

Achieving Spatial Equity Through Suburban Homeownership? Neighborhood Attributes of Hispanic Homebuyers

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The views expressed are those of the author and not necessarily those of the Federal Reserve Bank of San Francisco or the Federal Reserve System.

Abstract

This article examines whether Hispanics achieve spatial equity with Whites through homeownership by comparing the neighborhoods of recent Hispanic and White homebuyers using the 2018 Home Mortgage Disclosure Act data coupled with neighborhood information from the Decennial Census and 2014–2018 American Community Survey for the 100 largest metropolitan statistical areas. It measures aggregate differences between the neighborhoods of Hispanic and White homebuyers and uses regression models to test whether these differences hold for demographically and financially similar homebuyers. It also compares urban and suburban neighborhoods to examine whether neighborhood differences are attenuated or exacerbated based on urban/suburban location. It finds that Hispanic buyers are purchasing homes in neighborhoods with fewer White neighbors and more economic disadvantage (as measured through poverty rates, median incomes, and median home values) and with greater racial change and economic decline, even after controlling for demographic, financial, and loan characteristics of the buyer. It also finds that the gaps in neighborhood characteristics between Hispanics and Whites are often just as large in suburbs as in cities, and that smaller suburban gaps are a result of declining conditions in suburbs relative to cities.

Homeownership has been a core component of the “American Dream” since at least the middle of the 20th century, when the government invested in expanding homeownership through policies of the Federal Housing Administration (FHA) and programs supporting servicemembers returning from World War II. Support of homeownership was particularly strong in suburban areas, driven

by federal investments in infrastructure (particularly highways) and FHA insurance guidelines that favored suburban developments over those in central cities (Jackson, 1987). These policies, coupled with the real estate industry's encouragement of suburban, single-family homes, resulted in a substantial growth in homeownership in the middle of the 20th century. Homeownership increased from a low of 43.6 percent in 1940 to 55.0 percent in 1950 and to 61.9 percent in 1960 (Devaney, 1994). The national homeownership rate has not dropped below 60 percent since then. Due to trends in construction and lending (fostered by government policy), much of this growth occurred in suburbs.

This suburban expansion of homeownership, however, happened at a time of deep racial¹ exclusion. Moves to the suburbs were part of a broader pattern of White flight from increasingly diverse urban cores. At the local level, exclusive zoning ordinances, racially restrictive covenants, and acts of violence kept racial minorities from accessing the expanding suburbs. These combined with redlining on the part of federal mortgage insurance programs to effectively keep homeownership, and especially suburban homeownership, out of the reach of minority families. At a national level, the majority of the gains in homeownership had occurred before the passage of the Fair Housing Act in 1968, and the institutional structures and inequities established during this time period imparted a lasting legacy.

Policies that aim to extend homeownership to low-income and minority households are coupled with a belief that these policies will not only reduce housing inequity but also reduce broader inequity by providing access to neighborhoods of opportunity. However, the initial exclusionary suburban expansion resulted in enormous wealth gaps between minorities and Whites (Shapiro, Meschede, and Osoro, 2013) and unequal access to the amenities and opportunities of the suburbs, such as good schools, lower crime, and networks with more social and political capital (de Souza Briggs, 2007). Studies comparing homeownership between Black and White owners have continually found differences in the location and characteristics of their neighborhoods (Fischer, 2013; Fischer and Lowe, 2015; Friedman, Gibbons, and Galvan, 2014; Gabriel and Painter, 2008, 2012; Gabriel and Rosenthal, 1989; Reid, 2007).

Far less research has been conducted on the neighborhood outcomes of Hispanics moving into homeownership, particularly suburban homeownership. Hispanics are both a growing share of homeowners and of suburban communities, however. The Hispanic homeownership rate grew from 43.0 percent in 1994 to a peak of 49.7 percent just before the Great Recession, and has rebounded to 50.1 percent in 2020 from its post-recession low (Housing Vacancy Survey, 2020). Concurrently, the share of Hispanics living in suburbs grew by 33 percent (Massey and Tannen, 2018), and in the largest metropolitan areas the majority of Hispanics live in suburbs (Suro and Singer, 2002). Over this same time period, however, suburbs were experiencing a profound shift, with changes in the nature and geography of work coupled with new expansions of poverty in the suburbs. It is unclear what type of neighborhoods these new homeowning or suburban Hispanics

¹ Race and ethnicity are used interchangeably in this article when referring to the exclusion and stratification that Hispanics have faced on account of being Hispanic. Although Hispanic is considered an ethnicity as classified by the U.S. Census Bureau, and many Hispanics racially identify as White on the Census, their exclusion from housing opportunities and neighborhoods is based on being classified or perceived as something other than White, i.e., their experience has been racialized and their exclusion is not dissimilar from that faced by Black people.

are living in and to what extent legacy and contemporary discrimination, redlining, and structural inequality is limiting their access to neighborhoods of opportunity. Literature on the location outcomes of Hispanics suggests that homeownership is correlated with living in more economically prosperous neighborhoods (Alba, Logan, and Stults; 2000; Hyde and Fischer, 2021; Logan et al., 1996; Woldoff, 2008), but less research examines whether homeownership allows Hispanics to live in neighborhoods similar to those of Whites.

This article fills that gap by comparing the neighborhoods of recent Hispanic and White homebuyers across a variety of characteristics, focusing on those that are closely related to segregation, economic opportunity, and the wealth-building potential of homeownership. This article answers four questions:

1. Are Hispanic homebuyers purchasing in neighborhoods comparable to those of similar White buyers?
2. Are Hispanic buyers moving into declining or ascendant neighborhoods relative to similar White buyers?
3. Does suburbanizing improve neighborhood outcomes for Hispanic homeowners relative to urban homeownership?
4. How does buying in the suburbs affect Hispanic-White differences in neighborhood quality relative to buying in the city?

This article uses data from the 2018 Home Mortgage Disclosure Act for the 100 largest metropolitan statistical areas (MSAs), merged with 2000 Decennial Census and 2013–2017 American Community Survey tract data to examine these questions. It evaluates Hispanic-White differences across four neighborhood characteristics, both in 2017 and the change from 2000–2017: the share of the neighborhood that is non-Hispanic White, the share of the neighborhood that is living in poverty, neighborhood median income, and neighborhood median home value.

This study finds that in 2018, Hispanic households bought homes in more economically disadvantaged neighborhoods and with fewer White neighbors, both in aggregate and after accounting for differences between Hispanic and White buyers. Additionally, Hispanics are moving into neighborhoods that have experienced larger demographic change, greater income declines, and more limited price appreciation, regardless of their urban or suburban location. Although these results cannot determine the cause of these differences, they point to lingering inequalities in residential outcomes that affect both current households and long-term outcomes through impacts on wealth-building and access to opportunity.

These results also point to the shifting nature of suburban neighborhoods and whether Hispanic homebuyers are able to access historically exclusive suburban enclaves. This study finds that the suburban neighborhoods of recent homebuyers are often stronger economically and more ethnically integrated than urban ones, with lower levels of poverty, higher median incomes, and more evenly distributed racial populations. However, despite improved economic outcomes in the suburbs, Hispanic homebuyers in suburban areas are not living in neighborhoods comparable to

those of their suburban White peers; across several neighborhood characteristics, the differences between the neighborhoods of Hispanic and White homeowners are just as substantial in suburban communities as in urban ones. There are some neighborhood characteristics for which residence in the suburbs helps to narrow (though not eliminate) the difference between Hispanic and White homebuyer neighborhoods; however, rather than a rising tide lifting all boats, Hispanics and White buyers alike are living in suburban neighborhoods with less economic prosperity than urban ones. These data suggest that Hispanics are not necessarily accessing neighborhoods of opportunity in the suburbs, even when living in neighborhoods more similar to their White peers.

