

Affordable Housing in Texas: As Home Prices Rise, Homeownership Becomes Less Accessible for Latinos

Since the Great Recession, Hispanic* Texans have made progress toward recovering their financial stability. However, for many, homeownership is growing further out of reach and renting is becoming the only option. Since the recession, increases in home prices in Texas has outpaced that of U.S. home prices overall as well as increases in Texans’ household income.¹ While Texas home prices have increased in the last decade, between 2012 and 2017, the median home price soared from about \$150,000 to about \$230,000.² As homeownership options become limited, a new demand for rental housing must be addressed to ensure that all Texans have access to safe, affordable homes.

To sufficiently address this issue, policymakers and advocates need to understand the magnitude of the shortage of affordable homes in Texas. This document examines Latino homeownership in Texas, the supply and affordability of rental homes, and existing challenges to increasing the availability of affordable homes.

Table 1. Texas Housing Indicators³

	Latinos	Overall
Population	11,158,751	28,304,596
Poverty Rate	20.7%	14.7%
Median Household Income	\$46,855	\$59,206
Homeownership Rate	57.4%	62.0%
Renting Rate	42.6%	38.0%
Renters Facing High Rental Costs	51.4%	48.0%
Median Rent	\$900	\$987
Median Home Value	\$118,200	\$172,200

* The terms “Hispanic” and “Latino” are used interchangeably by the U.S. Census Bureau and throughout this document to refer to persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, Spanish, and other Hispanic descent; they may be of any race.

State of Hispanic Homeownership in Texas

After a high-water mark of Latino homeownership in 2007 (58.3%), the recession impacted Hispanic homeownership in Texas, as many Latinos lost their homes. While Latinos are closer now than they have been in nearly a decade to reaching pre-recession levels of homeownership, at 57.4% the Latino homeownership rate is still one percentage point away from reaching its pre-recession high. Today, there are about 1,746,493 Latino homeowners in Texas.⁴ While Latinos are closer to reaching their pre-recession rate of homeownership than the overall population, whose homeownership rate is more than three percentage points lower than it was in 2007 (65.2%), the Latino homeownership rate still trails behind the overall rate in Texas (57.4% compared to 62.0%, respectively).⁵

Despite these gains in homeownership, Texans continue to face challenges in the housing market. In 2015, the rate of less sustainable, higher-priced lending in Texas was 11.7%, higher than the national average (7.6%).⁶ High home values are also a barrier. In Texas, home values are 2.9 times higher than the median household income in the state.⁷ Consequently, in 2016, 53% of Texas households were unable to afford homes that cost more than \$200,000.⁸ According to the Texas Housing Affordability Index, homes across the state are less affordable than they were two years ago.⁹ Even when Latinos are able to purchase a home, concerns have emerged around housing quality. One-quarter (25%) of all Texas homeowners reported experiencing one or more issues affecting the quality of their home, including affordability, the physical condition of the housing unit, and overcrowding.¹⁰

Hispanic Households Burdened by Rental Costs

Affordable homeownership opportunities remain out of reach for many Hispanics in Texas, leaving many in the rental market. However, a lack of affordable rental homes in Texas poses barriers to housing stability and the ability to save for a down payment. In 2017, an estimated 51.4% of Latino renters spent more than one-third of their income on a housing payment, compared to about 48.0% of Texans overall.¹¹ About 72% of Texas's most vulnerable households* pay more than 30% of their income on monthly rent costs.¹² These most vulnerable Texans households also face a severe housing shortage: only 30 affordable housing units are available per 100 very low-income households.¹³

Texas has a deficit of more than 600,000 affordable homes, with shortages most severe in the Dallas-Fort Worth and Houston metropolitan areas.¹⁴ Construction of affordable rental homes

* The National Low Income Housing Coalition defines the most vulnerable as households which earn incomes at or below 30% of area median income. See: http://nlihc.org/sites/default/files/Gap-Report_2017.pdf

has not kept up with demand. Over the last decade, 79,000 more high-priced rental homes (renting for \$1,500 or more) were built in Texas than those renting at or below the median rent (\$987).¹⁵ At the same time, Texas lost approximately 107,686 homes renting for less than \$650.¹⁶

Further, renters in Texas are almost twice as likely as homeowners to report concerns about the quality of their homes. In 2017, 48% of renting households reported experiencing one or more concerns with affordability, the physical condition of the housing unit, and overcrowding, compared with 25% of homeowners.¹⁷

Challenges to Keeping Housing Affordable and Stable

Texas has long been able to offer a variety of affordable housing options for residents through a combination of federally and state-funded programs. Through an annual housing plan, the state assesses regional housing needs and helps address these needs through housing support programs. These programs include rental assistance, disaster relief, homelessness prevention, a housing trust fund, tax incentives and low-interest loans for homebuyers, and rehabilitation and weatherization-related repairs.¹⁸ Texas has made historical investments in creating homeownership opportunities and relied on federal support to provide rental housing programs. Yet, state funding for affordable housing has not responded to the recent market trends driving up home prices, making homeownership increasingly expensive and out of reach for many.

