining and the consequent lack of investment in minority areas led to the passage of the Home Mortgage Disclosure Act of 1975 and the Community Reinvestment Act of 1977. Among other conditions, these acts required mortgage lending institutions to keep information on the ethnic and geographic distribution of their loans so that disparate treatment could be more effectively challenged (Galster 1987; Squires 1992).

A third research approach explores the disparities in homeownership rates through statistical studies using survey data and large databases, such as the census and the American Housing Survey. The objective of such studies is often to identify socioeconomic variables that may help explain the disparate outcomes. For example, Wachter and Megbolugbe report that, based on a series of explicit assumptions, the variables of income, age, and household type statistically explain 81 percent of the difference in the 1989 homeownership rate between whites and nonwhites (Wachter and Megbolugbe 1992).

This article presents the findings of another research tradition—applied ethnography—that has up to now been little used in housing research. A primary objective of this approach is to identify the meaning of events for participants and to place the observed patterns of behavior into larger contextual frameworks.

Teams conducted field research on the homeownership process, focusing on African Americans and Hispanics in Syracuse, NY; immigrants from Korea and the Dominican Republic in northern Queens, NY; African Americans and whites in rural South Carolina; and immigrants from Latin America and India in

Montgomery County, MD. Individual papers on these communities, providing descriptions and analyses of the home-buying process for each group, will appear in a forthcoming issue of *Cityscape*, the research journal of the U.S. Department of Housing and Urban Development (HUD).[3] This article presents an early synthesis of the major findings.

Using ethnography to study homeownership

The Ethnographic Study of Credit Cultures and Home Financing grew out of discussions among researchers at HUD and Fannie Mae's Office of Housing Research concerning the barriers to homeownership faced by minorities and immigrants. Their sense was that the standard research approaches based on census data and large-scale surveys were too narrowly focused. The lacuna they believed existed in the research literature is enunciated in Ronald Wienk's analysis of the literature on lending discrimination:

> Analysis of racial differences in homeownership rates and in where mortgages are made and of whether lender disposition of loan applications differs according to race of the applicant(s) will not tell us all we need to know about discrimination in urban housing credit markets. When viewed as a chain of events, the financing of a home purchase begins at least as early as the decision to buy and ends no earlier than when a financing decision is made. Analyzing the outcomes of this process is a poor substitute for analyzing the process itself and the behavior of all agents in the process. (Wienk 1992, 237)

Researchers at HUD and Fannie Mae hoped that an ethnographic study would inform the discussion of disparities in homeownership by explicitly focusing on cultural contexts and social forces that constrain or aid home buying.

[3] The journal contains the following articles: Ethnographic Studies of Homeownership and Home Mortgage Financing: An Introduction (Mitchell S. Ratner); Rural South Carolina: An Ethnographic Study of Home Ownership, Home Financing and Credit (Kate Porter Young); Barriers to Home Purchase for African Americans and Hispanics in Syracuse: An Ethnographic Study (Susan Hamilton and Stephen Cogswell); Adaptation and Homebuying Approaches of Latin American and Indian Immigrants in Montgomery County, Maryland (Susan A. Cheney and Charles C. Cheney); Homeownership Aspirations and Experiences: Immigrant Koreans and Dominicans in Northern Queens, New York City (Steve Johnston, Morsina Katimin, and William Milczarski).

The term ethnography describes both the textually rich holistic accounts of the way of life of a people or community and the process through which the accounts were produced—direct observations of social settings and in-depth conversations with participants. Ethnographic research goes beyond what is known or assumed at the beginning of a study. Rather than collecting easily comparable answers to a small set of predetermined questions, ethnographers look for the patterns and distinctions that arise when people are able to comfortably talk about their experiences in their own words. Because ethnographic studies can shift their focus as the play of relevant elements becomes clear, they are able to identify themes and processes that were not initially recognized.

The study began in February 1995 with the signing of a research contract between HUD and ICF Kaiser International and the designation of Mitchell Ratner (the author of this article) as lead ethnographer for the study. Over the next month the lead ethnographer developed a detailed research design while recruiting individuals to conduct focused ethnographic fieldwork. In selecting field teams, the primary criteria were competence in ethnographic methods, housing research experience, established access to one or more immigrant or minority communities, and the ability to begin involvement in the study almost immediately.

The approach was to select a group who would bring to the study their ability to conduct research in different types of minority and immigrant communities. Four teams were selected: Stephen Cogswell and Susan Hamilton to study African Americans and Hispanics in Syracuse, NY; Stephen Johnston and Morsina Katimin to study immigrants from Korea and the Dominican Republic in northern Queens, NY; Charles Cheney and Susan Armstrong Cheney to study Hispanic and Indian immigrants in Montgomery County, MD; and Kate Porter Young to study African Americans and whites in rural South Carolina.

In March, the ethnographic teams met to develop an analytic framework and a set of research questions that would guide the research efforts. Beginning in April 1995, each research team conducted approximately 45 days of fieldwork and spent about 60 more days setting up their projects, analyzing data, and writing reports. The research teams met in May for a one-day conference and again in August to review findings and comment on each other's drafts. Final reports were submitted in late 1995.

During their fieldwork, the team members conducted 25 to 50 ethnographic interviews, primarily with homeowners, but also with other members of the community, including non-owners who could become homeowners in the near future. These wide-ranging interviews, lasting from 20 minutes to 2 hours, covered the informant's lifetime experience of renting and owning, recent efforts to purchase housing, and desires for future housing. The interviews usually had the quality of guided conversations. Although the researchers would eventually cover each of the topics in which the community member might have something to contribute, the tone was relaxed, and the respondents had latitude to reframe questions, digress to related topics, and fully tell their stories.

Because of each team member's prior knowledge and experience in the studied communities, they quickly developed rapport with community members and could easily place responses, when appropriate, into the relevant social or cultural context. The researchers were also active participants in the conversation, frequently asking for more information or confirming their own understanding. In many cases community members were interviewed several times as later research opened up new areas of interest. Sometimes the researchers taped the interviews, and about as often, they relied on field notes that were expanded and clarified later.

In many cases, team members were studying the home-buying experiences of community members they had known for years. They were invited to dinner, walked the neighborhood together, attended church, and participated in community meetings. In addition to the interviews, these unstructured interactions were very much within the ethnographic research tradition and often provided information that illuminated (or complicated) understandings developed in the interviews.

Each team also reviewed documentary sources, such as census materials and local planning studies, and interviewed other persons knowledgeable about the local home-purchasing conditions, including real estate agents, loan and bank officers, municipal authorities, and representatives of housing advocacy groups.

As research teams reviewed their notes from interviews, observations, and documentary sources, they looked for common themes and points of agreement. The researchers developed confidence in their findings when different sources and methods led to the same conclusion, such as when homeowners, renters, real estate agents, and loan statistics all suggested that a particular immigrant group overwhelmingly prefers single-family residences.

Disagreement between sources and methods suggests further investigation is needed. Perhaps individuals differ because of life experiences or positions in the social structure (i.e., wage laborers versus entrepreneurs), or perhaps the loan statistics do not agree with the homeowners' experiences because of different base years or different definitions of the target area. In ethnographic fieldwork and analysis, a multitude of limited-range hypotheses are set forth and then supported or denied by the data.

The goal of ethnographic research is to produce a comprehensive, credible account of a community, institution, or complex process. Most ethnographic studies begin with an assumption of limited knowledge: that many of the critical characteristics of the object of study are not yet known. Through data collection and analysis, significant elements and relationships are identified and explored. From carefully gathered empirical data, ethnographic researchers develop a systematic, comprehensive understanding of the cultural and social context. This is the feature that most distinguishes ethnography from other social science research traditions.

Quantitative methods, for the most part, assume that a subject area is fairly well understood. Through surveys and other means they provide quantification along known dimensions and the statistical investigation of covariation. Qualitative research methods, such as open-ended interview instruments and focus groups, make it more possible for unexpected perspectives to emerge. But specific qualitative methodologies used alone usually also work best when the question of interest is fairly narrow and the cultural and social context is fairly well understood (see Agar and MacDonald 1995). Ethnographic research, employing a variety of interactive, observational, and documentary methods and working back and forth between data collection and analyses, is the social science methodology best suited for the systematic, empirical exploration of unfamiliar cultural and social contexts.

Of course, a relationship also exists between available resources, the breadth of the question, and the depth of the analysis. In academic anthropology, a major ethnographic study has often involved one or more years of library and language study, a minimum of one to two years in the field, and a minimum of one to two years of analysis before the first major publication on the study appeared. In the past two decades, various attempts have been made to use ethnographic methods in policy research while considerably shortening the multiyear lag between the initiation of the study and a report of findings.