Homeownership, Suburbs, and Ethnicity

Homeownership is central to wealth-building for most American families, and housing policy also prioritizes homeownership because it is believed to provide access to various forms of neighborhood opportunity. However, these nonfinancial characteristics are not about homeownership itself but rather that it often takes place in suburban communities. The real estate industry, federal housing policy, and local zoning regulations have contributed to these dynamics, encouraging homeownership in suburban, single-family homes in particular (Jackson, 1987; Vale, 2007; Wright, 1983). Restrictive zoning policy, racial covenants, redlining, and discrimination kept the suburbs and suburban homeownership outside the reach of minority families (Jackson, 1987; Rothstein, 2017; Turner et al., 2002, 2013; Wright, 1983).

As a result of this racially exclusionary pattern of development, suburban neighborhoods were characterized by White, thriving middle- or upper-class communities (Devaney, 1994) and this characterization of suburban neighborhoods remains prevalent today. Scholars use terms like “stereotypical” and “traditional” to describe high-income, White suburbs, cementing notions of what suburbs are expected to look like (Hanlon, Vicino, and Short, 2006; Mikelbank, 2004). Even among inner-ring suburbs, which often have more similarities with the central city or have experienced more racial change, nearly one-third are middle-class, mostly White communities (Hanlon, 2009).

At the same time, the demographics of suburbs have been steadily changing, with large growth in their minority and immigrant populations in the 1990s and 2000s (Hardwick, 2008; Massey and Tannen, 2018; Suro and Singer, 2002; Suro, Wilson, and Singer, 2011). Suburbs went from being 82.1 percent White in 1990 to 68.4 percent White in 2010 (Massey and Tannen, 2018). Recent planning scholarship on the diversity of suburbs, suburban decline, and the suburbanization of poverty has recognized differentiation among suburbs and suggests that suburbs are not all racially homogenous, economically prosperous places (Hanlon, 2009; Hanlon, Vicino, and Short, 2006; Mikelbank, 2004). This greater degree of diversity has increased variety in suburban trajectories. As a whole, suburban neighborhoods are more likely to be stable or have experienced an upward trajectory than their urban counterparts (Airgood-Obrycki, 2019). This general trend disguises variation on the ground. Hanlon, Short, and Vicino conceive of a “suburban gothic” in which the “downward spiral of declining investment and socioeconomic status” of inner ring suburbs is one of its elements (2009: 159), whereas others also document a substantial share of suburbs experiencing decline (Airgood-Obrycki, 2019; Hanlon, 2010). Kneebone and Berube (2013)

highlighted the rapid growth of poverty in suburban areas, due to the migration of low-income individuals from cities to suburbs but also due to the declining economic situations of households already living in the suburbs. Other scholars have also documented these trends (Covington, 2015; Howell and Timberlake, 2014; Kneebone and Nadeau, 2015; Murphy and Allard, 2015).

There is a racial and ethnic component to the variations in suburbs and suburban trajectories. Segregation has often limited the expansion of poverty in high-income suburbs because only low-income White households are able to make the transition (Covington, 2015), whereas other suburban areas mainly became available for minority residents as a result of White flight (Diaz, 2005; Mills and Fischer, 2015). Although Hispanic-White segregation is typically lower in suburbs than in central cities, it is still present (Lichter et al., 2010; Lichter, Parisi, and Taquino, 2015; Massey and Tannen, 2018). Furthermore, in metros that have relatively new Hispanic populations, suburban segregation is higher than urban segregation in established Hispanic locations (Lichter, Parisi, and Taquino, 2015). This segregation is entangled with suburban trajectories. Research suggests that suburbs with larger minority populations often have lower home values (Anacker, 2010, 2012; Pooley, 2015) and that home price appreciation is affected by the racial and ethnic composition of the suburb (Anacker, 2010, 2012). These patterns persist partly due to how homes are appraised and the racialized perceptions of neighborhoods held by appraisers (Howell and Korver-Glenn, 2018, 2020). With respect to more generalized suburban trajectories, those with the most extreme decline have larger Black and Hispanic populations (Hanlon, 2010; Hanlon, Short, and Vicino, 2009).

Previous Research on Hispanic Owner Neighborhoods

The historic and contemporary segmentation of housing markets affects the type of neighborhoods Hispanics can access. Relative to White households, Hispanic households have more non-White neighbors and live in areas with lower median incomes (Alba, Logan, and Stults, 2000; Hyde and Fischer, 2021; Pais, South, and Crowder, 2012; Woldoff, 2008). Other research has concluded that Hispanics are more likely to live in neighborhoods with more blight (Friedman, Gibbons, and Galvan, 2014; Friedman and Rosenbaum, 2007). Evidence suggests that although differences in neighborhood characteristics exist among lower- and middle-income Hispanics and Whites, affluent Hispanics are sometimes able to live in neighborhoods similar to those of Whites (Logan et al., 1996; Pais, South, and Crowder, 2012).

Two dominant theories have emerged to explain these differences in neighborhood outcomes in the location attainment literature described previously. The first is residential assimilation. It posits that as Hispanics (or immigrants, or other minorities) socioeconomically assimilate with the dominant group (Whites, in this case), they translate this socioeconomic mobility into spatial mobility, moving away from ethnic neighborhoods into ones that are majority White. Under this theory, increases in income, education, and English skills, for example, result in neighborhood outcomes that are more similar to those of Whites (Alba, Logan, and Stults, 2000; Alba and Logan, 1992; Friedman, Gibbons, and Galvan, 2014; Friedman and Rosenbaum, 2007; Hyde and Fischer, 2021; Pais, South, and Crowder, 2012; Woldoff, 2008). The second theory is place stratification. It asserts that assimilation is not enough to understand the differences between

Hispanic and White residential outcomes. Rather, disparate residential outcomes are the result of not only socioeconomic differences between the two groups but also social structures (including discrimination in housing markets and lending) that inhibit the ability of Hispanics to obtain the same outcomes as Whites with the same socioeconomic status (Friedman, Gibbons, and Galvan, 2014; Friedman and Rosenbaum, 2007; Hyde and Fischer, 2021; Logan and Alba, 1993; Pais, South, and Crowder, 2012; Woldoff, 2008). Under this framework, drivers of location outcomes, such as income, are expected to have different effects across racial or ethnic groups.

Because Whites are predominantly suburban and majority homeowners, suburbanization and homeownership themselves are considered assimilative outcomes in these theoretical frameworks. In fact, Friedman and coauthors have argued that an “implicit assumption of the spatial assimilation model is the notion that assimilation involves a move to the suburbs” (Friedman, Gibbons, and Galvan, 2014: 157). Independent of ethnicity, suburban residents often live in better neighborhoods than their central city counterparts (Alba, Logan, and Stults, 2000; Friedman, Gibbons, and Galvan, 2014; Logan et al., 1996; Pfeiffer, 2016; Woldoff, 2008), and homeowners tend to live in neighborhoods with more Whites, higher incomes, or less blight than renters (Alba, Logan, and Stults, 2000; Alba, and Logan, 1992; Friedman, Gibbons, and Galvan, 2014; Friedman and Rosenbaum, 2007; Logan and Alba, 1993; Woldoff, 2008). As a result, one would expect suburban Hispanic homeowners to live in neighborhoods that are less segregated and are more socioeconomically advantaged than their urban, renter counterparts. However, in the presence of place stratification, homeownership or suburbanization may not reduce the inequity between Hispanics and Whites.

