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Barriers Minorities Need to Overcome to Achieve the Homeownership Dream

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MINORITIES AND HOMEOWNERSHIP

MERRIMACK COLLEGE

CAPSTONE PAPER SIGNATURE PAGE

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Abstract

Buying a house is a dream that many people want to achieve; for some families obtaining a house is synonymous with stability. It is a home sweet home. It is having the right place to see the kids grow and thrive with a secure education, health, a good neighborhood, work for their parents, and a way to build wealth. It is the space for families to become real families.

For a long time in the United States, minorities have had to overcome many obstacles to achieve their dream of acquiring a home. Despite the fact that there are federal policies and programs to facilitate this for first-time buyers, the existing difficulties delay the possibility of being homeowners for many people. It is necessary to review and update the policies and programs to make more accessible the path to homeownership for this group and to help them reach their goal without having to sacrifice so much to achieve it.

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Barriers Minorities Need to Overcome to Achieve the Homeownership Dream

Every human being, regardless of race, education, gender, age, color, or descendants, pursues the idea of achieving goals. Not everyone dreams of achieving the same goal; they will differ depending on each of the conditions mentioned above. Some people are satisfied with the mere fact of living one day at a time, having air to breathe, and having food as the goal of survival. Others add a place to find shelter but depending on the individual's knowledge and the vision they want to achieve in life, these goals may be simple and easy to achieve, or harder to obtain. If the goal is ambitious, it will require preparation, time, money, and of course, overcoming barriers and a bit of a fight.

In the United States, the aspiration of owning a home is a dream that many people have, without distinction of race and color. However, this dream is more difficult to achieve because its origins in this country have been constrained by the dominant White class who create and manage laws making it difficult for Blacks and other minorities to pave a path to homeownership as Whites have found ways to block the advancement of Blacks and other minorities that make up the rich colors of this nation (McCabe, 2018).

Despite changes in laws and social policies, disparities, discrimination, and segregation persist in the field of real estate. The 1960s were 100 years after the abolition of slavery in 1864. During that tumultuous time when Blacks were fighting for their civil rights, many hoped that freedom and equality for all people would prevail. The fight against oppression during that time led to the passing of the Fair Housing Act in 1968, two weeks after the assassination of Dr. Martin Luther King, Jr.

Regardless of all the laws and progress in present times, we continue to see the disadvantages and difficulties that minorities have to face to acquire a home. The federal government has created different programs to help minorities to have access to homeownership via affordable mortgage loans, financial education, assistance with closing costs, and down payments. Even so, minorities encounter

obstacles when applying for bank loans or when trying to buy a home in a different place than where they are used to living. Discrimination and segregation are still alive despite the creation of "equity" laws.

The majority of minorities do not inherit money from their parents; they mostly earn money by working multiple shifts and saving. The United States population is made up of 26% immigrants, and 39.9% of this population is considered a minority as established in the 2020 Census. The large percentage of minority populations require a review of the home buying process in light of the barriers they face. Existing home mortgage loan programs, first time homebuyer programs, home purchase policies, and the types of loans offered in the market are reviewed in this paper through the lens of minority homebuyers.

The immigrant minority in the United States have to buy their first home with high interest due to programs such as Federal Housing Administration (FHA) or conventional loans that require Private Mortgage Insurance (PMI) to secure the banking entity's money which makes it more expensive for people whose goal is to achieve the American dream and start creating wealth for themselves and their families. Determining the reason why federal and state programs have so far not been effective in increasing the purchasing power of fair housing in the minority population is a necessity that will allow the development of new programs and correct existing ones that are ineffective.

The ability to purchase a home is a problem that affects families nationwide, some states such as Massachusetts have created programs which through "quasi-state" agencies provide the population with access to low-interest programs, subsidies in monthly payments, reduction of the interest rate, assistance with closing, and help with the down payment. Despite all these aids, it is often not enough for the person to qualify since their income/debt relation does not allow them to have access to these plans

(McKinney, 2017).