One approach that has emerged is rapid ethnographic appraisal—typically a short site visit by an interdisciplinary team—often no longer than two weeks—followed by a quick write-up of findings (Beebe 1995). Perhaps the best phrase to characterize the methods of the Ethnographic Study of Credit Cultures and Home Financing is "*relatively* rapid ethnographic appraisal." There were roughly six months between the first day of fieldwork and the submission of a draft final report—and the study was completed with a budget that paid for researchers to work less than half time over this period.

The research summarized here, and to be presented more fully in *Cityscape*, should be seen as an initial attempt to chart the significant social and cultural elements that influence whether (and how) minorities and immigrants become homeowners. Many of our findings will be familiar to housing researchers and professionals. In some cases our research confirms findings previously explored through quantitative methods. In other cases the research delineates trends or patterns that researchers or professionals may have discovered for themselves but have rarely, if ever, seen in print.

The four communities

Syracuse, NY

Syracuse, NY, is one of many northeastern American cities that expanded with industrial growth during the first two-thirds of the 20th century, only to see much of the industrial base dissipate in the final third of the century. Once proudly proclaimed the Typewriter Capital of the World (because of the large Underwood and Smith-Corona factories), the city has seen many large employers go out of business, downsize, or transfer industrial production to other states or countries. Although some service industries, especially banking and insurance, have increased during the past decades, they do not offer the income or security formerly available through industrial employment.

In this city of 164,000, the research team of Stephen Cogswell and Susan Hamilton concentrated their ethnographic work on the city's southwest and west sides, home to most of the city's relatively large African-American community (20 percent of the city's population) and relatively small Hispanic community (2 percent). Many different lifestyles and environments exist in the studied neighborhoods, ranging from stereotypical scenes of urban decay (drug dealers and prostitutes loitering outside abandoned town houses) to uplifting scenes of moderate-income stability and self-respect (minority and white children playing happily together in a block of older, well-maintained and new, moderate-income homes).

Syracuse presents an especially interesting locale for a study of minority homeownership because unlike many larger northeastern urban areas, housing is relatively inexpensive. In 1993 and 1994, 85 percent of the one- and two-family homes listed by real estate agents sold for less than $65,000. Despite the low prices, only 25 percent of the city's African-American residents and 21 percent of the Hispanic residents are homeowners, compared with 47 percent of whites (a rate much below the national average). Although the disproportionally low household incomes of African Americans and Hispanics in Syracuse explain much of the difference, income alone does not explain it all. According to the 1990 census, 50 percent of the African-American households and 47 percent of the Hispanic households have incomes greater than $15,000 per year—large enough to purchase with conventional financing a home costing about $35,000, many of which are available in relatively sound condition.

Montgomery County, MD

Montgomery County, MD, is a diverse suburban community encompassing 508 square miles that was home to 760,000 residents in 1990. On its southern border, it often blends into the District of Columbia so that in crossing the street there is often no evidence that a boundary has been crossed. In the central part of the county there is primarily residential housing, with some light industry and many federal agencies such as the National Institutes of Health, the National Bureau of Standards, and numerous units of the U.S. Department of Health and Human Services. The northern part of the county changes into rolling farmland, sprinkled with residential developments.

Within the Washington, DC, metropolitan area, Montgomery County is one of the more highly educated and affluent suburban communities. According to the 1990 census, 23 percent of the adult population had advanced degrees, 50 percent had bachelor's degrees, and the median family income was $62,000. Although the median price for a single-family home is high ($230,000 in 1995), the county's residents are predominantly homeowners—67 percent in 1990. Many young professionals move to the county because of the attractive housing, excellent community services, and nationally recognized school system.

In addition to attracting professionals, Montgomery County has also become, during the past two decades, a magnet for immigrants. Foreign-born persons accounted for 40 percent of the county's growth of 178,000 persons between 1980 and 1990. By 1990, 19 percent of the county was foreign-born, half of whom had entered the United States between 1980 and 1990. Montgomery County immigrants come, quite literally, from all over the world. A 1993 county planning study found that El Salvador provided the greatest number of immigrants but accounted for only 6.5 percent of the total. It was followed by Vietnam (5.5 percent of immigrants) and India (4.5 percent).

To make their study manageable, the research team of Charles Cheney and Susan Armstrong Cheney concentrated on the experiences of only two of the county's many immigrant groups, Hispanics and Indians. Hispanics compose 8.2 percent of the county's population. They are predominantly from Central and South America, but include some native-born Hispanics who have moved to Montgomery County. The homeownership rate in 1990 for Hispanic households (44 percent) was less than the county average, but still considerable, given the county's high home prices.

The Indian population, a much smaller group, constitutes 1.8 percent of the county's population. Most were born in India, but many were born and raised in other countries such as England or Tanzania. As a group, the Indians of Montgomery County are well educated—70 percent have college degrees. Many are professionals, highly skilled workers, or small-business owners. In 1990, their homeownership rate of 72 percent surpassed the county average.

Northern Queens, NY

Queens County, NY, just across the East River from Manhattan, is home to almost 2 million residents, more than one-quarter of New York City's population. Stephen Johnston and Morsina Katimin focused their study on northern Queens, a 10-square-mile area of 88 census tracts that contains four ethnically diverse communities: Elmhurst, Jackson Heights, Corona, and Flushing.

Because of the convenient transportation links to jobs in Manhattan and other areas and the abundance of relatively inexpensive multifamily housing, northern Queens has long been attractive to new immigrants. In recent years, the in-migration has predominantly comprised Hispanic and Asian immigrants, who have overlaid and mingled with established non-Hispanic white and African-American populations. In 1990, the homeownership rate in northern Queens was low (29 percent), which can be attributed to the scarcity of single-family homes (only 13 percent of the housing units), the high cost of homes (median price of $168,000), and the tendency of many immigrant families to move on to other areas once they have established themselves financially.

To explore homeownership issues in this community, the researchers focused on immigrants from Korea and the Dominican Republic. According to the 1990 census, persons of Korean ancestry represent about 7 percent of the northern Queens population of 372,000. Many come with college degrees or entrepreneurial experience. Overwhelmingly, they are involved in small businesses, as owners or as employees. Although the homeownership rates for northern Queens could not be broken into specific ethnic or immigrant categories, it is likely that the Korean rate is similar to the overall Asian homeownership rate of 31 percent.

Persons who trace their background to the Dominican Republic represent about 8 percent of the population in the studied tracts. Only a minority of adults have a high school education. Although there is a growing professional and entrepreneurial group of Dominicans, most Dominican employment involves manufacturing or lesser skilled service occupations. The specific homeownership rate for Dominicans in northern Queens was not available, but it is likely to be similar to the overall Hispanic homeownership rate of 17 percent for northern Queens.

Rural South Carolina

Kate Porter Young studied homeownership and home financing in two rural communities in coastal South Carolina. The focal point of her study was the African-American community of Mount Pleasant. Located just outside the city of Charleston, Mount Pleasant in recent years has been the site of extensive tract development, much of it occupied by retirees coming to the

South Carolina coast for its warm weather, picturesque beaches, and genteel lifestyle. Interspersed among the commercial strips and new tract homes is another Mount Pleasant, composed of closely knit African-American families whose ancestors received or purchased land parcels from plantation owners after emancipation. Employment originally was primarily agricultural, but for several generations nonagricultural occupations have predominated. Many of the men in the African-American community learned building skills from their fathers, and today about half are employed in the construction trades, often as highly skilled carpenters, plumbers, and electricians. Many others work in Charleston's expanding manufacturing and service industries. Most of the women work in lower skill retail and service positions. Many supplement their family's incomes through weaving sweet-grass baskets, a tradition handed down from their ancestors. The baskets are sold from roadside stands along the coastal highway, in Charleston, and at craft shows.

Almost all of Mount Pleasant's 6,500 African-American residents live in small hamlets or family compounds of 3 to 25 households. Some of the houses front the major and secondary roads; other compounds are set back some distance, on parcels of 10 to 30 acres. Much of the housing stock consists of small frame homes, some in need of repair or upkeep. Others are more luxurious, often two-story, ranch-style suburban homes. Often, next to the older buildings, or not far from the new buildings, are mobile homes, usually older single-wide trailers.

For the Mount Pleasant African-American community, the primary issue is not homeownership (essentially 100 percent live in owner-occupied housing) but barriers to adequate housing and community survival. Because it is now much more difficult (and expensive) for community members to build their own houses in the traditional manner, and difficult to construct houses using conventional financing mechanisms, many households are faced with difficult choices.

