

## **Immigrants and Natives Homeownership Gap in the State of New York:**

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### **ABSTRACT**

This paper analyzes the determinants of homeownership gap between the immigrant and native population in the State of New York. Using the data from 2010 – 2012 American Community Survey, the paper provides empirical evidence that the homeownership gap between the immigrant and native households persist during the recent housing boom/bust recovery periods. There is a 30 – 31 percentage homeownership gap between the immigrant and natives households. The homeownership gap between the two groups of population becomes smaller among those who have 100% or total ownership on their dwellings. On the other hand, the gap is bigger among those who partially own their house and still purchasing their house by paying mortgage.

### **INTRODUCTION**

International migration is projected to surpass natural increase (births minus deaths) as the principal driver of U.S. population growth by 2060 (Census Bureau Report, 2012). The Census Bureau in December 2012 projected that U.S. resident population will become majority-minority by 2041. This means minority population — all people except for those that are non-Hispanic, single-race white — would climb from 37 percent of the total in 2012 to 58.8 percent in 2060. Much of the analysis on the effects of immigration on the U.S. economy has focused on the economic differences between immigrant and native workers on wages and earnings. While the wage or earning gap is important, we relatively know little about the long term implications of consistently lower earnings on immigrants' ultimate residential decisions. The paper provides Coherent framework for measuring the homeownership gap between immigrant and native population in one of the gateway state, New York.

Immigrants have been an important and growing source of demand for the housing market in the last decades. In the aftermath of the 2007 collapse and subsequent stagnation of the housing market in most states, immigrants have a substantial contribution to the recovery of the demand for housing and homeownership. A recent student report by Research Institute for Housing America found that immigrant buyers filled a “big hole” and played a key role in boosting home demand over the past decade. The study also projected that about 36% of homeownership will be generated by the immigrant population in the coming decades. The report also indicated that from year 2000 to 2010, the immigrants accounted about 65.1% and 82% of homeownership growth in the two established gateway states of New York and California respectively.

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In spite of an upward trend in homeownership for immigrants, the immigrant-native homeownership gap rose from 12 percentage points in 1980 to 20 percentage points in 2000 (Borjas 2002). According to the 2010 State of nation's Housing Outlook report, during 1995 – 2009 the homeownership rates for Hispanics and for blacks increased by 6.7 and 7.5 percentage points, respectively. The report also indicated that the homeownership gap between whites and Hispanics have fallen from 28.8 to 26.9 percentage points, while the gap between white and black has stayed the same, around 28 percentage points. A more significant gap in homeownership is expected in the major gateway states like New York.

A small and growing literature has begun to assess the differences between native and immigrant homeownership rates. A lot of these studies showed a significance difference in homeownership rates for immigrants and natives (Borjas 1992, 2002; Coulson, 1999; Painter et al. 2001; krivo 2004; Diaz McConnel and Enrico 2007). For example, Coulson (1999) finds the rates of homeownership declined for immigrants of different ethnic groups by 10 to 16 percentage points. Borjas (2002) also indicated that the homeownership gap has been increasing since 1980. Why the homeownership rate is considerably different between the two groups of population in the U.S? While discrimination in housing markets often sits in the middle of the explanation, questions about immigrants' familiarity with the U.S. financial institutions and credit constraints often arise when immigrants are studied. Bocian et al. (2008) find that the African-American and Latino borrowers are more likely to receive higher priced subprime home loan than white borrowers. Borjas (2002), on the other hand, claimed that the lower home ownership rates stem from wage discrimination between immigrant and native population.

In spite of the evidence that the immigrants have experienced a lower home ownership rates, it is not clear whether the recent housing boom increased first time homeownership significantly for the immigrants compared to that of the natives. Using a Public Use Microdata Sample (PUMS) of 2010 – 2012 3-years American Community Survey (ACS), the paper mainly explore whether the widely documented homeownership gap for immigrants persists or improved in the state of New York. There is increasing evidence that the recent housing bust and high foreclosure rates have been disproportionately tilted towards minorities. Although it is estimated that about 56% of families who lost homes during 2007-2009 were non-Hispanic and white, but African-American and Latino families were disproportionately affected relative to their share of mortgage originations (Bocian et al., 2010). Recently Wells Fargo settled to pay \$175 million in damages on charges that its independent brokers discriminated against black and Hispanic borrowers during the recent housing boom (New York Times July 12, 2012).