Few studies explicitly consider whether homeownership or living in the suburbs increases residential equity between Hispanics and Whites. Logan et al. (1996) combine tract-level data and public microdata to estimate the median household income and share non-Hispanic White at the tract level for White, Black, Asian, and Hispanic households in five MSAs in 1980. The study found that homeownership is correlated with higher neighborhood incomes and that living in the central city (relative to the suburbs) is correlated with lower median incomes for all racial groups. With respect to neighborhood racial composition, all households living in cities had fewer White neighbors, whereas non-Black homeowners typically lived in neighborhoods with more White residents (Hispanic homeowners were no more likely to live in Whiter neighborhoods than Hispanic renters in Chicago and San Francisco). Alba, Logan, and Stults (2000) extend these results to 1990, with similar findings. Neither study examines the combined effect of homeownership and suburban location. Pfeiffer (2016) evaluates neighborhood conditions at the census tract level in cities and older and newer suburbs. She finds that minorities living in newer suburbs tend to live in neighborhoods more similar to those of Whites, relative to those living in older cities and suburbs; she does not assess how tenure impacts these outcomes. Most similar to this study, Friedman, Gibbons, and Galvan (2014) focus on middle-class and affluent homeowner households in cities and suburbs and observe a variety of indicators of neighborhood problems in addition to housing value. They find persistent neighborhood differences between Hispanic and Black middle-class and affluent owners and White ones, despite looking only at higher-income households, and find that the disparity for Hispanics is more pronounced in the suburbs for all of their variables with the exception of home value.

These studies offer important insights into the differences in homeownership outcomes between Hispanics and Whites across metropolitan geographies, but they also point to lingering gaps in the literature. The only study to observe neighborhood outcomes for homeownership and suburbanization together (Friedman, Gibbons, and Galvan, 2014) stands in contrast to the others by finding greater disadvantage for suburban Hispanics. The current study helps to broaden our understanding of Hispanic homeownership and the relationship between urban and suburban location on neighborhood characteristics. It evaluates neighborhood characteristics more consistently with the broader locational attainment literature—neighborhood racial composition, poverty rates, median incomes, and median home values—while following Friedman, Gibbons, and Galvan (2014) in using microdata and focusing on homeowner households.

This study also contributes to the literature by looking at recent homebuyers, rather than a cross-section of residents, because few studies focus on movers. Analyses of homeowners, regardless of when they moved into the neighborhood, reflect current spatial inequalities, but those inequalities may be a result of neighborhoods that have changed around the residents. By focusing on mover households, this study can observe both the homebuyer and the neighborhood at the time that the location decision is made. Another contribution of this study is that it uses 2018 data. Studies using data from the 2000s and early 2010s captured households during an unusual time in the housing market—first in an unsustainable expansion of credit, fueled by predatory loans, particularly to Hispanic and other minority households, and then through a period of sustained contraction. Buyers in 2018, however, still likely represent a conservative estimate of Hispanic-White differences, as credit remained constrained and only higher-credit-quality borrowers were able to access homeownership in this market. Although this study is not able to address the endogeneity that is present in residential decision-making—such as preferences to live near one’s current location, social networks, place of work, or others of the same ethnic group—lingering spatial inequity is important to identify because it has long-term impacts on the economic and physical wellbeing of households, regardless of whether its source is structural discrimination or collective preferences.

Data

This study uses 2018 Home Mortgage Disclosure Act (HMDA) data, merged with the 2013–2017² American Community Survey (ACS) and 2000 Census.³ The 2018 HMDA data provide unique advantages over other sources of homeownership data. First, the data provide information on individual homebuyers at the census tract level. Second, HMDA data include extensive information on the mortgage application in addition to buyer demographics; this facilitates comparisons between buyers, allowing for controls on the loan product and the value of the purchased home (which can reduce unobserved heterogeneity such as assets or credit quality). Finally, capturing buyers from only a single year ensures that the data show housing choices and neighborhood outcomes at the time of purchase. Using 2018 purchases but observing 2013–2017 neighborhood characteristics ensures that the buyers themselves do not influence the neighborhood composition.

² Shorthanded to 2017 for the remainder of the article.

³ Standardized to 2010 geography provided by the Longitudinal Tract Database (Logan, Xu, Stults, n.d.).

The analysis is limited to the 100 largest MSAs in 2017 because these are the ones where differences between the city and its suburbs are most distinct. The sample is further limited to a “typical” home purchase: the loan must be a first-lien, intended for owner-occupancy (and not used for commercial or business purposes), be used for the purchase of a 1–4-unit structure or condominium, and be site built (meaning not manufactured housing). Outliers in terms of borrower income, home value, loan value, loan-to-value ratio, and rate spread were also trimmed to reduce concerns around data errors and to eliminate atypical home purchases.⁴ Finally, analysis was restricted to homebuyers with a non-Hispanic White⁵ or Hispanic primary borrower.

This article uses change from 2000–2017 to evaluate the long-term trajectory of homebuyer neighborhoods. It captures data from two peak periods: the end of the 1990s economic expansion and the robust recovery after the Great Recession. As a result, these estimates are relatively conservative—if ethnic differences exist in the boom periods, they are often more pronounced during times of economic hardship because minorities and low-income families often fare worse during downturns (Bayer, Ferreira, and Ross, 2016; Faber and Ellen, 2016; Reid, 2014). Recent research suggests that few neighborhoods substantially reverse course relative to their long-term trends (Airgood-Obrycki, 2019).

This article classifies urban and suburban following Kneebone and coauthors (Kneebone and Berube, 2013; Kneebone and Nadeau, 2015); the first city in an MSA name is “urban,” and any additional named principal cities with at least 100,000 residents are also urban. Any other areas within an MSA are suburban. The article uses this definition because it is consistent across MSAs, exogenous to homeownership, in line with the literature, and aligned with jurisdictional boundaries.

Methods

In order to evaluate the similarity of neighborhoods, this article analyzes four neighborhood characteristics, each at the census tract level: share non-Hispanic White, share in poverty, median household income, and median home value, along with the change in these attributes from 2000–2017. When studies examine more than one dependent variable, they often find divergent results across different variables, suggesting that processes of residential decision-making and outcomes operate differently along different neighborhood dimensions. For that reason, this study examines neighborhood attributes across four dimensions.

This article uses an ordinary least squares model to compare the neighborhood characteristics of Hispanic and White homebuyers. Some of the literature on neighborhood outcomes for minorities uses hierarchical linear models (HLM) to address the relative concentration of Hispanics in certain MSAs and regions. HLM allows for analysis of MSA-level characteristics and between- versus within-MSA comparisons (see, for example, Pais, South, and Crowder, 2012). HLM requires correctly modeled MSA-level characteristics, however, on which there is no consensus in the literature. As the primary variables of interest, Hispanic or White and urban or suburban are at a level smaller than the MSA; this article instead uses MSA fixed effects to control for metropolitan

⁴ 42,790 loans (2.5 percent of eligible sample) were dropped due to outliers.

