

# **Closing the Latino Homeownership Gap: Policy Solutions for Expanding Access, Affordability, and Equity**

Presented at

“The Characteristics and Challenges of Today’s Homebuyers”

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On behalf of UnidosUS, I am pleased to provide this testimony for "The Characteristics and Challenges of Today's Homebuyers" hearing held by the House Financial Services Housing and Insurance Subcommittee on Housing and Insurance.

UnidosUS is a nonprofit, nonpartisan organization that serves as the nation's largest Hispanic civil rights and advocacy organization. Since 1968, we have challenged the social, economic, and political barriers that affect Latinos through our unique combination of expert research, advocacy, programs, and an Affiliate Network of nearly 300 community-based organizations across the United States and Puerto Rico. We believe in an America where economic, political, and social progress is a reality for all Latinos, and we collaborate across communities to achieve it.

UnidosUS publishes reports, launches campaigns, provides testimony, and advocates for policies that promote homeownership opportunities and housing security for the Hispanic community. In 2023, UnidosUS launched the Home Ownership Means Equity ([HOME](#)) Initiative, a major multi-year institutional effort to advance the federal, state, and local policies needed to create four million new Latino homeowners by 2030. We highlighted the progress of this initiative and the unique housing challenges facing Latinos at a recent [Congressional Hispanic Caucus](#) with congressional leaders, the Department of Housing and Urban Development (HUD), and community stakeholders. We also lead to modernize the [Community Reinvestment Act](#) so that investments in affordable housing meet the needs of working-class Latinos.

## **Introduction**

The United States faces a housing crisis that threatens the financial security of millions of working families, particularly Latinos. As a way of illustrating this crisis, the median single-family home price has [soared](#) by nearly \$100,000 in just four years, reaching about \$417,000 at the end of 2023 compared to \$327,000 in 2019. This helps explain a major finding from a recent [poll](#) conducted by UnidosUS and *Mi Familia Vota* that showed 3 of 4 Latinos attribute their inflation concerns directly to high housing costs, with 6 of 10 considering relocation due to affordability issues.

Despite the high cost of housing, homeownership remains crucial for building wealth and breaking cycles of intergenerational poverty, as it allows families to accumulate appreciating equity and establish community roots. For Latinos, homeownership is especially significant, considering that Hispanic homeowners possess [28 times](#) more wealth than renters. Yet achieving homeownership is more challenging for Latinos, who face systemic obstacles such as overrepresentation in [low-wage jobs](#), [higher poverty rates](#), [higher debt-to-income ratios](#), [lower home appraisals](#), and other major challenges. As a result, the Latino homeownership rate is only 49%, compared to 77% for white households, contributing to a substantial [wealth gap](#) where Latino households average \$36,000 in wealth, one-fifth of the \$188,000 average for white households.

The racial homeownership gap between Latinos and non-Hispanic whites has far-reaching and long-lasting consequences. It denies Latino families equal access to building intergenerational wealth and achieving economic mobility, perpetuating a cycle of inequality and poverty. Addressing this disparity is not only a matter of economic justice but also crucial for the overall health and stability of the U.S. economy.

Latino homeownership serves as a powerful engine for the U.S. housing sector, playing a pivotal role in the robustness of the nation's economy. With Latinos comprising one-fifth of the U.S. population, investing in Latino homeownership is essential for the economic and social well-being of the country. Over the next 20 years, Latinos, who are younger on average, are projected to account for 70% of America's net new homeowners. This demographic shift highlights the mutual dependence and shared trajectory of Latino homeowners and the American housing market.

Recognizing the importance of closing the homeownership gap, UnidosUS is working towards four major goals to increase Hispanic homeownership: improving homebuyer readiness, expanding access to credit, increasing the housing supply, and preserving homeownership. By focusing on these key areas, UnidosUS aims to empower Latino families and contribute to the long-term stability and prosperity of the U.S. economy.

### **Improving Homebuyer Readiness**

Latinos face major obstacles in securing the financial conditions necessary to purchase a home. Considering that Latinos are overconcentrated in low-wage jobs with few, if any, benefits, they are more likely to struggle to save for a downpayment for a house as more of their income is used on purchasing basic needs rather than a future investment.