According to McCabe (2018), Americans preferred to buy a house instead of renting. Owning a home is a vehicle to build wealth and change status and gives a feeling of stability and security. However, being a homeowner is not that easy for African Americans, Asians, and Latinos who must overcome the persistent barriers of racial disparities such as gentrification, language, education, credit score, financial literacy, and redlining, among others (McCabe, 2018). Much like White people, Blacks, Asians and Hispanics, and other minorities pursue the dream of buying a house, and unlike Whites, African Americans, Latinos, and the rest of the minorities prefer homeownership because of the social status of ownership and the importance of building wealth (McCabe, 2018). Blacks are more likely to pursue homeownership as a way of housing quality and less likely to view ownership to move into a suitable neighborhood. Blacks and Latinos invested in a house because they wanted to change their social status, build wealth, and hope to move on to something better in the future (McCabe, 2018).

Blacks, Latinos, and the rest of the minorities are more likely to fall into default due to the lack of knowledge and obstacles on their mortgage which is different from Whites who are less likely to fall behind in their mortgage (Mayock and Malacriada, 2018). The factor of racial differences in mortgage delinquency happens because historically Blacks and Latinos are automatically discriminated against by the banks. Redlining, a practice in which neighborhoods made up of predominantly people who are African American, Jewish, Asian, southern European, and Latinos are undervalued, reduces the overall equity of the home. Neighborhoods made up of Whites from northern Europe often have a great value due to the area in which these homes are found (Mayock and Malacriada, 2018). Blacks, Latinos, and other minorities are still discriminated against nowadays because they do not have, in some cases, a high credit score or high income, and their level of

education is not the same as Whites. Also, usually, White people are the ones who make the decisions at the time of authorizing the loans (Mayock and Malacriada, 2018).

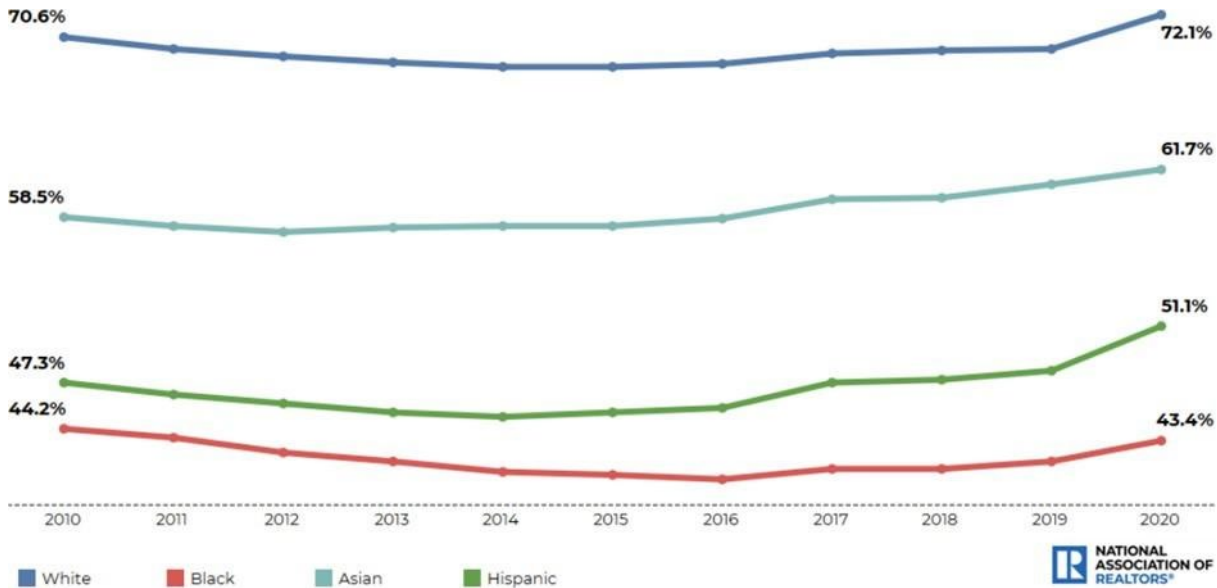
It is difficult to achieve the homeownership dream for minorities as they often have 2 or 3 jobs (McKinney, 2017). Finding a program for First Time Home Buyers (FTHB), applying for a mortgage, and being approved by the bank is also difficult. FTHB Workshop education helps to prepare future homeowners to know the path to homeownership. These financial classes include topics such as preparing their own budget, checking credit scores, and improving it, if needed, as well as learning how to choose the right house, selecting the realtor and home inspector, shopping around for the right lender, and selecting the lawyer, etc. All these classes are presented in conjunction through statewide community agencies.

