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Homeownership is a Key Driver of Generational Wealth

Homeownership is one of the most powerful strategies to close the racial and ethnic wealth gap. For Latinos, housing equity plays a larger role in wealth-building than for other groups. For instance, home equity accounts for more than half (57.6%) of Hispanic household wealth.^{*} And homeownership gains are correlated with wealth gains. Between 2016 and 2019, there were 818,000 new Hispanic homeowners. During the same period, the Latino median household wealth increased by 65%—the biggest increase in household wealth of any demographic.[†]

The staggering potential of homeownership as a driver of generational wealth is best reflected in the \$8 trillion in wealth gained by younger households with middle incomes in the past decade.[‡] Middle class households' total housing wealth grew by \$2.1 trillion. Approximately 86% of this wealth gain can be directly attributed to the rapid rate of home value appreciation in the United States, where the national median sale price of homes rose by 8.3% between 2011 and 2021.[§]

Latinos Face Major Hurdles in Saving for Homeownership

The backdrop of decades-long discriminatory federal, state, and local policies that favored the creation of white wealth at the expense of Black and Latino families pits the economic choices of today's Latino households against a deeply inequitable housing system. When Latinos turn to homeownership, they often encounter significant challenges.

Wealth (or lack thereof) can persist across generations and largely reflects deep-rooted structural barriers and a legacy of discrimination in housing, education, and labor markets.^{**} When we look at the wealth gap between Latino families and non-Hispanic white families, we see that the typical white family has five times the wealth of the typical Hispanic family, a gap that has remained virtually unchanged since 2016.^{††}

Such differences can dramatically impact access to homeownership by affecting the ability to secure funds for a down payment. For instance, intergenerational wealth—in the form of an inheritance or intra-family transfers (such as down payment support to enable a home purchase or a substantial wedding gift)—can account for more of the racial wealth gap than any other demographic or socioeconomic indicator (such as income, education, and household structure).^{‡‡}

^{*} <https://nahrep.org/downloads/2020-state-of-hispanic-homeownership-report.pdf>.

[†] <https://nahrep.org/downloads/2020-state-of-hispanic-homeownership-report.pdf>.

[‡] <https://www.nar.realtor/newsroom/middle-income-households-gain-2-1-trillion-in-housing-wealth-in-a-decade#:~:text=NAR%20found%20that%20of%20the,71%25%20of%20all%20wealth%20accumulation>.

[§] <https://www.nar.realtor/newsroom/middle-income-households-gain-2-1-trillion-in-housing-wealth-in-a-decade>.

^{**} <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>.

^{††} <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>.

^{‡‡} <https://socialequity.duke.edu/wp-content/uploads/2019/10/Can-Baby-Bonds-Eliminate-the-Racial-Wealth-Gap.pdf>.

A lack of sufficient savings for a down payment is one of the top three main barriers cited by Latinos looking to purchase a home.* Insufficient savings for a down payment can lead Hispanic buyers to favor low down-payment mortgage products, like a Federal Housing Administration (FHA) loan. Yet FHA loans are not typically favored by sellers who might prefer the ease and speed of conventional loans.

In terms of income, Latinos do not fare much better. The income of Hispanic households lags that of white households, and they spend a bigger part of their total income on essentials such as housing and food than their white counterparts.† This means Latinos' incomes are tied up in essentials and leaves less for financial goals, such as a down payment.

As of 2021, the median Latino household income was \$55,000, an 8.4 percent increase from 2019.‡ While income has been growing steadily, it has lagged home price appreciation. The minimum salary necessary to afford the median-priced home nationally is \$68,008.50.§ What's more, much of the income gains made by Latinos in the last decade were wiped out by the COVID-19 pandemic and ensuing job losses.**

Essential Supports for Latino Prospective Homebuyers

Targeted first-generation, first-time down payment assistance (DPA) addresses a major barrier to homeownership for people of color, including Latinos. It can ensure that borrowers retain their limited cash reserves for homeownership retention and costs, including repairs or other expenses. A targeted DPA program can lead to both lower monthly payments and greater home equity.†† It also has the potential to create approximately 5 million new homebuyers, including 1.32 million Latino borrowers.††

For down payment assistance programs to close the racial wealth gap, their design must be structured to achieve that goal. This includes two important factors: focused eligibility requirements (such as explicit race-based targeting) and adequate funding. Without requirements like explicit race-based targeting, a DPA program can fail to fully close the racial wealth gaps by shifting its focus away from families most disadvantaged by the current housing system.

In all, targeted first-generation, first-time down payment assistance programs can be an effective way to redress existing inequities and improve the intergenerational economic outlook for Latino families and other communities historically denied access to homeownership and other wealth-building tools.

What you can do to help close the homeownership and wealth gap

UnidosUS has been leading advocacy efforts to implement a national first-generation, first-time down payment assistance program that would make strong headways in closing the racial homeownership and wealth gap. This includes leading sign-on letters with tens of national, state, and local organizations supporting our call to Congress

* <https://nahrep.org/downloads/2020-state-of-hispanic-homeownership-report.pdf>.

† <https://www.mckinsey.com/~media/mckinsey/featured%20insights/sustainable%20inclusive%20growth/the%20economic%20state%20of%20latinos%20in%20america%20the%20american%20dream%20deferred/the-economic-state-of-latinos-in-america-the-american-dream-deferred-executive-summary.pdf?shouldIndex=false>.

‡ <https://nahrep.org/downloads/2021-state-of-hispanic-homeownership-report.pdf>.

§ <https://www.hsh.com/finance/%20mortgage/salary-home-buying-25-cities.html>.

** <https://www.epi.org/blog/racial-disparities-in-income-and-poverty-remain-largely-unchanged-amid-strong-income-growth-in-2019/>.

†† <https://www.urban.org/urban-wire/down-payment-assistance-focused-first-generation-buyers-could-help-millions-access-benefits-homeownership>.

†† <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-nfha-first-generationjun21.pdf>.

to make sure they include equity-minded housing investments, including a down payment assistance program, in a reconciliation bill.

As we continue to press for the creation of a national targeted down payment assistance program, we urge you to join us in pushing for policies that support new and prospective homeowners.

Key Resources

[UnidosUS Leads Sign-On Letter to Congressional Leadership, Urging Equity-Minded Housing Investments](#)

[Down Payment Assistance Focused on First-Generation Buyers Could Help Millions Access the Benefits of Homeownership \(Urban Institute\)](#)

[First Generation: Criteria for a Targeted Down Payment Assistance Program \(Center for Responsible Lending and National Fair Housing Alliance\)](#)

[The State of, and Barriers to, Latino Homeownership. UnidosUS Testimony to the House Financial Services Committee.](#)