This issue is compounded when lenders consider prospective homebuyers' debt-to-income ratio. Because Latinos are less likely to have the resources needed to soften their debt burden, high debt and low incomes make it less likely that they will be approved for a mortgage. And even when Latinos near the funding necessary to purchase a home, they are more likely to struggle to navigate the complex home purchasing process, identify the resources that are available to assist them, and understand how to best prepare before applying for a mortgage. This is especially true for Latinos with limited English proficiency.

For these reasons, Congress should enact policies that improve homebuyer readiness. These include:

- **Downpayment Toward Equity Act:** This bill would help address the U.S. racial wealth and homeownership gaps by providing \$100 billion in direct assistance to help first-time, first-generation homebuyers purchase their first home. This would include assistance with down payments and closing costs and help buy down mortgage interest rates.

- **Language Access in Mortgage Servicing Act:** This bill would provide language resources for mortgage lenders and servicing companies to better serve borrowers whose primary language is not English. It would also require relevant federal agencies to provide language resources to assist mortgage lenders and servicing companies to better meet the needs of their borrowers. This legislation would help ensure that Latino homebuyers with limited English proficiency can fully understand and participate in the homebuying process.
- **Decent, Affordable, Safe Housing for All (DASH) Act:** This bill would provide a \$15,000 tax credit for first-time home buyers who are low- or moderate-income wage earners.

These policies would improve homebuyer readiness by providing much needed downpayment assistance and help Latinos navigate the complex home purchasing process.

### Expanding Access to Credit

Another major challenge that Latinos encounter when seeking to purchase a home is obtaining access to credit. In 2022, UnidosUS led a [survey](#) of 1,200 Latinos that looked into their access to credit and banking services, home mortgages, and other loans. We found that today's credit system reflects deep structural, racial, and economic disparities. Though credit scores are supposed to be an objective measure of an individual's creditworthiness, they are largely correlated with income and wealth and exacerbate longstanding wealth gaps between different racial and ethnic groups.

The survey also found that the credit system fails to include 1 in 10 Americans, rendering 45 million Americans credit invisible, meaning they have no credit on record with the "Big Three" national credit reporting agencies, with Latinos twice as likely as the average American to be credit invisible. Moreover, nearly 35 million Latinos live in banking deserts, areas with an above-average portion of unbanked individuals. These challenges are compounded when Latinos lack the resources to navigate tough economic times and ensure that their credit scores do not take a hit when they encounter unexpected expenses. As a result, over a third of Latinos identified a low credit score as one of the top three reasons they have not bought a home. Sadly, even when Latinos achieve a high credit score, mortgage lenders are still more likely to [deny](#) them conventional mortgages. In 2020, the [denial rate](#) for Latinos was 21.9%, compared to 13.6% for whites.

To expand access to credit for Latinos and other communities of color, Congress should enact:

- **Expanding Access to Credit through Consumer-Permissioned Data Act:** This bill would task creditors to consider alternative data in mortgage lending to increase access to credit for individuals with little or no credit history. The bill, which passed out of the House Financial Services Committee in 2022, would require lenders to consider data that historically is not considered in credit scores, such as rental payment history, bank statement information, and pay stubs.

- **Housing Fairness Act:** This bill would require HUD to conduct a nationwide testing program to (1) detect and document differences in the treatment of prospective renters, homebuyers, or mortgage borrowers; (2) measure patterns of adverse treatment because of the race, color, religion, sex, familial status, disability status, or national origin of a renter, homebuyer, or borrower; and (3) measure the prevalence of such discriminatory practices across housing and mortgage lending markets. By systematically identifying and addressing discriminatory lending practices, this legislation could help create a more equitable housing finance system.

These policies would help address the structural and racial disparities in the credit system that disproportionately impact Latinos.