Despite the many programs available, the programs currently on the market have not been able to close the privilege gap, meaning that minorities are not as able to buy a home while Whites are more likely to do so (McKinney, 2017). The possibility of homeownership as a minority and first-time homebuyer is difficult due to the tremendous number of barriers encountered. Minority families do not have accumulated wealth that can be used for a down payment or closing costs; this is often the greatest barrier, of many, that minorities face (McCabe 2018).

There are different programs in existence in the present market for people who are first-time homebuyers and minorities who are interested in buying a house. But even with these available programs, minorities encounter serious difficulties accomplishing their goal of homeownership.

Figure 1

Homeownership Trends by Race in the last decade (2010-2020)



The trend in the last decade widened the gap that harms minorities in the acquisition of homes, according to analysis from the National Association of Realtors, as Whites have increased their home buying power from 70.6% in 2010 to 72.1% in 2020. On the other hand, the home purchasing power of Blacks has been reduced as the possibility of purchasing a home decreased from 44.2% in 2010 to 43.4% in 2020. If we compare this group with the others, we notice that it was not only the one that grew the least in relation to Whites, but it was also the one that grew the least compared to the others within the minority group.

According to the United States Census Bureau 2020, Whites have the greatest possibility of buying a house which has been a constant for this group. The trend in house purchases in the last decade indicates that Whites increased purchasing by 1.5%, while among minorities, Asians increased from 58.51% in 2010 to 61.7%, for a total of 3.2% growth. Hispanics, despite being the minority with the highest number of people who buy a house with a high school education level equivalent to 19%, are the group that has grown the most among minorities since in 2010, the

number of buyers was equivalent to 47.3% and by 2020 increased to 51.1%, which implies a growth of 3.8%. This shows that Hispanics have the highest rate of home purchasing, even compared to Whites. While this data shows that minorities are making minor gains in home buying; the barriers are considerable and need to be addressed in policies and practices.

Literature Review

Upon my arrival in this country, I observed something that deeply struck me, the exorbitant number of churches. I noticed a church on every corner. I began to wonder why there are so many churches in a city. My investigation led me to the discovery that each ethnic group had its own church. I did not see different racial and ethnic groups sharing with each other. I noticed that people were segregating themselves by their race and ethnicity. When Europeans began colonizing the Americas, they found Indigenous people living and working in an entirely different way than they were accustomed. The Indigenous people had a different view about land ownership and a way of living more in tune with the land (Booth, 2003). The new arrivals from England began to occupy the land, to divide it amongst themselves, and claim to be owners of this stolen land. They brought their feudal system to this nation. As they were acquiring land, they were also displacing the Native peoples and bringing enslaved labor from Africa. It took more than two centuries before the enslavement of people was abolished. However, the struggle of Blacks to obtain opportunities to own land to work on and to have a roof over their heads continues today. The colonial mindset of segregation and othering made it difficult for minorities to acquire property or achieve the dream of homeownership. Black Americans began organizing in what, by the 1960s, was known as the Civil Rights Movement to end racial discrimination and gain equal rights, but it was not until 1968 that the federal government approved the Fair Housing Act as Title VIII of the Civil Rights Act of 1968 (Quillian et al., 2020). This law makes it illegal to refuse to rent, sell or negotiate based on race, color,