To understand how the barriers in the Mount Pleasant African-American community compared with barriers facing lower income rural people in South Carolina in general, Young conducted additional ethnographic work with African-American and white residents of Georgetown County. Compared with Mount Pleasant, Georgetown County had far fewer retiree communities, a higher rate of industrial employment (in wood pulp and steel mills), and a lower median cost of housing.

The home-purchasing process

The basic question that study teams explored was "Within this community, how do people become homeowners?" Some purchasers follow what in middle-class communities is often thought of as the standard way to buy a home, in which a family saves for a down payment, searches with real estate agents, finds an appropriate house, and then finances the purchase with a conventional mortgage. In the studied communities, however, the experiences of many families are far from standard. Their endeavors to purchase homes often take twists and turns rarely discussed in the housing literature.

To identify the underlying processes, whether standard or not, we visualized the homeownership process as having four phases:

1. During the *presearch phase,* individuals develop (or activate) the desire to build or purchase a home.

2. In the *search phase,* individuals explore available possibilities for acquiring a home and meet with real estate agents, sellers, and other parties.

3. During the *purchase-finance phase,* individuals purchase or build homes, usually using a conventional mortgage or alternative financing.

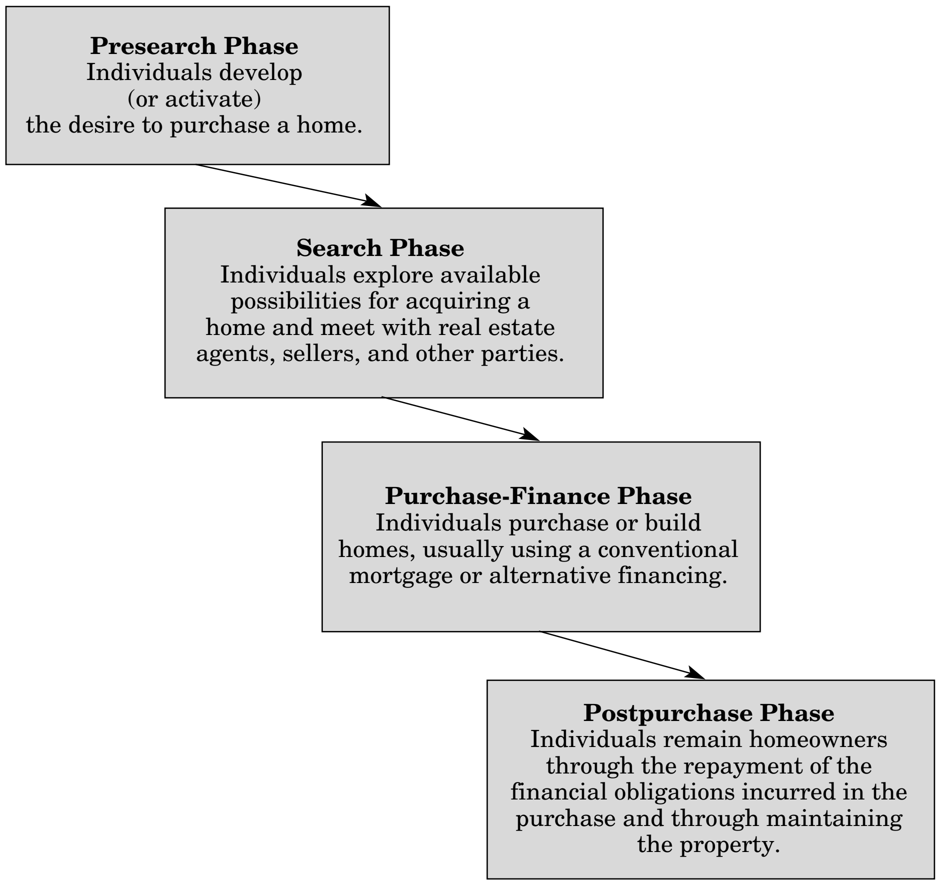
4. In the *postpurchase phase,* individuals remain homeowners through the repayment of the financial obligations incurred in the purchase and through maintaining the property.

These four phases, shown in figure 1, provide the framework for discussing the home-buying experiences of minority and immigrant community members.

Presearch phase

During the presearch phase, a strong desire for homeownership must be coupled with the recognition that homeownership is a real possibility. The following section discusses some of the elements that enter into the decision to initiate the search for a home to buy.

Figure 1. **Stages in the Home-Buying Process**



Predisposition to homeownership

In all the studied groups, the overwhelming majority, whether homeowners or not, were predisposed to homeownership. They valued homeownership for many different reasons. In rural South Carolina, as Young writes, land and houses are like family crests or totems: They “tell the story of who a people are and how they came to inhabit the place where their ancestors have lived for generations.” African-American residents of Mount Pleasant had an extra attachment. The lands they occupied had been purchased and cleared by their forebears through great effort. Though life was hard, as landowners their families and their descendants could establish lives with greater economic and social self-sufficiency than would otherwise have been possible. Today’s generation grew up living in family compounds, on ancestral lands, usually surrounded by uncles, aunts, and other relatives. Those who stayed in the area viewed a home in the community as the only desirable housing option.

Many Hispanic immigrants to Montgomery County, northern Queens, and Syracuse grew up in rural or semirural areas with a housing pattern not very different from Mount Pleasant's. Their ideal was often a single-family home, with some land, where they could replicate the lifestyle of their parents more easily than in rented quarters.

For those with rural roots as well as those with urban backgrounds, such as most of the Korean and Indian immigrants and the Syracuse African Americans, homeownership was linked to prestige. The successful person owned a home. For individuals whose parents had owned homes, homeownership demonstrated the continuation of that lifestyle. For many from poor backgrounds, both immigrant and native born, becoming a homeowner was a symbol of "making it," having achieved a stability and respectability denied to their parents. In discussing the importance of homeownership, Rosa, a Peruvian immigrant to Montgomery County, replied, "Owning your own house is very important. It says you are somebody serious and responsible."

For nearly all the immigrants in the study, the desirability of homeownership united the generations. Whether their value system was still primarily derived from native country values or had adapted to more generalized American values, family members agreed on the desirability of homeownership.

Financial advantages of homeownership

Accompanying the preference for homeownership was the belief, in all groups, that renting was financially undesirable. Respondents explained that rent money was wasted because at the end of the rental period, they had nothing to show for it. As a middle-aged woman in Mount Pleasant put it, "All you get is a receipt when you rent. That money is just gone." Especially in Mount Pleasant and Syracuse, the desire for homeownership was stronger because many respondents believed that the equity they could accumulate in a home was likely to be their major financial bequest to their children.

Many recognized that ownership often had more immediate advantages. For a few, moving from rental housing to owner-occupied housing had immediately reduced their monthly payments. Others recognized that while the immediate postpurchase monthly expenses were greater, in time these would be less than their rents would have been, as inflation boosted the price of rental housing. The higher income respondents, especially in Montgomery County and northern Queens, recognized the tax advantages as well.

Neighborhood

For many, especially for immigrants in Montgomery County and Queens, homeownership was seen as the only way to change their neighborhood, to live in a place that was quieter, safer, or more comfortable. Because few if any rental units were available in the more desirable neighborhoods, they had to purchase a home to live there at all. For many, but especially for the Koreans in Queens, the key factor in defining a neighborhood as desirable was the quality of the public schools.

Homeownership was desired in South Carolina because it was almost the only way to stay in the community, and staying in the community meant, above all, living among extended family members and friends and participating in cooperative networks centered on child care, home construction and repair, and care for the elderly. Rural Mount Pleasant has few rental units, and homes in the African-American community are rarely sold. Essentially one either lives in one's own home, resides with kin in their home, builds one's own home, buys a mobile home (and moves it to family land), or leaves the community. (However, those who leave often come back, sometimes after decades of life in northern cities.)

Safety, privacy, and autonomy

In Syracuse, working people in the studied neighborhoods often lived close to drug dealers and others involved in crime. Safety was often mentioned as a reason for owning, even if it was a home on the same street or in the same neighborhood. The apartment renter cannot control who is in the hallways and who lives in the adjoining apartment. An owner-occupied home allows the household to establish a perimeter of safety.

Many immigrants also mentioned privacy and autonomy as reasons for preferring single-family homeownership. Apartments sometimes placed immigrants too close to others who did not share or appreciate their cultures. A Korean immigrant in Queens, for example, mentioned that her single-family home "lets me cook Korean food without worrying about bothering my neighbors." A Hispanic respondent in Syracuse mentioned that the frequent comings and goings of members of his extended family made his landlord suspect him of drug dealing.

Alternatives to homeownership intolerable

For some, an influential force in the decision to become a homeowner may simply be that the existing arrangements are no longer tolerable and homeownership is the most advantageous alternative. Especially in Syracuse, where operating costs that are high relative to rents make maintaining units difficult even for conscientious landlords, intolerable conditions such as leaky plumbing and lack of heat may propel people to look for a place of their own, sometimes quite suddenly. In South Carolina, intolerable conditions such as rotting timbers in an older home may similarly influence the desire to build or buy a different home.