⁵ For the remainder of this article, “White” is used as shorthand for non-Hispanic White. Hispanics may be of any race.

variation. This is a less restrictive assumption than the random effects used in HLM. This article uses MSA-clustered standard errors to address spatial correlation between homebuyers within the same housing market.

The three main variables of interest are whether or not the primary borrower is Hispanic, whether the purchased home is in the suburbs, and an interaction term between Hispanic and suburban, to allow for heterogeneity in the effect of suburbanization by ethnicity. This article also includes and analyzes information on the race/ethnicity⁶ of a co-borrower if one exists (no co-borrower is the reference category), because the race/ethnicity of all loan applicants is likely to affect the mortgage-acquisition process (Cortes et al., 2007; Goodman, Zhu, and George, 2015; Li, 2014; Turner et al., 2002), preferences for neighborhood racial/ethnic characteristics (Ellis, Wright, and Parks, 2006), and neighborhood search behavior (Krysan and Bader, 2009; Krysan and Crowder, 2017). The race/ethnicity of the co-borrower is interacted with the ethnicity of the primary borrower in order to capture all possible racial/ethnic pairings.

In addition to these key variables of interest, this article includes other demographic controls (age and sex) and information on the property purchased and loan obtained in order to compare Hispanic and White buyers who are as similar as possible. The buyer's ability to purchase a more expensive home or one in a higher-priced neighborhood is accounted for by using a variety of buyer and loan characteristics: income (logged), property value (logged), loan type (Federal Housing Administration insured, Veterans Affairs guaranteed, U.S. Department of Agriculture (USDA) Rural Housing Service or Farm Service Agency guaranteed, and conventional [reference category])⁷, loan-to-value ratio, debt-to-income ratio (36-46 percent as the reference category), and rate spread (lowest quartile as the reference category).

Results

This section begins with descriptive statistics and then details aggregate differences between the neighborhoods of Hispanic and White buyers. It then presents regression results on current neighborhood characteristics and changes in neighborhood characteristics since 2000. Finally, it briefly discusses how ethnic affinity may influence the racial composition of the neighborhood.

Descriptive statistics for the independent variables used in the regression are presented in exhibit 1; results are presented separately for Hispanic and White buyers. Hispanics made up 17.4 percent of the purchase loans in the study. Hispanic buyers were typically younger than White buyers and less likely to have a co-borrower. Both Hispanics and Whites typically have a co-borrower of the same ethnicity, but Hispanics are more than two times more likely to have a co-borrower of a

⁶ Race and ethnicity are based on the primary race/ethnicity of the co-borrower (race and ethnicity were asked separately). Race/ethnicity categories are mutually exclusive: Hispanics may be of any race, while all other racial groups are non-Hispanic.

⁷ The type of loan used to purchase a home is not relevant this study. However, the characteristics of homebuyers may differ systematically by the type of loan used, and the different federal loan programs (FHA, U.S. Department of Veterans Affairs [VA], and USDA) have guidelines around credit scores and other loan qualification criteria that can differ from those of conventional loans (conventional loans are those that are not FHA, VA, or USDA loans). In the absence of complete credit characteristics of the buyers that would allow models to control for these differences across programs, loan types are controlled for to reduce unobserved variable bias.

different ethnicity, and more than one-fifth of Hispanics with a co-borrower have a non-Hispanic co-borrower. Average incomes among Hispanic buyers were lower, as were property values. Finally, Hispanics were less likely to receive a conventional mortgage loan and more than twice as likely to use FHA financing.

Exhibit 1

Descriptive Statistics			
	White	Hispanic	Total
White	-	-	82.6%
Hispanic	-	-	17.4%
City	20.9%	26.4%	21.9%
Suburb	79.1%	73.6%	78.1%
Co-borrower (CoB) race/ethnicity			
No co-borrower	53.2%	58.6%	54.2%
CoB NH-White	42.4%	7.1%	36.3%
CoB NH-Black	0.4%	0.5%	0.4%
CoB NH-Asian/Other	1.2%	0.8%	1.1%
CoB Hispanic	1.7%	31.6%	6.9%
CoB race unknown	1.1%	1.2%	1.1%
Age			
<35	39.9%	40.8%	40.0%
35-54	42.1%	48.1%	43.1%
55+	18.0%	11.1%	16.8%
Sex/gender			
Male	67.0%	67.3%	67.1%
Female	32.1%	31.9%	32.0%
No info available	0.9%	0.8%	0.9%
Income (mean)	109,358.6	84,062.05	104,968.3
Loan type			
Conventional	73.7%	54.4%	70.4%
FHA	15.9%	37.3%	19.7%
VA	8.7%	7.5%	8.5%
RHS or FSA	1.7%	0.7%	1.5%
Property Value	343,987.1	289,586.9	334,545.9
Rate spread (quartile)			
1st quartile	27.3%	13.5%	24.9%
2nd quartile	27.2%	14.9%	25.0%
3rd quartile	24.9%	25.6%	25.0%
4th quartile	20.6%	46.0%	25.0%
Loan-to-value ratio	85.8%	91.3%	86.7%
Debt-to-income ratio			
<36%	41.4%	23.3%	38.2%
36-43%	30.9%	30.8%	30.9%
>43%	27.7%	45.9%	30.9%

FHA = Federal Housing Administration. FSA = Farm Service Agency. NH = Non-Hispanic. RHS = Rural Housing Service. VA = Veterans Affairs.

Source: Author's calculations of 2018 Home Mortgage Disclosure Act data

Aggregate Differences in Hispanic and White Homebuyer Neighborhoods

On average, Hispanic and White homebuyers in 2018 bought homes in neighborhoods with very different characteristics (exhibit 2). The neighborhoods of Hispanic homebuyers are 27.8 percentage points less White, and they have more minorities of all racial and ethnic groups in addition to greater shares of immigrants. These neighborhoods are also more economically disadvantaged, with median incomes that are nearly \$12,000 lower and unemployment rates that are 1.7 percentage points higher. They also have 10.6 percent fewer college-educated households, and, finally, Hispanic homeowners are living in neighborhoods with lower homeownership rates and lower median home values.

Exhibit 2

Average Neighborhood Characteristics of White and Hispanic Buyers

Neighborhood Characteristics, 2017			
	Hispanic mean	White mean	Hispanic-White difference
% NH-White	45.05	72.83	-27.78***
% NH-Black	12.23	7.845	4.380***
% Hispanic	34.47	11.59	22.88***
% NH-Asian	5.247	4.717	0.530***
% Foreign-born	19.73	10.48	9.254***
% in Poverty	13.51	9.163	4.346***
Median income (\$)	67,257.8	79,215.1	-11,957.4***
Unemployment rate (%)	6.951	5.289	1.663***
% with 4-year College or Graduate school	28.21	38.80	-10.59***
Homeownership rate (%)	66.38	72.83	-6.451***
Median home value (\$)	233,510.5	274,265.8	-40,755.3***
Change in Neighborhood Characteristics, 2000-2017			
	Hispanic mean	White mean	Hispanic-White Difference
Change in % NH-White	-14.43	-8.552	-5.876***
Change in % NH-Black	1.304	1.083	0.221***
Change in % Hispanic	10.30	4.155	6.148***
Change in % NH-Asian	1.135	1.428	-0.293***
Change in % Foreign-born	19.54	10.40	9.143***
Change in % in Poverty	3.041	2.229	0.812***
Change in Median income (\$)	-3960.3	-1863.9	-2096.4***
Change in Unemployment rate (%)	1.280	1.273	0.00655
Change in % with 4-year College or Graduate school	5.724	8.391	-2.667***
Change in Homeownership rate (%)	-5.683	-3.363	-2.321***
Change in Median home value (constant 2017\$)	49103.5	51741.2	-2637.7***