Despite the homeownership rate has been increasing among the immigrant population since 2009, this paper finds that the homeownership gap still persists during the last three years, 2009 -2012. There has been a 30 – 31 percentage home ownership gap between the immigrant population and the natives in the state of New York. Interestingly, the homeownership gap is smaller for naturalized immigrants, i.e. 11 percentage points, as compared to the natives. I also find that the homeownership gap is smaller among households who have total ownership on their dwellings. The gap, however, is bigger on partial ownership of housing. The other findings supported by this paper are consistent with the previous

literature. The probability of homeownership is lower for Hispanics, Hispanic and Black, Latin and African Origin households. The probability of ownership is higher for immigrants who earn higher income compared to the natives in the same income group. The ownership rate is also higher for households who have Asian and European origin.

## 1. Data Description

The empirical analysis uses the 3 year 2010 – 2012 PUMS American Community Survey (ACS) on State of New York, collected by U.S. Census Bureau. The ACS provides detail information on physical and demographic characteristics of each individual unit as well as households. My analysis is based on characteristics of the reference person, who is considered as the head of the household. A household is classified as an immigrant household if the head of the household was born outside the U.S. and is either an alien or a naturalized citizen; all other households are classified as “native” households. People who born in the U.S territories (Puerto Rico, Guam, American Samoa, etc), and those born in foreign country from U.S. citizen parents are considered to be natives as well. The study is also restricted to households that do not reside in any sort of group quarters. The household head must be at least 18 years old to be included in the analysis.

Table 1 summarizes the data used in the analysis. The dependent variable, homeownership, is the binary variable which takes the value of one if the household heads owns his or her place of residence and zero otherwise. Of 365, 141 household heads in the sample, 63 percent own their dwelling of residence. The remaining 47 percent are either renting or have some sort of occupation without renting. Since the real homeownership or wealth is contingent on how much of the home is owned, we also distinguish between those still buying their home by paying mortgage (partial ownership) and those who have no mortgage on their homes or owns outright (i.e. 100% or total ownership). The majority of homeowners, 62% of the sample, have mortgage on their dwellings. The other important variable in this study is immigrant, which is measured by a dummy taking 1 if the head of the household is an immigrant and 0 otherwise. About 21 percents of the sample are immigrant households, from which about 67 percent are naturalized citizens and the remaining 33 percent are non citizens.

The homeownership decisions of households are influenced by the number of socio-economic and demographic characteristic of the households. Household income and education level of the household are the two major socioeconomic variables considered in the literature. Households with higher level of education and income will expect to have a higher probability of achieving homeownership. As indicted in Table 2, on average, natives earn 79,000 while immigrants earn 72,000 a year. The household income is also interacted with the immigrant dummy to ascertain whether there are differences in behavior by immigrants and natives at the same income levels, allowing for the possibility that immigrants choose to spend and invest their income differently than natives. Three education groups are included in the regression: those with high school and some college diploma, with BA degree and those with Graduate degree. About 43 – 45% of the immigrant as well as the native population have BA degree and some

sort of graduate degree. The majority, about 55%, of both the immigrant and native community have high school and some college diploma.

**Table 1:** Means and Standard Deviation of the Whole Sample, Immigrants and Natives

Variables	All Sample		Immigrants		Natives	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Home Ownership	0.63	0.48	0.46	0.50	0.68	0.47
100% ownership	0.38	0.49	0.34	0.47	0.39	0.49
With Mortgage	0.62	0.49	0.66	0.47	0.61	0.49
Immigrant Household	0.21	0.41	1.00	0.00		
Naturalized Immigrant	0.14	0.35	0.67	0.47		
Non Citizens	0.07	0.25	0.33	0.47		
Household Size	3.09	1.33	3.43	1.50	2.98	1.25
Number of own child	0.49	0.97	0.59	1.00	0.47	0.95
log(Household Income)	77440.72	90582.80	72152.13	85441.43	78836.06	91840.73
Household with children age under 6 years	0.06	0.25	0.08	0.27	0.06	0.24
Household with children age 6 to 17 years	0.18	0.38	0.08	0.27	0.05	0.22
Marital status of the head	0.51	0.50	0.56	0.50	0.49	0.50
Married and Spouse Present	0.48	0.50	0.51	0.50	0.48	0.50
Age of the head	53.68	16.83	52.33	16.04	54.04	17.01
Education BA degree	0.19	0.39	0.18	0.39	0.19	0.39
Education Graduate Degree	0.16	0.37	0.15	0.36	0.16	0.37
Education High school and some college diploma	0.52	0.50	0.42	0.49	0.55	0.50
Gender (=1 for male)	0.51	0.50	0.52	0.50	0.50	0.50
Hispanic Origin	0.10	0.30	0.25	0.43	0.07	0.25
Black and Hispanic	0.11	0.31	0.19	0.39	0.09	0.29
White and Hispanic	0.72	0.45	0.32	0.47	0.82	0.38
Entry after the year 2000			0.17	0.37		
Entry before the year 2000			0.83	0.37		
Europe Origin	0.47	0.49	0.19	0.39	0.54	0.50
Latin Origin	0.10	0.29	0.29	0.45	0.05	0.22
African Origin	0.01	0.08	0.02	0.15	0.002	0.05
Asian Origin	0.04	0.20	0.18	0.38	0.007	0.08
Number of Observation	365141		76227		288914	