In addition to the physical condition of the property, the composition of the current household sometimes affects the home search decision. Because of the high cost of housing in Montgomery County, northern Queens, and Mount Pleasant, many minority and immigrant families have doubled up. Households that would prefer to live independently are sometimes forced into one overcrowded housing unit. Doubling up may be a temporary strategy to accumulate funds for a down payment, or it may be because certain members of the household simply cannot afford housing on their own. An important finding from the ethnographic studies is that new homeowning households also may arise out of the splitting of household units.

Reasons to avoid or delay homeownership

For many in the studied groups homeownership was desired but not immediately possible. A small group, however, had no desire for homeownership. A few respondents did not ever want the financial or time obligations of homeownership. From their perspective, rents were inexpensive enough, conditions were tolerable, and homeownership would introduce undesired obligations.

Another element often working against homeownership arose in interviews with immigrants whose lifestyle was binational. The northern Queens study, for example, found that many members of the Dominican community not only regularly visited the Dominican Republic, but often spent years in one country, then in the other, as their life situations changed. The generation that came to the United States as adults especially desired to retire in the Dominican Republic. As one Dominican respondent put it, "In general, Dominicans in Queens want to earn a living, save and accumulate enough money, and finally buy a house in Santo Domingo." Sometimes the desire to eventually repatriate greatly lessened the desire to purchase a home in the United States, especially if owning was viewed as a more expensive lifestyle that decreases capital accumulation. However, when U.S. homeownership was seen as less expensive in the long term than renting, as it was in Syracuse, the two goals were compatible. Several people in northern Queens also mentioned that their parents, after spending most of their adult years in the United States and buying homes in the neighborhood, retired, sold their homes, and bought or built new homes in the Dominican Republic.

Affordable, appropriate housing

For the desire for a home to be translated into a house search, and eventually into a home purchase, the household must recognize that buying a home is now both possible and appropriate. The critical element often is the availability of affordable, appropriate housing. Interviews that occurred in a Montgomery County restaurant underscored the significance of affordable housing. The first was with the Hispanic owner, who had few financial or practical difficulties purchasing a comfortable house. The second interview was with a group of Hispanic waiters and kitchen workers. Because of the expense of housing, their first response was to laugh when asked about purchasing a home. As one explained, "We don't make anything like that kind of money. In fact, most of the money we earn we send home to our families."

In rural South Carolina, and especially in Mount Pleasant, securing appropriate, affordable housing also presented difficulties. Before 1970, a young family would often build a simple clapboard house, with the help of kin, on family-owned land and then improve the home over time. The initial cost was minimal. In recent years, building a home is more complicated and expensive. New housing standards require a minimum square footage, approval of house plans and blueprints, use of licensed contractors, building permits, and frequent inspections. The initial cost is much higher, and there are extra expenses and problems if the land was passed across generations without clear title. Another problem that stops many families from building on their land is the inability to find a building site that will pass a septic tank percolation test. Although the surrounding tract developments are connected to city water and sewage supplies, the lines bypass the still rural African-American homes, many of which were initially built on low-lying swamp land. Often the families face a dilemma—they cannot afford (or are not allowed) to build new homes, and they do not want to leave the community. One other possibility, increasingly chosen, is to buy a mobile home and move it onto family-owned land (sometimes bypassing code restrictions). Community members recognize, however, that although the initial cost is less, mobile homes usually decrease in value over time.

Syracuse provides an illustrative contrast to the other study sites in that housing is relatively inexpensive. Single-family homes in livable condition regularly sold for as little as $35,000 and were theoretically available to a family with an income as low as $15,000 per year. In Syracuse, it is not housing costs but other factors, such as lack of information, lack of readiness, poor credit, and insecurity regarding future employment, that keep many families from owning homes.

Perceived availability of financing

Researchers found that some families were not looking for homes because they believed that, even if they found one they could afford, financing would not be available. For some, that perception was fairly accurate. Although they could make house payments with their current financial condition, their credit history made it difficult to get a conventional loan: too many missed payments, student loans not repaid, contested bills because of a former spouse's misuse of a jointly held credit card, or a high level of consumer debt.

For others, it was an inaccurate assessment. Many misunderstood how creditworthiness is evaluated. Others lacked knowledge of first-time homeowner programs and various subsidized programs that make financing easier. Several real estate agents commented that immigrants from high-down-payment countries such as Korea, India, or those in Central and South America often greatly overestimate the minimum down payment needed in the United States.

Some people who realized they could qualify for loans were conservative in their attitude toward debt. Some were concerned about the size of the debt and the total cost of financing; holding off a bit would allow them to accumulate a larger down payment, thereby reducing both their monthly expenses and the total amount to be repaid. Others were concerned that the maximum allowable mortgage would leave them financially insecure, with possibly disastrous consequences. A Dominican renter in northern Queens, for example, told researchers that he knew of several families who had lost their homes because they could not keep up with monthly payments. He and his family were saving to buy a home, but they would purchase only when they had enough in the bank for a down payment, closing costs, and six months of mortgage payments.

Search phase

During the search phase, households actively explore their possibilities and meet with people who can help them identify and purchase a desirable housing unit. For many homeowners, especially in Queens and Montgomery County, the search phase proceeded through meetings with real estate agents, inspection of houses, and perusal of relevant media—much like the stereotypical white, middle-class house search. The main difference was in the use of intermediaries, especially real estate agents, who spoke their native language. In Montgomery County, for example, a network of Spanish-speaking professionals guided buyers through the process. A family could hear about a realty office on the Spanish radio station, go there for home-buying information and mortgage prequalification, and then work closely with a bilingual real estate agent during the search for an appropriate home, letting the agent negotiate with non–Spanish speakers when needed. Later, once a contract had been written, the real estate agent could pass the household on to Spanish-speaking loan officers, mortgage brokers, and settlement attorneys.

Most Hispanic Montgomery County homeowners who had used Hispanic real estate agents felt that they had been helpful. The bilingual agents made what is often a tense process, especially for first-time homeowners, more relaxed. Even if a Hispanic immigrant's English language skills are very good, it is usually much easier to discuss problems about a house or a contract with someone who speaks Spanish. However, some Hispanic homeowners recognized the potential for abuse in the system if they depended on Spanish speakers alone and all information was filtered through a single Spanish-speaking real estate agent. A few felt they had been taken advantage of, and they resolved that in their next house search they would make a greater effort to select a Spanish-speaking agent with integrity.

While many homeowners in northern Queens and Montgomery County found their homes in the standard way, there were exceptions. In some cases, landlords offered to sell dwelling units to their tenants. In others, what began as an apartment search ended in the purchase of a condominium, cooperative apartment, or single-family home.

The Syracuse research team found that because of historical factors, such as discrimination in home buying and disinvestment in minority communities, the stereotypical home-buying process was the exception rather than the rule. During the search process, more minority homeowners learned about their homes by word of mouth, often directly from the sellers, than through a search with a real estate agent, the second most common approach. The researchers also learned that many more purchasers identified homes through government-sponsored programs than through printed media or signs.

In rural South Carolina, a completely different set of factors influences the search phase. In Mount Pleasant especially, almost no one in the African-American community simply buys a house, either new or previously owned. Most of the housing stock in the community is split between the modest homes of the longtime residents, almost none of which come on the market, and the more luxurious tract homes, usually priced at more than $150,000 and oriented to retirees and upper-middle-class professionals working in Charleston. For those who build, the phase between desire and actualization is more a time for marshaling of resources than for searching.

Other possibilities, however, are available in Mount Pleasant and rural South Carolina. Although a home built on site is the preferred housing choice, for many families the costs are too high or the process too long and complicated. For these families the alternative housing option is the mobile home. In the Charleston area, prices for a simple, two-bedroom, single-wide trailer start at $27,000. It can be moved into place in weeks if not days, avoiding much of the delay and paperwork of house construction. Searching for the right mobile home is much like searching for the right car. Families visit dealer lots, inspect different models, and then settle on a price and financing package with a salesperson.

South Carolina also presents another option. A major national "build-to-suit" company is active in the Charleston area. In one to two months, the company will build any of its model homes on the purchaser's land, to any level of completion the purchaser desires—beginning essentially with the frame of a house protected from the elements and ending with an almost finished house requiring only interior painting and floor coverings. Essentially it offers a compromise between building a home and buying a developer-built home. The company also handles its own financing—at a standard 10 percent, regardless of the prevailing rate.