NH = Non-Hispanic.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Sources: Author's calculations of 2018 Home Mortgage Disclosure Act data, 2013-2017 American Community Survey, and 2000 Census

Hispanics in 2018 bought homes in neighborhoods that experienced more substantial racial and ethnic change since 2000, as well as more socioeconomic decline. While all neighborhoods became more diverse from 2000–2017, average Hispanic buyers bought in neighborhoods that had lost 5.8 percentage points more of their White population and had nearly double the increase in the immigrant population relative to the neighborhoods of White buyers. These neighborhoods also experienced, on average, larger increases in poverty, larger declines in median income, smaller gains in college education rates, larger losses of homeownership, and smaller gains in median home values (although this final difference was, in aggregate, relatively small).

Not only is the average neighborhood of a Hispanic homebuyer less White and more economically disadvantaged than that of a White buyer, but Hispanic buyers are overrepresented in the most segregated and poorest opportunity neighborhoods, whereas White buyers are overrepresented in majority White, economically prosperous neighborhoods. Less than 2 percent of Hispanic buyers bought homes in the top 10 percent Whitest neighborhoods in the study sample, whereas nearly 12 percent of White buyers bought in those neighborhoods. Conversely, 55.3 percent of Hispanics bought in neighborhoods that were majority-minority, whereas only 13.7 percent of Whites did. These trends are paralleled on economic measures. More than one-fifth of Hispanics bought in neighborhoods with poverty rates above 20 percent, whereas just 8.3 percent of White households purchased homes in these neighborhoods. Similarly, 41.5 percent of Hispanic buyers purchased in neighborhoods with incomes below the median, relative to 24.9 percent of White buyers. When looking at the trajectory of these neighborhoods, the results indicate that Hispanic buyers are disproportionately likely to move into neighborhoods experiencing more economic decline. Hispanic buyers are overrepresented in neighborhoods with the largest increases in poverty and declines in median income. They are similarly underrepresented in the neighborhoods with the largest increases in incomes and home values. Finally, Hispanics are more likely to have purchased in urban neighborhoods; 26.4 percent bought in urban areas, relative to 20.9 percent of White buyers.

Contemporary Neighborhoods

Exhibit 3 presents results from regression models on 2017 neighborhood characteristics. Hispanic homebuyers tend to reside in neighborhoods that are 15.2 percentage points less White than those of similar White buyers within the same MSA. Although suburban homeowners bought in neighborhoods with shares of White residents that are 11.7 percentage points higher than urban buyers, moving to the suburbs does not narrow the Hispanic-White gap in neighborhood share of White residents—i.e., although suburban Hispanic buyers purchased in whiter neighborhoods than their urban counterparts, both urban and suburban Hispanic buyers purchased in neighborhoods with many fewer White neighbors than similar White homebuyers.

Exhibit 3

OLS Models Predicting 2017 Neighborhood Attributes (1 of 2)

	(1) % Non- Hispanic White	(2) % in Poverty	(3) Median Income (\$)	(4) Median Home Value (\$)
Hispanic	-15.24*** (1.397)	2.974*** (0.475)	-4,330.2*** (788.9)	-33,741.7*** (3,969.0)
Suburb	11.67*** (1.033)	-4.741*** (0.367)	11,412.2*** (1,387.7)	-11,755.8* (5,644.7)
Hispanic x Suburb interaction	0.206 (1.611)	-0.835 (0.488)	-1005.0 (966.0)	10,620.3** (4,037.4)
Co-borrower (CoB) race/ethnicity				
CoB NH-White	0.193 (0.151)	-0.0331 (0.0408)	-841.9*** (123.3)	-11,976.8*** (1,050.9)
CoB NH-Black	-6.752*** (0.424)	0.659*** (0.139)	-2,912.6*** (537.6)	-27,409.2*** (2,957.2)
CoB NH-Asian/Other	-4.000*** (0.364)	0.152 (0.0850)	132.7 (384.7)	-616.8 (1,978.8)
CoB Hispanic	-3.788*** (0.364)	0.130 (0.0697)	-1,375.9*** (273.5)	-17,362.2*** (1,918.8)
CoB race unknown	-0.809** (0.244)	0.127 (0.0671)	-1,018.4*** (233.9)	-9,986.5*** (1,540.2)
Hispanic x Co-borrower interaction				
Hispanic x CoB NH-White	10.85*** (0.617)	-2.172*** (0.193)	4,707.7*** (445.9)	19,218.4*** (2,109.0)
Hispanic x CoB NH-Black	6.976*** (0.828)	-1.878*** (0.255)	3,396.2*** (724.4)	12,934.9*** (3,223.9)
Hispanic x CoB NH-Asian/Other	8.759*** (0.805)	-2.205*** (0.215)	3,530.1*** (678.5)	6,136.1 (3,487.5)
Hispanic x CoB Hispanic	1.758*** (0.428)	-0.350** (0.129)	-225.1 (382.2)	266.8 (2,304.3)
Hispanic x CoB race unknown	3.681*** (0.624)	-1.015*** (0.251)	918.8 (595.2)	1,778.9 (2,697.3)
Age				
<35	-0.585*** (0.117)	0.178*** (0.0453)	-663.0*** (157.0)	2,219.4** (800.7)
55+	1.238*** (0.303)	-0.0413 (0.0414)	-2149.4*** (308.0)	-1,606.0 (1,171.5)
Sex/gender				
Female	-0.105 (0.0839)	-0.174*** (0.0274)	470.3*** (75.28)	5205.4*** (582.6)
No info available	-0.845 (0.454)	0.00838 (0.148)	821.4 (565.9)	239.4 (2950.5)

Exhibit 3

OLS Models Predicting 2017 Neighborhood Attributes (2 of 2)

	(1) % Non- Hispanic White	(2) % in Poverty	(3) Median Income (\$)	(4) Median Home Value (\$)
Income (log)	1.876*** (0.325)	-0.491*** (0.111)	2,840.5*** (461.1)	11,791.9*** (1,240.4)
Loan type				
FHA	-0.633* (0.311)	0.328** (0.100)	-1,872.2*** (307.1)	-12,383.0*** (1,434.8)
VA	0.326 (0.372)	-0.222** (0.0774)	-1,485.0*** (288.2)	-16,454.5*** (1,421.1)
RHS or FSA	9.215*** (0.940)	0.267 (0.204)	-1,594.3* (630.8)	9,902.6** (3,748.6)
Property Value (log)	6.601*** (0.855)	-4.618*** (0.404)	26,410.6*** (937.8)	138,866.9*** (9,051.1)
Rate spread (quartile)				
2nd quartile	0.428** (0.128)	-0.257*** (0.0426)	-1,485.0*** (270.3)	-12,768.4*** (2,316.0)
3rd quartile	0.367* (0.170)	-0.131 (0.0705)	-2,144.1*** (354.9)	-12,706.0*** (1,672.2)
4th quartile	-0.359 (0.245)	0.463*** (0.0830)	-2,569.8*** (359.3)	-8,593.2*** (847.7)
Loan-to-value ratio	-0.0616*** (0.00720)	0.00824*** (0.00178)	-35.13*** (5.781)	-367.4*** (43.43)
Debt-to-income ratio				
<36%	-0.594*** (0.117)	0.206*** (0.0307)	-608.9*** (113.5)	-1,032.1 (962.6)
>43%	-0.345** (0.123)	-0.147*** (0.0331)	-128.5 (132.4)	-5,197.8*** (1,458.6)
Constant	-24.14* (10.07)	72.61*** (4.645)	-268,986.0*** (10,329.0)	-1,466,197.5*** (105,972.1)
Observations	1,656,014	1,656,012	1,655,967	1,654,575
Within MSA R²	0.233	0.199	0.311	0.396

FHA = Federal Housing Administration. FSA = Farm Service Agency. MSA = metropolitan statistical areas. NH = Non-Hispanic. OLS = Ordinary Least Squares. RHS = Rural Housing Service. VA = Veterans Affairs.