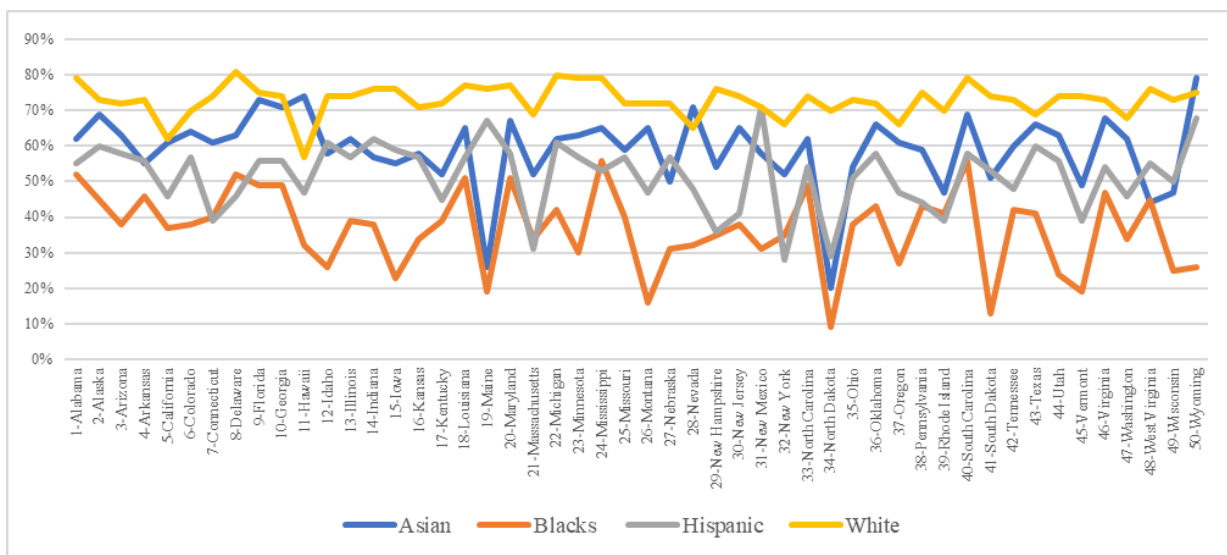
religion, sex, familial status, ability, and national origin. Today, we continue to see the influence of the history of segregation. This law was enacted to change the long history of disproportionately safe and adequate housing for White Americans compared to people of color, but did it succeed?

Illing (2020) stated, “as of 2016, the median wealth for black families was \$17,600; while the median wealth for white families was \$171,600.” McCabe (2018) indicates that as of today only 43% of African Americans and 46% of Latinos are homeowners, compared to 73% of Whites.

Buying a home includes the importance of housing as a tool for building wealth. This purchase is more than having a house; it is the way to move to a different social class, save money for uncertain times and retirement, finance children’s education, and pass equity to the next generation. But it is not easy for minorities to reach their goals because of numerous barriers. In addition to segregation and discrimination, there are other obstacles for minorities that limit the possibility of achieving the dream of acquiring their first home.

Figure 2

Homeownership Rate for Asians, Blacks, Hispanics, and White Americans by State.



The increase or decrease in home purchase rates is one determinant of the economy's health. It serves as a magnificent indicator of the purchasing power of a population (Chakrabarty et al., 2019). One way to analyze home buying behavior and, thus, economic health, is by state and by race or ethnicity.

Asian Homeowner Purchasing Power

Regardless of the percentage of the population that Asians make up in a state, Asians had the highest percentage of home purchases in the states of Wyoming (79%), Hawaii (74%), Florida (73%), and Alaska (69%). Meanwhile, the states in which the acquisition of homes by Asians is least reflected are North Dakota at 20%, Maine at 26%, and West Virginia at 44%. In states like California and Florida, Asians have a similar buying trend to Whites as Asians have purchased homes in California at a rate of 61% while Whites have purchased a home at a rate of 62%. Similarly, in Florida, 73% of Asians have purchased a house, and 75% of Whites have purchased a house.

Black American Homeowner Purchasing Power

The lowest home purchase rate by the state for Blacks is recorded in North Dakota, where only 9% of Blacks have purchased a home. Other states where Blacks have low percentages in home purchases are South Dakota (13%) and Montana (16%). However, the states in which Blacks have the highest percentages in terms of homeownership are Mississippi (56%) and South Carolina (56%), with the lowest rate compared to the rest of the minorities and Whites.

Hispanic Homeowner Purchasing Power

Only in New Mexico do Whites have the same percentage of home purchasing as Hispanics with both at a rate of 71%. It should be noted that New Mexico is the state with the highest percentage of home acquisition for Hispanics, while New York is where this group has the lowest percentage at 28%.

White Homeowner Purchasing Power

The highest percentage of homeownership by state is held by Whites in 46 of the 50 states. Only in three states are Whites surpassed by Asians. In Hawaii, Whites own homes at 57% and Asians at 74%. Furthermore, in Nevada, Whites have a rate of 65% home ownership and Asians have 71%, and in Wyoming, Whites are at 75% and Asians at 79%. Despite the many programs that are available for minorities, Whites continue to purchase houses at a higher rate than other groups in nearly every state.