Purchase-finance phase

The final step in becoming a homeowner almost always involved obtaining some form of financing. The need for financing even encompassed the few families in South Carolina and Syracuse who inherited homes. The inherited structures were all in need of major repairs; either they provided only temporary lodging while larger, sturdier quarters were built, or they required extensive rebuilding.

Many forms of financing were used, including conventional loans sold on the secondary market, specialized portfolio loans, subsidized loan programs, construction loans, seller financing, rent-to-own arrangements, personal unsecured loans from banks and finance companies, and revolving credit accounts. The conventional, conforming loan is by far the most common mechanism for home purchase, and it also raises many issues relevant to the other types of financing.

Conventional loan

A conventional loan is essentially a loan that is not government insured. A conforming loan is a conventional loan that is easily sold on the secondary market. The secondary market agencies Fannie Mae and Freddie Mac set underwriting guidelines and purchase conforming loans from banks, mortgage bankers, and savings and loan institutions. Government agencies, such as FHA and VA, also establish underwriting guidelines for the loans they insure. In 1995, the secondary market agencies were constrained to purchase mortgages at or under a ceiling of $207,000.

Application. The general perception across the sites was that the application process is far too complicated. A Latin American immigrant bemusedly contrasted his experiences in this country with the procedures in his home country, which usually entailed the principals shaking hands and going to a lawyer to write up the purchase and financing agreement. Many immigrants and rural South Carolina residents felt the applications were unnecessarily intrusive, requiring sensitive or extraneous information that family members did not believe others needed to know. Several compared the ease of getting a car loan with the difficulty of securing a home loan, even when the amounts of money were comparable.

One of the critical elements that made the application process easier was loan officers and mortgage brokers who shared a common cultural identity with the applicants. African-American loan officers were important in Syracuse. In South Carolina, where banks had few African-American loan officers, African-American loan applicants expressed considerable dissatisfaction. In northern Queens and Montgomery County, many financial institutions had ethnic loan officers, especially Spanish speakers. Also, many independent mortgage brokers worked primarily or entirely with various immigrant groups. They often brought completed loan applications to larger institutions with which they had good relations.

Credit approval. More than any other aspect of the loan process, community members saw credit approval as mysterious and capricious. Some seemed simply to lack an understanding of how good credit is established. In Syracuse, for example, several respondents believed their credit rating was downgraded when they paid their credit cards on time, because the card issuers then made less money. One reported being advised to let a few payments slip as a way to build up her credit. Another respondent believed that having a loan on an expensive car improved your credit rating, because it demonstrated you could pay off a loan.

Many of the people believed loan underwriters were inconsistent or biased. Both community members and loan officers noted that there were underwriters who seemingly could not distinguish a truly uncreditworthy applicant from a diligent and responsible applicant who had recently overcome a setback. Many African Americans in Syracuse and South Carolina believed they had been denied loans that they would have received had they been white. It was a conviction often strengthened when they walked out of one bank and then received a loan at another.

The difference between an accepted application and a rejected one was frequently the intervention of a “cultural broker,” someone who both understands how credit agencies and underwriters think and also understands the applicant’s culture and situation. Sometimes the cultural brokers were real estate agents, loan officers, or mortgage brokers who helped applicants complete applications that documented all possible positive elements—such as jointly owned property or accounts that might have been forgotten—and fully explained any negative elements. Sometimes the critical factor was a loan officer who could champion the applicant’s case to the bank’s underwriters or loan committee. Or the cultural broker might be a counselor in a low-income housing advocacy program, a friend, or a minister who had helped the prospective home buyer improve his or her credit record by paying off debts, consolidating loans, and closing charge accounts.

Down payment. Historically, the down payment was the barrier that prevented low- and moderate-income households from becoming homeowners. Many households could make the monthly payments (often their rent payments were as high as the mortgage payments would be), but they could not accumulate a down payment equivalent to 10 to 20 percent of the purchase cost. In recent years, mortgage lenders and the secondary market institutions have developed new loan programs with greatly reduced down payments. Five-percent-down loans are common across the United States, and many conventional, conforming loans are available with even lower down payments. During the study period, for example, Fannie Mae was encouraging 3 percent down payments in many markets. (For those who qualified, no-down-payment VA loans also were available, as they have been since World War II.) In Syracuse, for the past 10 years, many banks have offered low-down-payment loans (as low as $500 down) that have made homeownership possible for many families of modest means.

One way to accumulate funds for special purposes, common in many developing countries, is the rotating credit association. In its simplest form, 10 to 25 relatives and friends form an informal club. Each member contributes a set amount each month, and each month the total is assigned to one member. For example, 12 members may each contribute $100 per month, and each month one member takes home $1,200. After all members have had their turn, the group may continue for another round or disband. Many lenders now authorize the payoff from a rotating credit association as a legitimate source of down payment funds.

The northern Queens researchers were especially interested in the role of rotating credit associations in the home-buying process. They found that many Korean immigrants were involved in *kye,* a Korean rotating credit association that involves restaurant dinners each month. Respondents mentioned that a high-stake *kye,* $10,000 or more per person per month, was sometimes used by Korean entrepreneurs to finance business purchases or expansions, but they had no knowledge of a high-stake *kye* being used for a home purchase. Occasionally, however, a much lower stake *kye,* of $500 to $1,000 per month, might be used by a family to accumulate funds for a down payment. One Korean informant had used this mechanism when buying her home. Many in the northern Queens Dominican community knew of or participated in *san,* the Dominican variant of the rotating credit association, but none of the respondents knew of anyone who had used their payout for a down payment or home purchase. In Montgomery County, Hispanic respondents talked about forms of rotating credit associations that were common in their countries of origin, such as the Bolivian *pasanaqu* and the Peruvian *pandero*, but none had been involved in one in the United States.

For many moderate-income or middle-class immigrant households in northern Queens and Montgomery County, amassing a down payment was not as difficult as documenting it to the bank's satisfaction. The Montgomery County researchers focused on the problems of using a gift letter. The honoring of reciprocal obligations within extended families was common in both the Indian and Hispanic communities. It was accepted and respected that parents would aid children, children would aid parents, and siblings, cousins, and relatives would aid each other. Often money flowed within a family to where it was most needed. As an Indian loan originator explained, the transfers often were loans, not gifts. There was an expectation that the funds would be paid back, but not like a bank loan with monthly payments: "You pay it back, but if hard times come, payments can and will be delayed by the family." The concept of mutual aid within a family was foreign to the financial institutions; they wanted a signed declaration that any funds transferred from outside the immediate household were gifts, without reciprocal obligations, and not loans. The response was often a charade in which both parties in the transfer signed documents attesting to conditions they knew to be false.

A somewhat unexpected finding was that many Korean immigrants in northern Queens and Indian immigrants in Montgomery County made down payments of 20 to 40 percent, well above the necessary minimum. In all documented cases, the Asian immigrants came from established middle-class families and their parents contributed significantly, often from overseas, to their grown children's home purchases. The large down payments made the loan approval process flow more smoothly and often qualified families for the purchase of more expensive homes than their yearly income would otherwise allow.

Portfolio, subsidized, and government-backed loans

Financial institutions often make loans based on criteria different from those of conforming loans because they believe they can make an acceptable profit by retaining the loans as part of their investment portfolio, or because they believe the loans will serve another purpose. In all four communities, various types of bank-sponsored portfolio loans or subsidized loan programs were prominent. In Montgomery County, one of the most popular loans in the Hispanic community was the $500 down payment loan offered by a national bank. For those who met the stringent income and credit criteria, closing costs and other out-of-pocket expenses could be wrapped into the loan so that the total savings needed was only $500. Many of the county's lowest income residents, especially minorities and immigrants, also benefited from a small county-subsidized loan fund program that offered relaxed criteria and below-market interest rates.

In Syracuse, many minority home purchases were made possible by special bank-sponsored community loan programs that offered lower rates or less stringent conditions. The programs were mainly a response to challenges (or threatened challenges) of the banks' community lending practices based on Community Reinvestment Act criteria. State and local government programs also provided subsidies for home purchases in targeted neighborhoods, often as second mortgages (commonly from $10,000 to $23,000) that would be forgiven after 7 or 10 years of residence.

At several large regional banks in northern Queens, almost all the home loans were portfolio loans specially tailored for immigrant families that had cash reserves but were unable (or preferred not) to document the source of their funds. Although the loans required a 25 percent down payment and a credit check, the household did not need to supply any information on income or assets. Usually the loans carried an interest rate about 1 percent higher than comparable fixed-rate or adjustable-rate mortgages with full documentation.

