



Chicano Latino
Affairs Council
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During the booming housing market years, many Latinos profited by becoming homeowners and working in the once thriving construction industry; but the recent financial crisis, triggered by the subprime mortgage collapse, has all but destroyed these gains. In Minnesota in 2007, 51% of Latino households owned their housing unit and 49% were renting a unit – statistics which are trending away from home ownership since 2005.¹ According to the Middle Class Security Index, 35% of Latino and 31% of African-American middle-class families are at risk because they spend 30% or more of their income on housing expenses. In contrast, only 26% of African-American and 37% of Latino middle-class families are fully secure and spend less than 20% on housing expenses.²

Homeownership and Financial Insecurity

A report by Harvard University’s Joint Center for Housing Studies indicates that even in the current housing climate, minorities will make up the vast majority – 73% - of household growth in the next ten years. Latinos are positioned to make up the largest portion of this growth, which will be a full 36% of all household growth. One of the factors that will contribute to future household growth is ongoing immigration. However, the effect of a prolonged recession on immigration is as of yet undetermined, which leads to uncertainty in growth predictions. Another important factor that will drive this growth in Latino homeownership is the substantial drop in housing prices, which increases affordability across the board.³

During the current recession, however, lower housing prices are counteracted by other economic factors, such as rising unemployment rates. Latinos are also less able to take advantage

of lowered housing prices because of potential racial discrimination in lending practices. Nationally, even after controlling for credit-worthiness, Latinos are 45% more likely to receive subprime mortgages than whites.⁴ This remains true across income levels – in fact, Latinos in middle and upper income brackets face higher disparities than their counterparts in lower income groups.⁵

As Table 1 shows, the Twin Cities have some of the nation’s highest rates of disparities in subprime lending. Middle and upper-income Blacks were three times more likely than comparably paid whites to get loans that carry expensive terms for high-risk borrowers (or subprimes). Latinos were 2.4 times more likely and Asians 1.6 times to obtain these kinds of loans.⁶

Table 1: Disproportionate Distribution of Subprime Loans

Metro Areas with the most significant racial disparities	Metro Areas with a high-cost disparity ratio of two or above for Latinos
1. Milwaukee-Waukesha-West Allis, WI	1. Norwich-New London, CT
2. Minneapolis-St. Paul-Bloomington, MN	2. Boulder, CO
3. Huntsville, AL	3. Essex County, MA
4. Ann Arbor, MI	4. Cambridge-Newton-Framingham, MA
5. Hartford-West Hartford-East Hartford, CT	5. Minneapolis-St. Paul-Bloomington, MN

Source: National Community Reinvestment Coalition, 2008

In Hennepin and Ramsey Counties, a 2007 study by the Center for Urban and Regional Affairs (CURA), indicates that high-cost lenders played an important role in providing expensive credit to the

¹2007 American Community Survey. *Selected Population Profile in the United States*. Hispanic or Latino (of any race) Survey S0201

²Wheary, J. Shapiro, T. et.al.(2008). *Economic (In)Security. The Experience of African-American and Latino Middle Classes*. New York, NY: Demos & IASP

³Joint Center for Housing Studies.(2008). *The State of the Nation’s Housing*. Cambridge, Mass.: University of Harvard.

⁴Institute on Race and Poverty: *Communities in Crisis: Race and Mortgage Lending in the Twin Cities*. (2009)

⁵ National Community Reinvestment Coaliton. (2008). *Income is no Shield Against Racial Differences in Lending II*.

⁶Ibid

growing minority communities of both counties.⁷ Based on CURA'S analysis, regardless of income, the likelihood of receiving a high-cost subprime loan is significantly higher among minority borrowers. African Americans had a 64% likelihood of receiving a high-cost loan, Asians a 48% likelihood, and Hispanics a 49% likelihood, versus 25% for white borrowers.