Note: Standard errors in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Sources: Author's calculations of 2018 Home Mortgage Disclosure Act data, 2013-2017 American Community Survey, and 2000 Census

Hispanic homebuyers tend to purchase in neighborhoods with poverty rates 3 percentage points greater than those of White buyers. As with the findings for the share of White residents, suburban homebuyers tend to buy in neighborhoods with lower poverty rates, but again the gap between Hispanic and Whites is not statistically significantly lower in the suburbs. Differences in neighborhood median income of Hispanic and White buyers also exist, although they are relatively

smaller than gaps in the share of White residents and in poverty rates. Hispanic homebuyers tend to purchase in neighborhoods with median incomes that are around \$4,300 less than for similar White buyers. Similarly, suburbanizing increases neighborhood median income (by \$11,400), but the Hispanic-White gap is not statistically significantly smaller in suburban areas.

Finally, Hispanic homebuyers tend to purchase in neighborhoods with significantly lower home values, despite controlling for the value of the purchased property.⁸ The median home value in the neighborhood of a Hispanic homebuyer is nearly \$34,000 lower than that of a similar White buyer. The trend with respect to suburbs is different from the other neighborhood variables. In this case, suburban homebuyers tend to buy in neighborhoods where the median home value is lower than in urban areas. However, the Hispanic-White gap shrinks in the suburbs, narrowing to around \$23,000. It is notable that the only instance of a narrowed Hispanic-White gap due to suburbanization is in a case in which suburban owners are worse off relative to living in the city.

Results based on the existence and race of a co-borrower also point to continued racial stratification. For White primary borrowers, the existence of a co-borrower of any race (including White) is generally correlated with living in a neighborhood that is economically weaker or with more minority neighbors (or has no significant effect, positive or negative). This is likely due to having already controlled for crucial financial characteristics: once income, home value, and credit characteristics are held constant, households that need two borrowers to achieve the same characteristics as a single borrower are likely more financially precarious, which then translates to poorer neighborhood outcomes. For Hispanics, this trend is often reversed, as households with two borrowers tend to buy in better neighborhoods relative to Hispanic single borrowers. It is possible that dual-headed households with a Hispanic member may be more financially stable, given otherwise similar financial characteristics. As a result, the Hispanic-White neighborhood gap is smaller between households with two borrowers than between single borrowers.

Beyond this difference in having one versus two borrowers, the race of the co-borrower also has important effects on neighborhood characteristics. For White primary borrowers, a Black or Hispanic co-borrower reduces the predicted share of White residents in the neighborhood, median income, and median home value of the neighborhood, while increasing predicted neighborhood poverty (Asian co-borrowers only affect neighborhood race, diminishing the share of White residents in the neighborhood). Although Hispanics benefit from having a co-borrower relative to Whites, this benefit is often not sufficient to overcome the negative effect of a Black or Hispanic co-borrower. Similar to Whites, Hispanics with a Hispanic co-borrower tend to buy in neighborhoods with fewer Whites and lower median income than Hispanics without a co-borrower, and being Hispanic with a Black or Hispanic co-borrower is correlated with neighborhoods with lower home

⁸ There may be concerns related to the accuracy of the median American Community Survey (ACS) home value, because it is self-reported and may not accurately reflect recent market conditions. As a robustness check, the author generated means and medians of property value and loan amounts at the tract level using the 2018 HMDA data and reran the home value regression. Across the Hispanic, suburb, Hispanic-suburb interaction, and co-borrower variables, results are qualitatively the same as the ACS findings. Results using median and mean loan values are smaller in magnitude, which is to be expected because loans do not represent the full value of the property. Relative to the national mean of the dependent variable, the use of the ACS predicts a slightly larger effect for Hispanic and the Hispanic-suburb interaction term and a slightly smaller effect for being in the suburbs. Regardless of the measure used for property value, however, the findings remain large and statistically significant.

values. Meanwhile, for Hispanic primary borrowers, having a White or Asian co-borrower is linked to better neighborhood outcomes relative to single Hispanics for all the dependent variables. Having a White co-borrower often counteracts much of the negative effect of being Hispanic; relative to White borrowers, the gap in neighborhood median income is nearly eliminated, and the gaps in the share of White residents and neighborhood poverty are reduced around 75 percent.

Neighborhood Trajectories

The first set of regressions establish that Hispanic homebuyers in 2018 tended to purchase in neighborhoods with more minorities and fewer economic resources than those of similar White buyers residing in the same MSAs. These differences may be mitigated in the long term, however, if these neighborhoods are up-and-coming; if Hispanics are buying in ascendant neighborhoods, they may receive a larger long-term return on their investment. The reverse may also be true—if Hispanics are moving into neighborhoods with declining economic outcomes, especially relative to Whites, homeownership may trap them in poorer neighborhoods and exacerbate the wealth gap over time.

The regression results show that Hispanic homebuyers are purchasing in neighborhoods that have experienced more integration since 2000 but also higher rates of economic decline (exhibit 4). Hispanic buyers purchased in neighborhoods that experienced a loss of White households 3.0 percentage points greater than those of similar White buyers (roughly one-third of the mean). With respect to economic conditions, the neighborhoods of White buyers continued to outperform those of Hispanic buyers, but suburbanization played an important mediating effect on the size of the Hispanic-White gaps. Being a Hispanic buyer is correlated with buying in neighborhoods where poverty had risen more quickly (1.3 percentage points faster), although this effect was alleviated somewhat for suburban Hispanics, for which neighborhood poverty had grown 0.6 percentage point more quickly than the neighborhoods of White buyers. The neighborhoods of Hispanic buyers experienced declining (real) incomes over this time period. These declines were not just more severe relative to Whites, but in urban areas they were larger than mean income declines. Finally, the neighborhoods of Hispanic homebuyers had previously appreciated more slowly than those of White buyers, with a gap of nearly \$17,900 for urban Hispanics and almost \$7,000 for suburban Hispanics.