In rural South Carolina, the dominant loan products in many banks were construction loans held in portfolio, or "construction-perm" loans, that automatically converted from a construction to a permanent long-term mortgage. Usually the construction-perm loans were held in portfolio for at least several years, after which they could be sold on the secondary market. Many rural South Carolina low-income residents also benefited from special loan and construction programs offered by FmHA. Low-income African Americans in Mount Pleasant, however, were caught in a subsidy vacuum. When they were included in the Charleston metropolitan area in 1988, FmHA stopped serving the area. But because they lived in Mount Pleasant rather than in a low-income Charleston neighborhood, they were not eligible for local subsidized community-lending programs.

Seller financing and rent-to-own arrangements

In Syracuse, banks historically had been reluctant to lend to African Americans or to invest in the African-American community. Frequently homes could be purchased only with the assistance of sellers. Some sellers sold homes and carried the mortgages, essentially creating private portfolio loans, and others established rent-to-own arrangements with buyers whereby part of the monthly rent was considered a payment toward the eventual purchase of the house. One family, for example, essentially purchased their home through three and a half years of rent payments. These and other alternative loan mechanisms were especially common in Syracuse between 1975 and 1985, a period in which New York banks essentially stopped making mortgages because the cost of borrowing money from the Federal Reserve was higher than the state usury laws would allow banks and mortgage companies to charge. In recent years, however, the prevalence of seller financing has decreased as mainstream financial institutions have become more active in inner-city home financing (and as home prices have increased).

Self-financing, personal loans, revolving credit accounts, and mobile home loans

Rural South Carolina exemplifies a housing tenure and financing situation that differs greatly from the common urban experience. Although median household incomes are quite modest, with many families living in poverty, virtually everyone lives in owner-occupied housing, and only a very few have debt obligations that resemble conventional home mortgages.

Traditionally in the rural South, households built their own homes on family land with the assistance of kin and the occasional hiring of a building specialist (who was often another community member working at reduced rates). In Mount Pleasant, before the 1970s, getting married meant not only a wedding ceremony and feast but also the construction of a simple "marriage house." Over time, as the need for more space grew, and as the family acquired resources, additional rooms and amenities were added. Kate Porter Young, in her report, describes a typical scenario:

> In the 1960s a young couple married in their twenties and lived with the groom's parents for a year while saving for their own home. They used their savings to buy building supplies and a cousin helped them frame in the house and wire it. After they had finished off one room, they moved in with their two children. Looking back, the wife remembers: "We lived in that one room with plastic over the other parts. Each night we'd work a little bit putting up sheet rock and all. It was like a hobby we did together." Thirty-one years later, the house is a neat two-story frame house with three bedrooms, a den, kitchen, living room and dining room to which the couple and their children are still making improvements.

Until the mid-1970s, obtaining a home mortgage was not a consideration. The lending institutions were not interested in providing mortgages, and community members resisted entering any financial arrangement that would require them to put up their family land as collateral.

Owner-built housing continues to be the predominant means of establishing a new home. However, homes cannot be as simple as they used to be. Housing and building codes have established strict procedures and standards. And the younger generation commonly desires larger, more comfortable homes. A few households with clear title to land and excellent credit are able to obtain construction loans and convert them to regular mortgages. But mostly, out of necessity, owner-built homes are still self-financed. The family skimps and saves and buys building materials as they are able. Over years, the house is built, almost always with the help of extended family members and friends. To finish projects, families will often take out personal, unsecured loans from banks, credit unions, or finance companies. Though the rate is usually higher than the rate on a mortgage would be, the process is much easier. Another mechanism is to open a revolving credit account at the building supply store and charge needed supplies. The process of opening the account is fairly simple, but the interest rate is high—24 percent in 1995.

Mobile homes provide another option for households without the funds, time, or energy to undertake a long-term building project. Loan packages are available both directly from some dealers and through finance companies and banks that have special programs for the mobile home market. Rates and conditions vary with the applicant's credit history, and many programs are geared to buyers with fair-to-risky credit histories. At Charleston-area mobile home dealers in the summer of 1995, the typical loan was for 20 years at 9 to 11 percent interest.

Postpurchase phase

While not strictly part of the home-buying process, the postpurchase phase was added to the study's analytic frame. To reduce disparities in homeownership, it is important that homes are not merely bought but also retained—at least until the owners decide that other options are more desirable.

Three forces put continuing homeownership at risk. Unexpected repairs, especially those that affect the livability of the housing unit, might require immediate expenditures beyond the household's means. In a few cases, homeowners appear to have been naive buyers who purchased homes with major defects known to the sellers and real estate agents. In other cases, the repairs were truly unforeseeable, such as a burst water main for which all households on the street were assessed. In addition to unexpected repairs, the household might have an unexpected change in its financial condition that affects the ability to continue payment on a mortgage or taxes, such as temporary loss of employment or a family health crisis. Finally, the difficulties created by the unexpected repairs or unexpected financial pressures were sometimes compounded by the policies of mortgage lenders that increased the financial burden of delinquent borrowers and made default more difficult to avoid. All three forces are illustrated in the summary of one Syracuse African-American homeowner's predicament:

> Jamie became disabled and lost her job several years ago, and her income was only sufficient to pay her mortgage, plus she received a little extra from a rented

> apartment. When the apartment's heating system failed last winter, Jamie lost her tenant and was forced to use her meager income to replace the furnace. She was unable to also pay on the mortgage. By spring Jamie had re-rented the apartment and was able to resume mortgage payments, but the lender refused to accept anything less than the total amount in arrears. The bank then referred the loan to its attorneys, who instituted foreclosure proceedings. Even though Jamie now has enough money to bring the account current, she cannot afford the accumulated attorneys' fees.

The currently popular and often highly competitive "affordable" loan programs that allow higher debt-to-income ratios may in the end be a disaster for some and a boon to others. One of the unintended consequences is that some families may find it extremely difficult to accumulate reserves or survive setbacks.

Along with the forces that put homeownership at risk, some forces also served as safety nets for households, allowing them to continue as homeowners despite difficult circumstances. Foremost was the support of extended families, who often provided loans and cash gifts when foreclosure was threatened. Community and housing advocacy groups often offered default counseling, and some groups, such as Neighborhood Housing Services of New York City, were able to offer emergency loans to cover urgent repairs or prevent foreclosure. Respondents also told stories of patient lenders who, when notified of difficult circumstances, allowed homeowners to extend their payment terms or to create reasonable repayment schedules.

Increasing homeownership: Findings and suggestions

In considering the implications of this study, it is useful to return to the policy questions that led to this study: How can barriers to homeownership be reduced? What can be done to make it possible for more minority group members and immigrants to live in communities of their choice, in owner-occupied housing that is safe, sturdy, and affordable? The ethnographic studies suggest that there are four shortfalls that, if corrected, would allow more Americans to become satisfied homeowners.

Lack of appropriate, affordable housing

For many minority and immigrant families, what frustrates the desire for homeownership is simply the lack of affordable housing. In many localities, low- and moderate-income households with steady incomes and good credit histories cannot realistically afford to purchase homes. The situation was especially true in northern Queens and Montgomery County, where the median prices of owner-occupied housing were $168,000 and $231,000, respectively. Even households earning the national median of $36,000 per year would find it difficult to buy homes. No leniency in financing criteria or down payment guidelines can compensate for housing prices that are far beyond a household's means.

Syracuse provided an interesting contrast to northern Queens and Montgomery County. Because housing was inexpensive, numerous minority residents of modest means, many of whom had spent decades of adult life in rental apartments or public housing, have successfully become homeowners. (However, because of lack of readiness, lack of a down payment, credit problems, economic insecurities, or other reasons, many other minority households of equivalent incomes could not, or did not, become homeowners.)

Rural South Carolina, and especially the African-American community of Mount Pleasant, provides a very different example. The desirability of the area for retirees and Charleston professionals has driven up land prices and set the standard for what builders build. As in Montgomery County, the low-income residents are priced out of the $250,000 luxury homes as well as the "moderately" priced homes of $100,000. Because of building codes and zoning regulations, it is also much more expensive for low-income residents to build their own homes gradually over time, as they had done in the past. One response is the increased prevalence of mobile homes in Mount Pleasant and throughout rural South Carolina.

Many efforts have been made in the studied communities to increase the stock of housing affordable for low- and moderate-income residents. In Syracuse, local and state subsidies, as well as funds from religious nonprofit agencies, have made it possible to remodel abandoned and neglected homes and resell them, below cost, to low-income residents. In Montgomery County, the Moderately Priced Dwelling Units Program, established in 1974, requires that a specific percentage of dwelling units in each new subdivision of 50 or more units be affordable to the county's moderate-income residents, and a special loan fund has been established to provide below-market financing for low- and moderate-income families. In rural South Carolina, FmHA has helped many families build new homes and rebuild old ones, again at reduced rates.