A number of characteristics such as age, marital status, gender, household size, and presence of children are included to control for the major demographic factors. Age and age square are included to account for the life cycle aspects of homeownership. The decision to purchase home often depends on the family structure. Four variables are included to control family structure: household/family size, the

number of own children, and two dummy variables which take 1 if the household have children below age 6 or between 6 and 17 years old, 0 otherwise. The marital status of the head of the household and the presence of the spouse in the house often has important influences in homeownership decision. As indicated in Table 1, in both immigrant as well as native groups, about half of the household head is married, and in about 50% households the spouse are present in the house.

Most of the literature on homeownership indicated the importance of nationality and ethnicity of immigrants to capture the degree of assimilation and integration in the country that they are living. The probability of homeownership is higher for those immigrants who assimilated or integrated well. The degree of assimilation and integration is highly influenced by cultural norms towards asset accumulation or home ownership and the attitude towards risk. The norm or culture that the natives have grown is also important for the native's decision as well. This paper acknowledges the cultural issues associated with nationality that may be present for natives of the same ethnicity. The homeownership gaps are consistently raised for people of varying race, background and cultural norms. As a result I also consider not only the race and ethnicity of the head of the household, but also origin of the head of the household. As indicated in Table 1, the majority of the native population, about 54%, have European origin. On the other hand, the majority of the immigrant communities, 29%, have Latin origin. About 18% of the immigrant population has some sort of Asian origin, while only 0.7% of the natives have Asian origin. The African decedents are 8% and 0.2% of the immigrants and natives, respectively.

## 2. Estimation and Analysis

A voluminous literature documents that many socioeconomic and demographic characteristics are important determinants of homeownership rates. I adopt the basic model used in this literature to examine the determinants of homeownership gap between immigrants and natives in the state of New York. In particular, I consider estimating the following linear probability model:

$$H_i = X_i\beta + \alpha M_i + \varepsilon_i$$

where  $H_i$  indicates the homeownership status of household  $i$ , which takes 1 if the household owns the residence, and zero otherwise.  $X$  is a vector that includes the socio-economic and demographic characteristics of the household; and  $M$  is a dummy that set to 1 if the household head is an immigrant and zero otherwise. The linear probability specification implies that the coefficient of  $M$  gives the difference or gaps in homeownership rates between immigrants and natives after taken into account for differences in the characteristics in  $X$  between the two groups.

Table 2 below reports the results of the estimation from logistic specifications. The first row reports the coefficient  $\alpha$  after controlling for vector of socioeconomic and demographic variables, including age, sex, and educational attainment of the household head; the household's income; the number of persons in the household, the number of own children; dummy variable capturing the presence of children below age 16; dummy variable indicating if the head is married and the spouse is present in the household. The

results reveals that homeownership gap between immigrant and native is about 30 percentage point. As indicated in column 2 and 3 of Table 2, the gap between the two group is about 31 percentage points after controlling for other important variables such as dummy that capture whether the immigrant is a naturalized citizen, the ethnic origin and the ancestry of the head of the household. The result also shows that the probability of homeownership is 11 percent higher for naturalized immigrants than non-citizen immigrants. Income and home ownership are consistently positively related. The household income is also interacted with the immigrant dummy to ascertain whether there are differences in behavior by immigrants and natives at the same income levels, allowing for the possibility that immigrants choose to spend and invest their income differently than natives. The result evidenced that immigrants invest 2 percent more on homeownership than the corresponding natives.

**Table 2:** Estimation Results – Probability of homeownership by households

Variables	Marginal Effects		
	1	2	3
Immigrant Household	-0.299**	-0.306**	-0.312**
Naturalized Immigrants		0.111**	0.111**
log(Household Income)*Immigrant	0.019**	0.020**	0.020**
log(Household Income)	0.111**	0.102**	0.101**
Hispanic Origin		-0.145**	-0.156**
Hispanic Black		-0.104**	-0.101**
Hispanic White		0.067**	0.056**
Europe Ancestry			0.034**
Latin Ancestry			-0.032**
Africa Ancestry			-0.008
Asia Ancestry			0.016**
Number of Observation	239887	239887	239887
Pseudo-R2	0.27	0.31	0.31
Goodness of Fit Test (Pearson chi2 )	305071.76 (0.000)	304839.4 (0.000)	304686.59 (0.000)

\*\* Significant at 5% level of significance.