Foreclosure

For Latinos, the result of being targeted by predatory lenders and receiving high numbers of subprime mortgages is often an inability to pay that results in foreclosure. This is revealed in a report by the PEW Hispanic Center, which notes that 37% of Latinos nationwide are worried that their homes may go into foreclosure proceedings in the next year.⁸

Table 2: Minnesota Foreclosures, 2008

Region	# Foreclosures	% change
Minnesota	26,268	1.26
Twin Cities Metro	17,268	1.54
Greater Minnesota	9,000	.94

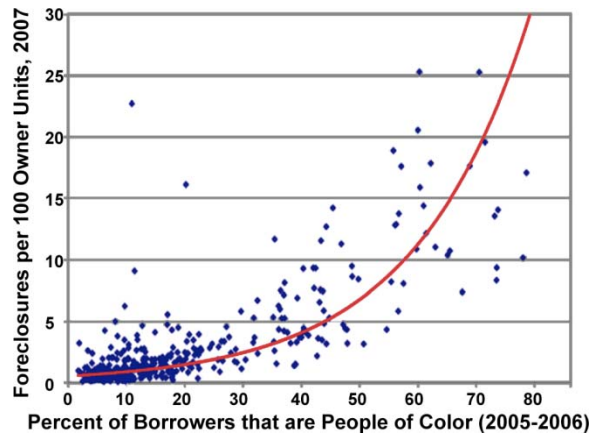
Source: Greater Minnesota Housing Fund, Family Housing Fund, et.al., 2009.

Nationally, the number of foreclosures more than tripled between 2006 and 2008, rising from .6% of all housing units to 1.8%.⁹ As Table 2 shows, Minnesota has followed these trends. The estimated number of foreclosures has tripled since 2005. According to a report by Housing Link, the number of foreclosures in Minnesota has grown from 6,466 in 2005 to 26,268 in 2008. The majority of foreclosures are occurring in the Twin Cities seven-county metro and in a subset of counties in Greater Minnesota.¹⁰

In a more local breakdown, a study by the Institute for Race and Poverty shows that these

foreclosures are mapped very closely to minority communities in the Twin Cities. Chart 1 shows just how closely race and foreclosure correlate in the Twin Cities.

Chart 1: Relationship between Race and Foreclosures in Hennepin and Ramsey Census Tracts.



Source: Institute on Race and Poverty, 2009

West Saint Paul, a well-known Latino area, is also home to a significant cluster of foreclosures, and ranks in the highest category for percentage of subprime loans – 37.9% to 61.8%. Other concentrations of Latinos and high foreclosure rates can be found in South Minneapolis, as well as neighborhoods in the Near North and Camden communities of Minneapolis.¹¹

Foreclosure and housing troubles are important issues to the Latino community, similarly to national trends. While about 1% of Latinos reported having missed one or more mortgage payments in the last year,¹² this is strikingly similar to the national average – a record high one percent.¹³

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⁷ Crump, J., *Subprime Lending and Foreclosure in Hennepin and Ramsey Counties*. CURA Reporter, Volume 37, Number 2, Summer 2007. Minneapolis, MN: CURA/University of Minnesota.

⁸ Pew Hispanic Center. *Hispanics and the Economic Downturn: Housing Woes and Remittance Cuts*. (2009)

⁹ Pew Hispanic Center. *Through Boom and Bust: Minorities, Immigrants, and Homeownership*. (2009)

¹⁰ Greater Minnesota Housing Funding, et.al. 2009. *Foreclosures in Minnesota: A Report Based on County Sheriff's Sale Data, February 2009 Supplement*. Minneapolis, MN: Housing Link.

¹¹ Institute on Race and Poverty: *Communities in Crisis: Race and Mortgage Lending in the Twin Cities*. (2009)

¹² Pew Hispanic Center. *Hispanics and the Economic Downturn: Housing Woes and Remittance Cuts*. (2009)

¹³ Mortgage Bankers Association. *National Delinquency Survey*. 2008.