The ethnographic studies, especially of rural South Carolina and Syracuse, indicate that a different sort of approach may also be productive. While low-income families are, by definition, limited in their financial resources, their households have other resources, including family support, building skills, and energy. More options may be provided through strategies that allow sweat equity to play a larger role. Rather than encouraging sweat equity, the local authorities around Mount Pleasant seem actively to discourage it. The cost and difficulty of building a home are greatly increased because essentially the same rules, fees, and procedures are in place both for developers building tract homes for profit and individual families building their own homes. A more positive strategy would be to recognize the advantages of owner-built homes, for the families and the community, and develop a program that reduces fees, streamlines procedures, and offers technical assistance, especially for low-income owner-builders.

As in Syracuse and other urban areas, most of the affordable housing efforts are directed toward reducing the effective purchase cost of new or already rehabilitated housing. These efforts might be supplemented by efforts that support the use of non-monetary resources, such as urban homesteading programs, the construction of small starter homes that can be easily expanded by their owners, and programs that encourage qualified low-income households to purchase homes that include rental units (thereby increasing the household's income stream).

The northern Queens ethnography suggests that affordable housing could also be achieved by making condominiums and cooperative apartments more attractive to minorities and immigrants. Targeted marketing and outreach are needed to explain how an owner-occupied apartment provides many of the advantages of single-family housing in terms of relief from negligent landlords and escalating rents. Financial education should explain how a relatively inexpensive apartment may allow for increased capital accumulation and ease the eventual move to a single-family home. And the long-term financing mechanisms and governmental subsidy programs should be restructured so that low- and moderate-income families receive the same subsidies, low-down-payment options, and low interest rates whether they are buying a single-family home, a condominium, or a cooperative apartment.

The experiences of the studied communities suggest, however, that no matter how reasonable, many of the recommendations for expanding the stock of appropriate, affordable housing units may be difficult to realize. Implementation requires a local consensus in support of affordable housing. The community (and political) support must be strong enough to change, when necessary, entrenched zoning requirements, building codes, and housing regulations.

Limitations of existing financing tools

Many of the new financial tools, and adaptations to the old tools, were designed to make it easier for minorities, immigrants, and low- to moderate-income households to obtain home financing. These tools lowered down payments, loosened credit criteria, and attempted to be more inclusive in terms of cultural variation. Along with relatively low mortgage rates, they did make it possible for many low- and moderate-income minority and immigrant households to obtain home loans in 1995 that they probably could not have obtained in prior years.

However, home-financing shortfalls remain. One source of difficulty is the standardization implicit in national underwriting criteria for conforming mortgages. The challenge for the secondary market is to develop criteria and guidelines that can be universally applied by underwriters and loan committees in small and large cities, in rural areas and suburbs, to applicants of all backgrounds. The strength of this approach is that the resulting loans are very similar and can be easily packaged and sold to investors. The weakness is that the guidelines and criteria that effectively distinguish creditworthiness or loan quality within majority populations and contexts may be ineffective within minority populations and unusual contexts. The problem is similar to that faced by educators attempting to develop standardized tests. A reading test that reliably distinguishes good fourth-grade readers from poor fourth-grade readers in Iowa, or even within most American schools, may not adequately distinguish good readers from poor readers in Navaho or other Native American schools or in inner cities.

Educational testers constantly work to remove various sources of cultural bias from their tests so that they will be reliable and valid across as many groups and contexts as possible. Mortgage underwriters essentially do the same. For example, secondary mortgage institutions now allow payouts from rotating credit associations to be considered savings for the purposes of a down payment.

Such efforts are commendable. Educators, however, realize there are limits to how far a national testing system can be stretched or adapted. For many populations and many purposes, locally developed tests are far more reliable and valid. A similar approach to secondary mortgage underwriting, allowing primary lending institutions more latitude with regard to guidelines and criteria, could make low-rate home financing available to a larger number of minority and immigrant households. Often local bankers and loan officers well understand local economic and cultural contexts. In many minority and immigrant communities, the typical loan looks very different from the industry-wide "standard" loan. Housing capital would be available to a wider range of credit worthy borrowers in these communities if the local primary lending institutions could develop alternative criteria, establish a track record of successful loans, and then sell these alternative loans through the secondary market, perhaps with guarantees or after several years in portfolios.

A different type of financing shortfall exists because secondary market programs designed for low- and moderate-income households, as well as bank-sponsored affordable home programs, are available, essentially, only to households that want to buy a home they can immediately move into. The studied communities had a great demand for, and hardly any supply of, programs to aid low-income people planning to build their own homes or purchase homes in need of rehabilitation. A real estate agent in northern Queens summed up the overall situation when he noted that the only way his Hispanic customers could buy "handyman specials" was through all-cash purchases because "no bank is going to give money to buy a house that needs a lot of work."

From the perspective of banks and mortgage lenders, the cost of gathering the information to soundly underwrite and manage such loans is often prohibitive, especially for the relatively modest loan amounts appropriate for low- and moderate-income families. The costs, however, might be lower (and the program's impact larger) if funds were channeled through housing advocacy, community, or cultural organizations. Within these organizations, program staff could work closely with households with whom they already had a relationship and could offer building or remodeling funds as well as technical assistance and financial management skills training.

A related concern in Syracuse and South Carolina was that skilled and experienced local residents wanted to build or remodel homes and then sell them at affordable prices, but they, too, were unable to obtain any sort of bank financing for their projects. Consequently, their work was restricted to the small projects they could self-finance. Larger projects, which had the potential to significantly increase the stock of affordable housing in the community, were left undone.

Lack of home-purchasing knowledge, credit knowledge, and credit judgment

There were significant lapses in understanding the details of the home-buying process. Many people did not fully understand how financing worked, what real estate agents did, how long things took, and who received points and commissions. While it is true that almost all first-time buyers lack a detailed understanding of the home-purchasing process, minority and immigrant buyers face additional challenges because of language and cultural differences and because of unfamiliarity with American-style financial transactions. Many minorities and immigrants lack the baseline knowledge often gained through observing parents and other adults buy, maintain, and sell homes in this country. The few minority and immigrant study participants who had a comprehensive understanding of home buying were usually businesspeople or professionals, some of whom had extensive experience buying and selling properties.

Within the studied communities, many individuals and organizations worked to increase the home-buying knowledge of minority and immigrant potential homeowners. Associations of lenders held housing fairs, banks sponsored mortgage lending seminars, real estate agents made presentations to community groups, nonprofit agencies offered home-buying classes and clubs, and a variety of individual and institutional "cultural brokers," such as churches, housing agencies, and cultural organizations, encouraged homeownership and provided education and assistance.

A related knowledge gap concerns how credit agencies, lenders, and underwriters evaluate creditworthiness. Many respondents had faulty notions, such as that good credit was determined only by whether an individual eventually paid all his or her debts, rather than when they were paid. Often what turned loan-rejected minorities and immigrants into successful home purchasers was someone willing to work with them. Sometimes a real estate agent, loan officer, or housing advocate took the time to explain to applicants how best to distribute available funds and repair problematic credit histories. In Syracuse, home-buying programs run by nonprofit agencies in collaboration with local banks worked closely with low- and moderate-income households over many months or years, helping them find ways to clean up their credit histories and accumulate enough funds to buy a home.

The lack of good credit judgment does not appertain to knowledge as much as lifestyle. Across the sites, ethnographers encountered people carrying huge consumer credit debt loads. Though they often worked hard and earned incomes that could have enabled them to buy houses, their debt loads prevented them from doing so. Some were in the habit of living on debt—of buying now and paying later. Often they were encouraged by insidious advertising and sales practices that induced them to purchase exorbitantly priced items impulsively. The problem is epitomized in the comments of a young married white woman in Georgetown, SC, who contrasted her approach to credit with that of her parents: “My folks said not to ever buy anything you couldn’t pay cash for. If we did that, we wouldn’t have nothing. Everything we’ve got we bought on credit.” Several weeks before the interview, she and her husband were denied a home loan because their consumer credit debt load was more than 75 percent of their income.

The lack of good credit judgment is a complicated problem with many roots, and it requires much more than simply providing relevant information. But it is a serious problem that must be addressed if the pool of potential homeowners is to be increased. Good credit judgment can be developed both preventively through consumer education programs in schools and community organizations, and curatively through credit counseling.