### **Increasing the Housing Supply**

The United States is about [3.2 million homes](#) short of its needs, affecting residents in nearly every state and in urban, suburban, and rural areas. This lack of affordable housing is especially concerning for Latinos who are concentrated in high-cost markets that compound supply and affordability challenges, adding rental cost burdens that make it more difficult for Latinos to save for a down payment. According to one [survey](#), more than half of Latino real estate professionals said that the biggest barrier to Latino homeownership was too few homes for sale in their clients' price range. Furthermore, nearly 70% of Hispanic homebuyers have reported participating in bidding wars, which is higher than the general population.

Fortunately, in an effort to increase the housing supply, some [cities](#) and [states](#) are making much-needed changes to their zoning rules, which determine what can be built and where. Today, these rules tend to be overly rigid, contributing to the difficulty in building new affordable housing.

To increase the housing supply, Congress should support:

- **Incentives for states to undertake the zoning and land use reforms needed to support new home construction.** These reforms should include revising unwarranted zoning restrictions, simplifying permitting, and prioritizing transit-oriented development. They should also support the construction of starter homes, high-quality manufactured homes, and accessory dwelling units (ADUs). Doing so could unlock the potential for millions of new affordable homes.
- **Housing Crisis Response Act:** This bill would provide more than \$150 billion in affordable housing investments, helping to create nearly 1.4 million affordable homes. This includes \$25 billion to fund the construction, purchase, or rehabilitation of affordable homes for low-income people; \$3 billion in Community Development Block Grants for affordable housing and community infrastructure upgrades; and \$1.75 billion to states and local governments to incentivize the elimination of exclusionary zoning rules.

- **Expansion of Attainable Homeownership Through Manufactured Housing Act:** This bill would eliminate an outdated permanent chassis requirement, allowing manufactured houses to be more easily transported and saving thousands of dollars on construction costs.

These measures would help create more affordable homes and alleviate the supply constraints that hinder Latino homeownership.

### **Preserving Homeownership**

Blight, vacancy, and abandonment in markets where it costs more to build or rehabilitate a house than the property can be sold for will often lead owners to walk away, to the detriment of the homeowner and the broader community. That is why it is essential to have financing resources that can help close the value gap in distressed neighborhoods. Further, even when Latinos achieve homeownership, the security of their newfound wealth still faces challenges. Home purchases in majority-Latino neighborhoods are about [twice as likely](#) to result in a value below the actual contract price compared to appraisals in predominantly white neighborhoods.

To close the value gap in distressed neighborhood, protect Latinos' home values, and help Latinos stay in their homes, Congress should support:

- **Neighborhood Homes Investment Act:** This bill would create a new federal tax credit that would produce new equity investment dollars for the development and renovation of family housing in distressed urban, suburban, and rural neighborhoods. This legislation could help revitalize distressed communities, increase property values for Latino homeowners, and help expand the country's 1–4-unit family housing stock.
- **\$100 million for the Housing Counseling Program for FY2025:** Robust funding for this program allows community-based organizations to provide personal financial advice that keeps renters and homeowners in their homes and helps mortgage-ready prospective homebuyers purchase a home. As UnidosUS has documented, borrowers who receive housing counseling in the early stages of default are far more likely to receive a loan modification and stay in their homes than those who receive counseling when they are already seriously delinquent or in foreclosure. However, funding has not kept up with the need. In FY2010, Congress provided \$87.5 million for the program, compared to \$57.5 million last year — a \$30 million decrease, even though the median house cost rose by 31% between 2010 and 2020 .

Tax incentives for neighborhood revitalization and robust funding for housing counseling would help protect the home values and wealth-building opportunities of Latino homeowners.

### **Conclusion**

The Latino homeownership gap is a critical issue that demands urgent attention and action. Homeownership is a fundamental pillar of economic security and mobility, yet too many Latino

families are being left behind. The policy recommendations outlined in this testimony offer a framework for expanding access to affordable homeownership opportunities and closing the racial wealth gap.

The stakes could not be higher. Latino households are the fastest-growing segment of the U.S. population and workforce, and their economic success is inextricably linked to the prosperity of the nation as a whole. Investing in Latino homeownership is not only a matter of justice but also an economic imperative. We call on Congress to seize this moment and take bold action to expand access to homeownership for Latino families. By doing so, we can create a stronger, more equitable future for all Americans.