Exhibit 4

OLS Models Predicting Change in Neighborhood Attributes, 2000–17 (1 of 2)

	(1) Change in % Non-Hispanic White	(2) Change in % in Poverty	(3) Change in Median Income (\$)	(4) Change in Median Home Value (\$)
Hispanic	-3.036*** (0.723)	1.264*** (0.284)	-3,014.3*** (643.0)	-17,860.7*** (2,532.7)
Suburb	-2.396** (0.837)	0.124 (0.286)	-2,188.1* (1,099.6)	-21,733.3*** (6,019.2)
Hispanic x Suburb interaction	-0.384 (0.700)	-0.838** (0.301)	2,091.2** (656.2)	11,103.7*** (2,565.0)
Co-borrower (CoB) race/ethnicity				
CoB NH-White	-0.113 (0.0724)	0.180*** (0.0264)	-564.2*** (102.5)	-4,391.6*** (481.2)
CoB NH-Black	-2.370*** (0.247)	0.282** (0.0919)	-970.1*** (272.4)	-9,847.7*** (1,419.5)
CoB NH-Asian/Other	-1.630*** (0.161)	0.252*** (0.0510)	-111.6 (208.1)	890.6 (1,475.1)
CoB Hispanic	-1.588*** (0.126)	0.239*** (0.0548)	-632.8*** (171.9)	-5,140.0*** (759.0)
CoB race unknown	-0.235 (0.119)	0.0646 (0.0469)	19.52 (186.6)	-1,437.9 (808.5)
Hispanic x Co-borrower interaction				
Hispanic x CoB NH-White	1.825*** (0.422)	-0.625*** (0.130)	1,493.9*** (331.2)	7,366.4*** (1,149.6)
Hispanic x CoB NH-Black	1.016* (0.417)	-0.664*** (0.167)	1,482.6*** (374.9)	5,632.8** (2,061.4)
Hispanic x CoB NH-Asian/Other	1.698*** (0.409)	-0.533** (0.170)	179.4 (472.7)	4,368.7* (2,153.8)
Hispanic x CoB Hispanic	1.224*** (0.263)	-0.324*** (0.0831)	282.4 (185.2)	102.0 (1,097.2)
Hispanic x CoB race unknown	0.374 (0.399)	-0.332* (0.159)	-104.4 (383.6)	-815.4 (2,300.0)
Age				
<35	0.399*** (0.0862)	-0.160*** (0.0358)	625.9*** (95.45)	2,650.7*** (427.9)
55+	0.349* (0.147)	0.00425 (0.0274)	-823.0*** (83.40)	-1,791.5** (533.8)
Sex/gender				
Female	0.0594 (0.0506)	-0.0606** (0.0203)	93.25 (50.24)	1,991.6*** (376.9)
No info available	-0.187 (0.154)	-0.0154 (0.0730)	351.2* (163.6)	99.29 (1,113.0)

Exhibit 4

OLS Models Predicting Change in Neighborhood Attributes, 2000–17 (2 of 2)

	(1) Change in % Non-Hispanic White	(2) Change in % in Poverty	(3) Change in Median Income (\$)	(4) Change in Median Home Value (\$)
Income (log)	0.404*** (0.0856)	-0.309*** (0.0387)	710.8*** (96.46)	2,126.3 (1,236.3)
Loan type				
FHA	-0.555*** (0.100)	0.114* (0.0543)	-83.67 (106.6)	-4,129.4*** (628.7)
VA	-0.429** (0.150)	-0.0928 (0.0536)	439.0** (160.0)	-4,584.8*** (794.7)
RHS or FSA	4.649*** (0.382)	-0.782*** (0.115)	3,129.3*** (377.5)	9,782.6*** (2,120.2)
Property Value (log)	2.936*** (0.274)	-2.270*** (0.156)	5,615.3*** (548.6)	46,680.9*** (4,503.2)
Rate spread (quartile)				
2nd quartile	0.0828 (0.0565)	-0.110*** (0.0286)	-340.5*** (96.78)	-3,797.1*** (787.3)
3rd quartile	-0.0299 (0.0775)	-0.00226 (0.0342)	-555.6*** (109.8)	-4,488.9*** (629.1)
4th quartile	-0.0623 (0.0973)	0.251*** (0.0390)	-646.0*** (154.5)	-3,424.3*** (635.2)
Loan-to-value ratio	-0.0111*** (0.00229)	0.00323* (0.00129)	-11.98*** (3.006)	-115.2*** (13.66)
Debt-to-income ratio				
<36%	0.159** (0.0494)	0.00696 (0.0228)	84.18 (87.15)	1,056.9 (574.6)
>43%	-0.0828 (0.0549)	-0.129*** (0.0210)	-44.90 (69.22)	-2,011.8*** (402.3)
Constant	-44.94*** (3.179)	31.79*** (1.997)	-72,529.0*** (6,777.2)	-510,971.2*** (50,037.2)
Observations	1,652,306	1,651,768	1,651,722	1,649,942
Within MSA R²	0.0571	0.0558	0.0428	0.167

FHA = Federal Housing Administration. FSA = Farm Service Agency. MSA = Metropolitan Statistical Area. NH = Non-Hispanic. OLS = Ordinary Least Squares. RHS = Rural Housing Service. VA = Veterans Affairs.

Note: Standard errors in parentheses

*p < 0.05, **p < 0.01, ***p < 0.001

Sources: Author's calculations of 2018 Home Mortgage Disclosure Act data, 2013-2017 American Community Survey, and 2000 Census

Consistent with evidence of suburbanization of minorities and of poverty, buyers in suburbs bought in neighborhoods that had experienced greater change from 2000–2017 than in urban areas: the minority populations grew faster, incomes declined more, and housing values grew more slowly. However, the relationship between suburbs, socioeconomic outcomes, and the closure of

Hispanic-White gaps is different with respect to neighborhood change than in the present. Unlike the results for 2017 neighborhood conditions, living in the suburbs reduces Hispanic-White inequality relative to living in cities. This reduction of inequality, however, takes place in the context of suburban decline rather than improving conditions for all.

Role of Ethnic Affinity?

One question is whether the results are driven by ethnic affinity—the desire of Hispanic buyers to live near other Hispanic households for social or cultural reasons—rather than by structural inequalities or discrimination. The HMDA data (and most other major sources of homeownership data) do not contain attitudinal information on the neighborhood selection of Hispanic homebuyers. However, if Hispanics in MSAs with many Hispanic neighborhoods to choose from behave substantially differently than those in MSAs with few Hispanic neighborhoods, one may intuit a role for ethnic affinity or some other form of structural sorting (Krysan and Crowder, 2017) into neighborhoods based on ethnicity. In the absence of structural inequality, Hispanics in MSAs with small Hispanic populations and few Hispanic neighborhoods should buy in neighborhoods with racial compositions that match those of demographically and financially similar White buyers.

In order to explore this, the author split the 100 MSAs in this study into quartiles based on the total share Hispanic in the MSA. The author then ran three regression models identical to the 2017 models shown previously where the dependent variables are the share of the neighborhood that is White, Black, or Hispanic. These three models were run separately on each quartile, producing 12 sets of results (the predicted share of White residents, share of Black residents, and share of Hispanic residents in the neighborhood for each MSA quartile).

MSAs in the bottom quartile have the smallest Hispanic populations and have relatively few Hispanic neighborhoods. In those MSAs, Hispanics purchased in neighborhoods with 10.1 percentage points fewer White residents and 7.2 percentage points more Black residents than those of similar White buyers in those MSAs. In MSAs with the largest Hispanic populations, Hispanics bought in neighborhoods with 16.3 percentage points fewer White residents than similar White buyers; in these MSAs, Hispanics purchased in neighborhoods with substantially larger Hispanic populations but also with larger Black populations than White buyers. Although the results from the most-Hispanic MSAs suggest that ethnic affinity (or structural sorting) may play a role, the finding that Hispanic households are also more likely to buy in neighborhoods with larger Black populations than White buyers, particularly in MSAs with fewer Hispanic households, implies barriers to access to White neighborhoods for Hispanic buyers.