Cultural gaps, biases, and misunderstandings

The fourth shortfall concerns ways that the homeownership process is inhibited by cultural gaps, biases, and misunderstandings that arise when immigrant and minority households approach mainstream institutions associated with homeownership. While both immigrant and minority group members feel distanced from mainstream real estate agents, banks, and mortgage lenders, they experience that distance in different ways. The divergencies between immigrants and minority group members that are apparent in the homeownership process are similar to divergencies noted in other social contexts.[4]

All of the immigrants suffered a cultural gap regarding the mainstream financial institutions. Except for some Indians who spoke English at home, there was a language gap between the immigrants' native language and the usual operating language of the institutions. There were also differences in terms of how debts were to be repaid and whether assets were to be publicly declared. However, immigrant families were rarely surprised or bitter about the linguistic and cultural differences. When they left their homelands, they expected that things would be different in the United States and that they would have to adapt.

While all immigrants share the experience of being culturally different, housing and homeownership experiences varied greatly. Not surprisingly, immigrants with professional and business careers had the least difficulty becoming homeowners. They had the financial resources (often including a parental contribution from abroad), financial acumen, and, commonly, fluency in English. Though many had various sorts of difficulties in buying homes, rarely were those difficulties interpreted as arising out of discrimination.

The less well educated and less entrepreneurial immigrants had more difficulty becoming homeowners. Many worked in entry-level positions in which the remuneration was far beneath what was needed to buy a residence, especially in the high-priced Montgomery County or northern Queens markets. But many with middle-range occupations, such as those who worked as skilled construction workers, and many households with multiple wage earners could purchase homes at the low end of the Montgomery County and northern Queens housing markets and, at a much lower cost, in Syracuse.

Sometimes there were difficulties that might be considered arising out of cultural bias. It might, for example, be difficult for a loan officer to understand that a married couple, the man's brother, the woman's niece, and the couple's three children were one household and would all live in the small townhouse they wanted to buy. Some immigrants mentioned that sometimes real estate agents failed to take an interest in them when they inquired about purchasing a home. But overall, discrimination was much less of an issue for immigrants than the difficulties

[4] The following analysis owes much to John Ogbu's writings on education achievement (1990, 1992, 1994).

that arose out of lack of financial understanding or cultural misconceptions.

Many potential misunderstandings were avoided because of real estate agents, loan officers, and mortgage brokers who shared ethnic identities with consumers and served as cultural brokers, easing immigrants through the home-purchasing process. The network of Hispanic housing professionals in Montgomery County was particularly impressive. Equally impressive in northern Queens was the array of foreign banks, especially from Asia, established especially to provide a comfortable and familiar environment for first-generation immigrants. In recent years, many American institutions have made a concerted effort, as well, to accommodate potential immigrant clients. Non-English-language housing and financial literature is often available. National realty chains have actively encouraged the creation of branch offices tailored to the needs of immigrant customers. And many national and local financial institutions have hired employees who can conduct financial transactions in the non-English languages spoken by immigrant customers (or potential customers).

The experiences and perspectives of the African-American respondents in our study were very different from those of the immigrants. Rather than coming to the United States voluntarily, in search of opportunity, African-American cultural history in America begins with slavery. After slavery, African Americans lived through a century of segregation in which many were denied equal access to education, denied entry into occupations, and denied equal pay for equal work. All African Americans experienced prejudice and discrimination to some degree, no matter where they lived or what they did.

A Syracuse man's story underscores the fact that blatant housing segregation and discrimination are not simply a matter of old history, but something painfully experienced in the lives of many of the African Americans with whom researchers spoke:

> When Langston was a child, in the 1940s, he lived in Syracuse in an overcrowded and poorly maintained rented house in a segregated neighborhood. As was common practice in the community then, the white landlord required the family to make repairs and improvements to the house at their own expense, but offered them no guarantees that they could remain in the house, and no return on their investments if and when they were asked to leave.

> In part because of his family's experiences with renting, when Langston was in his late twenties, in the late 1960s, he very much wanted to own a home of his own. Langston looked at homes in a neighborhood that was then becoming increasingly African-American, and found a triplex for sale that had the possibility of being not only a home, but also a source of income.
>
> Langston inquired about the house and found that it was owned by a white widow moving to the suburbs who was willing to sell it to him. However, he could only see one of the three apartments. The other two were rented to whites, and, he explained, there was an implicit understanding that the white families would be offended if their apartments were shown to an African-American. The asking price was within a price range he could afford, but no bank in Syracuse would make him a loan. Despite an honorable discharge from the Army, a good credit history, and six years of steady employment at the General Electric plant, all the Syracuse banks rejected his applications. Eventually he did complete the transaction because the seller championed his case, was willing to accept a second mortgage for 50 percent of the loan, and helped him find a bank outside Syracuse that would provide a first mortgage for the remaining 50 percent of the loan.

This shared cultural history of discrimination in housing, as well as in employment, education, and social life, sets the stage for today's African-American homeowners and potential homeowners. Among African Americans in both Syracuse and South Carolina, there was a pervasive feeling that in various, often subtle, ways, discrimination continues to hinder their home-purchasing efforts. In Syracuse, several homeowners noted that white real estate agents sometimes appeared reluctant to work with them as prospective home buyers. Others believed real estate agents steered them into largely African-American neighborhoods, even when they asked to see homes in more integrated or predominantly white neighborhoods. In both Syracuse and South Carolina, community members mentioned that they were not treated with respect by loan officers. They believed that even when they had the equivalent qualifications of a white household, they had to explain more and provide more documentation, and even then they might be rejected while white applicants received their loans.

What has reduced but not eliminated the pervasive sense of discrimination in Syracuse is the presence of African-American real estate agents, loan officers, and bankers along with community lending programs that reach out to the African-American community. In good part because of these changes, the loan denial rate in Syracuse was much lower for African Americans in 1994 than it had been in previous years.

Such efforts are just now beginning in rural South Carolina. One of the few African-American bankers in rural coastal South Carolina explained how she has been able to obtain loans for African-American applicants who had been unsuccessful at other banks. Her answer addresses also the issue of why minority representation within financial institutions is critical: "I take time to explain things to them, and I'm more sympathetic than a white banker would be. . . . I go through the process with them."

The South Carolina ethnography also provides another window on the issue of discrimination. Not only rural African Americans but low- and moderate-income rural whites felt a pervasive and subtle discrimination in their dealings with mainstream financial institutions. Many rural whites saw the banks as institutions primarily promoting the interests of the urban, white middle and upper classes, not rural and working people. Like the African Americans, many rural whites believed that if they applied for a loan they would receive unfair treatment, condescending behavior, and ultimately rejection. Many rural whites drew the conclusion that, at least in terms of loans, the banks were not interested in their business.

The message to mainstream financial institutions is unequivocal. Regardless of cultural tradition or economic circumstances, individuals prefer institutions that treat them with understanding and respect.

Unfortunately, the trend toward standardization and automation in loan origination may increase the alienation felt by many minority, immigrant, and poor white borrowers. Because their creditworthiness (and character) may not be fully portrayed in the standardized forms and scoring criteria, their application may not be accurately evaluated. When loans are unfairly denied, the applicants and all the applicants' acquaintances may be discouraged from approaching mainstream lenders. To attract credit worthy borrowers from these backgrounds, mainstream lenders must demonstrate to the affected communities that they are interested in their business and that they are capable of fairly evaluating their applications.

Ethnographic study of homeownership and home financing

Team members in four localities talked with hundreds of minority and immigrant group members about their home-purchasing aspirations and experiences. The empirically grounded findings summarized in this synthesis, and presented more fully in the ethnographic site reports, elucidate the homeownership process, identify barriers, and suggest means by which homeownership opportunities might be increased.

This article has also shown that ethnographic methods can productively complement other housing research approaches. One of the most beneficial public policy uses of ethnography is to explore in varied geographic and cultural contexts the experiences of taxonomic groups, such as “minority” or “immigrant,” that are often lumped together. Statistically it is possible to average, for example, the experience of African Americans in Syracuse and African Americans in Mount Pleasant for an overall homeownership rate of 62.5 percent. Such a beguilingly exact number, however, may hide differences that are critically important to good policy formulation, such as the push toward trailer housing in a community with 100 percent owner-occupied housing or the successful efforts of community groups and banks to raise the African-American homeownership rate in an urban core area to 25 percent.

This study marks the beginning of what might become a more representative collection, by multiple authors and teams, of ethnographic studies of homeownership and home financing. Because of time and budget restraints, this study could include only a small sampling of minority and ethnic groups and only a few types of communities. Especially notable is the lack of any communities very far from the middle Atlantic coast, the absence of large-city African-American populations, and the failure to address the conditions of nonimmigrant Hispanics in the Southwest and of American Indians.

Future ethnographic research could also profitably focus on specific phases or aspects of the homeownership process, investigating in detail, for example, how various cultural communities construct and employ notions of creditworthiness. Ethnographic research might also direct primary attention to groups other than homeowners or potential homeowners. For example, it would be interesting to ethnographically study loan officers and loan committees in various types of mortgage lending institutions.

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