Redlining/local zoning laws

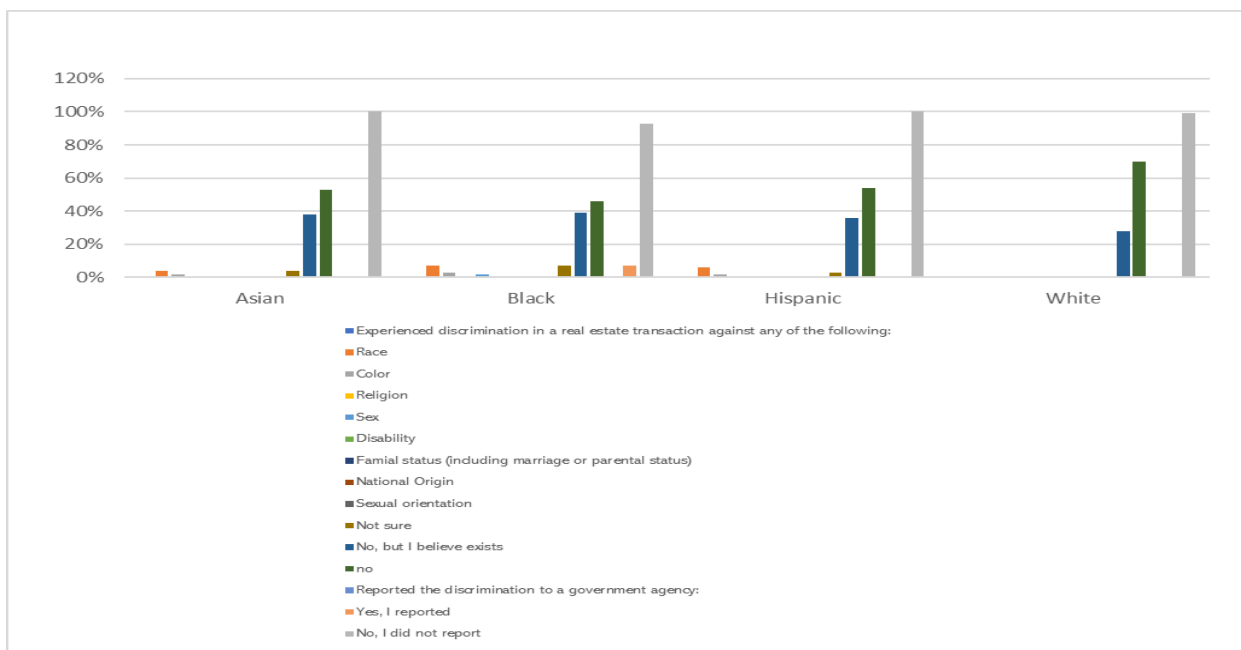
Redlining is an American social phenomenon which blocks the progress of minorities and their dreams of buying a home (Flournoy, 2021). It is a discriminatory way to segregate minorities from Whites through laws and statutes created by Whites to maintain control over minorities (Flournoy, 2021). It is a way to intentionally separate other races from Whites, steering them into segregated neighborhoods (Flournoy, 2021). These redlining practices extend into other areas of social concern to people of color. The main focus in relation to this policy issue is the housing problem; it also applies to predicaments such as health, education, work, health insurance, food, and much more (Flournoy, 2021).

Redlining, or housing segregation, was established by the federal government. Zoning laws enacted at the federal, state, and local government levels throughout the nation were a legal way to enact racism by these governments (McGrew, 2018). Zoning was initially established to separate the residential areas from commercial and industrial ones (McGrew, 2018). However, this type of practice was modified and gave way to the separation of communities by race (McGrew, 2018). This discriminatory practice is still affecting minorities, not just in the home purchase process but also in any type of advancement, such as job opportunities, health, education, and more (McGrew, 2018).

Racism, segregation, and redlining are intertwined such that minding one of them without including others is impossible (McGrew, 2018). Even though the federal government has tried to mitigate the homeownership possibility for minorities, in reality, they have been exacerbating the inequality between minorities and Whites because their programs have been providing more income and job opportunities to Whites over others (Flournoy, 2021). Despite the fact that redlining has been repeatedly exposed, it still persists in the housing market today (Flournoy, 2021).