Despite the existence of funds directed toward affordable housing to the state as a whole, each region faces unique challenges to maintaining affordable housing and stable housing conditions. For example, along the U.S.-Mexico border region, *colonia* residents experience high levels of substandard housing, including self-built homes, which may not be secure.¹⁹ *Colonia* residents, a majority of whom are Hispanic, also face more fraudulent and predatory home financing practices than other Texas regions through the contract for deed (CFD) process—an alternative to a traditional home mortgage.²⁰ While programs exist to help Texas CFD homeowners obtain a home mortgage, predatory financing continues to be a barrier for sustainable homeownership in the *colonias*. One 2012 survey found that about half of *colonia* homeowners with a CFD had their contract cancelled before they could obtain ownership of their home.²¹

Many Texans in urban centers face high foreclosure rates and a lack of affordable homes. In the region that includes Dallas, Fort Worth, Arlington, Sherman, and Denison, about 97% of

residents live in urban areas, and among them, about 84% of households are burdened by high housing costs.²² In 2016, about 27% of all foreclosures in the state occurred in this region.²³

Snapshot: San Antonio
Table 2. San Antonio Housing Indicators²⁴

	Latinos	Overall
Population	969,065	1,511,913
Poverty Rate	19.4%	17.3%
Median Household Income	\$45,022	\$50,044
Homeownership Rate	54.3%	54.8%
Renting Rate	45.7%	45.2%
Renters Facing High Rental Costs	53.3%	52.0%
Median Rent	\$889	\$926
Median Home Value	\$113,200	\$148,200

- San Antonio was hard hit during the housing crisis, ranking number 12 on the list of U.S. ZIP codes with the highest incidence of negative equity, with 67% of homes underwater in 2014.²⁵
- Between 2007 and 2017, the median rent in San Antonio increased by 36% for Latinos.²⁶
- The San Antonio-New Braunfels metro area has a deficit of more than 48,000 affordable homes.²⁷
- In 2017, 53.3% of Hispanics renting a home spent more than one-third of their monthly income on housing, compared to 52.0% of San Antonio residents overall.²⁸
- In the last decade, most rental homes that were built are out of reach for the median Latino renter, with more than 66% of new rental homes renting at \$1,100 or more.²⁹ This compares with a loss of 9,475 homes renting at or below a rent of \$849.³⁰
- Population growth along with rising home prices in San Antonio have created affordability challenges for residents earning below the city's median income. In addition, limited investments in Westside, far Eastside, and deep Southwest neighborhoods have contributed to substandard housing for many residents.³¹

Opportunities to Make Housing More Affordable

Officials at the federal, state, and local levels should make targeted investments to ensure that more Texans, including Latinos, can find affordable, safe homes. Specifically, lawmakers should:

- Increase state funds dedicated to the development of affordable rental housing, including those dedicated to the Texas Housing Trust Fund. In 2017, about \$870 million of the housing budget was dedicated to homeownership programs, as compared with about \$5 million dollars to the Trust Fund.³²
- Preserve federal programs—including Community Services Block Grants, federal Housing Trust Fund, Neighborhood Stabilization Program, Emergency Solutions Grant (ESG) and HOME Investment Partnerships—designed to support affordable housing. Local and state governments can utilize these federal programs to leverage private investment in the construction, renewal, and preservation of affordable homes for rent and ownership.
- Preserve housing subsidies that help families put a roof over their heads. In 2017, federal housing subsidies lifted approximately 83,904 Texas Latinos out of poverty, including 50,133 Latino children.³³
- Provide foreclosure protections for new and existing homeowners in rural regions and urban centers, including connections to culturally relevant homebuyer education, low bono legal services, and information about the state’s Contract for Deed Conversion program.

Endnotes

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³⁰ Ibid.

³¹ National Association of Latino Community Asset Builders, “An Analysis of Housing Vulnerability in San Antonio,” <https://www.sanantonio.gov/Portals/0/Files/NHSD/Housing/presentationVulnerableCommunitiesAssessment.PDF>

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