Note: In addition to the variables in the table above, the following variables are included in the estimation: household size, the number of own child, dummy for having children below 16 years age, age and gender of the head of the household, dummy captures whether the spouse present in the household, three education attainment variables ( BA degree, Graduate Degree, High school Graduate and some college diploma), dummy that indicates weather the household enters to the U.S before the year 2000 or after the year 2000.

A large number of studies have shown that ethnicity and nationality of immigrants is highly correlated with home ownership in the United States, but it has been difficult to ascertain why some ethnic or nationality groups are less likely to own homes than others. In this paper, not only the ethnicity or race of the households are controlled , but also the origin of the households is controlled to see if they have any systematic or unsystematic impact on homeownership. Consistent with the available evidences in the literature, Hispanic origin households have 15 - 16 % lower probability of home ownership compared to the other corresponding immigrants. The white Hispanic households, though, have 6 – 7% higher

probability of home ownership, while the black Hispanic households have 10% lower probability of home ownership than the other households. In addition to ethnicity, the origin or ancestry of the households are found to be important in home ownership decisions. Households with European and Asian ancestry have a higher probability of owning their dwellings, while Latin ancestry households have a lower probability of purchasing their home.

Table 3: Homeownership gap between immigrants and natives by type of ownership (Marginal Effects)

Variables	Total Ownership		Partial Ownership	
	1	2	1	2
Immigrant Household	-0.161**	-0.178**	-0.352**	0.357**
Naturalized Immigrants	0.013**	0.014**	0.124**	0.129**
log(Household Income)*Immigrant	-0.019**	-0.020**	-0.027**	-0.026**
log(Household Income)	0.088**	0.087**	0.054**	0.053**
Hispanic Origin	-0.192**	-0.183**	0.168**	0.156**
Hispanic Black	-0.226**	-0.224**	-0.156**	-0.138**
Hispanic White	0.051**	0.053**	0.031**	0.034**
Europe Origin		0.047**		0.015**
Latin Origin		0.028**		-0.063
Africa Origin		-0.032		-0.047**
Asia Origin		0.107		0.115
Number of Observation	239887	239887	239887	239887
Pseudo-R2	0.261	0.267	0.0.261	0.267

\*\* Significant at 5% level of significance.

Multinomial regression categories: total ownership (1), Partial ownership (2), No ownership (3) and category 3 is the base category.

Note: In addition to the variables in the table above, the following variables are included in the estimation: household size, the number of own child, dummy for having children below 16 years age, age and gender of the head of the household, dummy captures whether the spouse present in the household, three education attainment variables ( BA degree, Graduate Degree, High school Graduate and some college diploma), dummy that indicates whether the household enters to the U.S before the year 2000 or after the year 2000.

As indicated above that there are substantial differences in homeownership rates between immigrants and natives; and even between naturalized immigrants and non-citizen immigrants. The level of the gap could be different depending on the type of ownership. Using Multinomial logistic specification the paper further examines home ownership gap between immigrants and natives for those who own their dwellings 100% (total ownership), and for those who still purchasing their dwellings through mortgage (partial ownership). Table 3 report the result of the estimation from the two groups. Among those who own their houses 100%, there is about 16% - 18% homeownership gap between natives and immigrants. It is also interesting to find out that the gap becomes bigger, 35% – 36%, among partial owners or mortgage backed owners. The home ownership gap is also getting bigger between naturalized immigrants and non citizen immigrants. This is mainly due to the fact that the natives as well as the naturalized immigrants have more access, information and approval on getting bank loans to purchase

houses. The 100% ownership rate is lower among households who have some sort of Hispanic origin, while they have a higher probability of ownership of mortgage backed purchases.

### 3. Conclusions

This paper analyzed the determinants of homeownership gap between immigrant and the native population in the major gateway state New York. The empirical analysis used data drawn from 2008 – 2012, 5-years, American Community Survey (ACS). The study yields a number of interesting empirical findings. Immigrant households have lower homeownership rates than native's households and this homeownership gap persists during the housing market recovery time. The homeownership gap is relatively smaller for naturalized immigrants as compared to non-citizen immigrants. Consistent with the literature, a relatively small part of the homeownership gap between immigrants and natives can be attributed to differences in other socioeconomic and demographic variables such as age, household size, the number of children, income, education level and ethnicity.

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