Discussion

This article asks four research questions on the neighborhoods in which Hispanics are buying homes, how those neighborhoods compare with those of White households, and how suburbanization affects neighborhood differences between Hispanics and Whites. The results indicate that:

1. Hispanics are buying in neighborhoods that differ substantially from those of similar white buyers, with higher shares of minority households, higher rates of poverty, lower median incomes, and lower median home values.
2. Hispanics are moving into neighborhoods that have experienced greater socioeconomic decline since 2000.
3. Hispanics buying in suburban communities often live in neighborhoods that are more socioeconomically advantaged relative to their urban counterparts, although not with respect to median home value or neighborhood change over time.
4. Suburbanization does not mitigate the difference between Hispanic and White homebuyer neighborhoods for most contemporary characteristics. When observing neighborhood change, suburbanization shrinks the gap between Hispanics and Whites, but suburban neighborhoods generally performed more poorly than urban ones.

These results provide three key insights into the relationships between ethnicity, homeownership, and suburbanization. First, access to homeownership alone does not resolve spatial inequity for Hispanic households. Despite having similar financial backgrounds and using similar loan products to buy equally valued homes, Hispanic homebuyers in 2018 bought homes in markedly different neighborhoods than White buyers. Although these neighborhoods may be an improvement for Hispanics over their previous neighborhoods as renters, homeownership itself does not eliminate neighborhood difference and spatial inequity with Whites.

Second, suburbs are ethnically stratified places. Suburbs have a long history of being racially and ethnically segregated from the city. This study contributes to a growing literature on the suburbanization of poverty and suburban decline. Although the neighborhoods of suburban homebuyers were often better than those of urban buyers, and Hispanic buyers can improve their outcomes by moving out of the city, even in suburbs Hispanics buy in neighborhoods with fewer Whites and lower economic characteristics than White buyers, limiting the neighborhood opportunity accessible to Hispanics. The only measured outcome in which the suburban neighborhood gap was statistically significantly smaller than the urban one was median home value. In this case, however, suburban neighborhoods were less advantageous than urban ones, so there is no benefit to suburbanizing besides reducing relative inequality. Additionally, the effects of this stratification are likely to be compounded over time, as Hispanics are more likely to be buying in neighborhoods experiencing racial change and economic decline. This raises the concern that Hispanics may be locked into declining neighborhoods.

Third, homeownership is likely to be a riskier investment for Hispanics than Whites. Despite buying homes of equal value, Hispanic homeowners typically buy in neighborhoods with more minorities and lower economic profiles. These profiles, coupled with the longer-term economic decline of these neighborhoods, may then translate to lower home-price appreciation. Furthermore, the cases in which suburban neighborhood gaps are smaller than in those of cities—with respect to contemporary home values and longer-term economic decline—are ones where suburban neighborhoods are falling behind their urban counterparts. In these cases, rather than a

rising tide lifting all boats, inequality was reduced through declining suburbs for both Whites and Hispanics. Conversely, larger differences between Hispanic and White buyers in the neighborhood trajectories of urban neighborhoods suggest that urban Whites are both more likely than Hispanics to reap the positive effects of urban revitalization and that urban Hispanic buyers are particularly unable to access neighborhoods that match those of their White counterparts. In a time when many historically urban ethnic communities are gentrifying, this result is particularly concerning.

Policy Implications

These results are significant to planners and policymakers. Homeownership is heavily subsidized in the United States due to a belief in its financial benefits and in its ability to provide access to neighborhoods of opportunity. But this research suggests that Hispanic homebuyers are less able to use homeownership to access neighborhood opportunity and that there may be new forms of suburban exclusion. Where homeownership takes place is crucial to many of its benefits, from wealth-building to residential stability to access to neighborhood safety and high-performing schools. These results highlight the importance of place-based community development to reduce the inequality across places. They also suggest that there are lingering barriers to residential integration of Hispanic homebuyers that must be addressed to reduce residential inequity.

More research is needed on the sources of this inequity, especially qualitative research on how households make decisions and how various actors in the real estate market, including agents and lenders, influence the neighborhoods and housing options available to Hispanic buyers. Despite fair housing laws banning disparate treatment of minority buyers, audit studies, qualitative research, and investigative journalism find that minority buyers are steered away from majority-White neighborhoods by real estate agents (Choi, Herbert, and Winslow 2019; Korver-Glenn, 2018; Krysan and Crowder, 2017; Turner et al., 2013). Research from Korver-Glenn (2018) points to how discrimination and disparate treatment at various stages of the homebuying process can magnify the effect of discrimination on homebuying opportunities. This research also suggests the importance of enforcement of fair housing law and continued training and education of real estate professionals to reduce these behaviors.

Among policymakers, it is important to remember that not all homeownership is created equal (something that the foreclosure crisis imprinted on practitioners as well). Programs designed to promote low-income and minority homeownership may need to be intentional about promoting spatial integration or to ensure that homebuyer counseling includes discussions of the impact of a neighborhood on homeownership outcomes. These spatial differences also need to be considered when the aim of a homebuying program is to promote neighborhood opportunity (rather than wealth-building, for example) because programmatic goals may not be met. Property tax assessment should also take into account the spatial differences in homeownership. Avenancio-León and Howard (2019) found higher property tax burdens in Black and Hispanic neighborhoods relative to White ones, partly due to differences between the race-neutral tax assessor valuations relative to sales prices, which regularly undervalue homes in minority communities.

Finally, the results of this article, in the context of the literature on suburban homeownership, highlight a paradox between suburban exclusion and suburban decline. Results from the literature

indicate that Hispanics are much less likely to access the suburbs than White households, and that even Hispanics with extensive financial resources may have difficulty turning those resources into socioeconomic mobility in the current or next generation, as they are still limited in accessing many high-resource neighborhoods in the suburbs. At the same time, the results in this study point to the segmentation of suburban experiences, because the suburban neighborhoods of Hispanic owners are more likely to have experienced economic decline and substantial demographic change. This paradox suggests that it is important to go beyond discussing suburbs as a monolith. Policies that target residential equity for low-income and minority families cannot simply focus on “opening up the suburbs.” Policies need to focus instead on whatever is meant implicitly by suburbs—homeownership, good schools, safe streets, access to the outdoors, etc. To that end, this paradox suggests a need for two-pronged place-based strategies. In some urban and suburban communities, traditional community development strategies are appropriate to improve opportunity in economically disadvantaged areas. In contrast, in exclusive suburban neighborhoods, place-based strategies are needed to facilitate increasing income and racial diversity in those communities, such as diversifying land use and zoning, or explicit use of subsidy. Broad-based land use reforms, such as those passed at the state level with aims to facilitate housing development, may help solve a housing supply problem but may also exacerbate divisions within suburbs. Without sufficient incentives to coax exclusive suburban communities into compliance, development may continue in the small subset of suburban communities that were already more amenable to development, or whose local financial situations more desperately need the financial incentives provided by state governments. As a result, if the goals of these policies are to improve residential integration, not merely to supply more housing, targeting of exclusive communities is needed.

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