Figure 3

Discrimination in Home Search and Reporting Discrimination by Race/Ethnicity

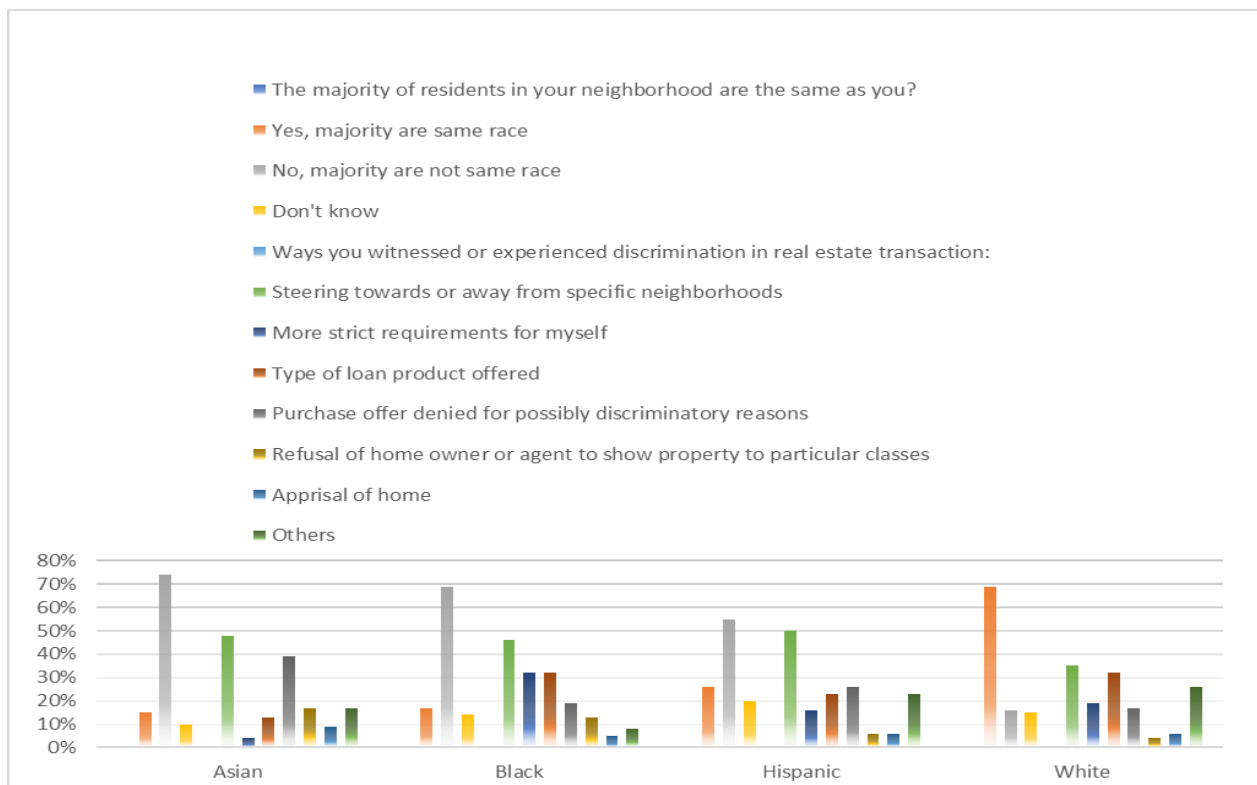


Racial-ethnic inequality is the main term with which we can define the homeownership disparities in the United States, according to Martinez and Aja (2020). Due to discrimination, Blacks and Hispanics, and minorities in general, are discriminated against due to their origin. Hispanics and Blacks report being discriminated against by 6% and 7%, respectively, when it comes to wanting to

purchase a home for reasons of their race. According to *2022 Snapshot of Race and Home Buying in America* by the National Association of Realtors, only 3% of Blacks report having been affected by discrimination because of their skin color, while 2% of Asians and Hispanics report being affected by discrimination because of their skin color (Yun et al., 2022). Only the equivalent of 7% of Blacks reported having been discriminated against for their race, while among Whites, 28% believe that discrimination does not exist, 70% of the respondents report not having experienced discrimination, and 1% are not sure if they have experienced it (Yun et al., 2022).

Figure 4

Neighborhood Residents and Discrimination in Transaction by Race/Ethnicity

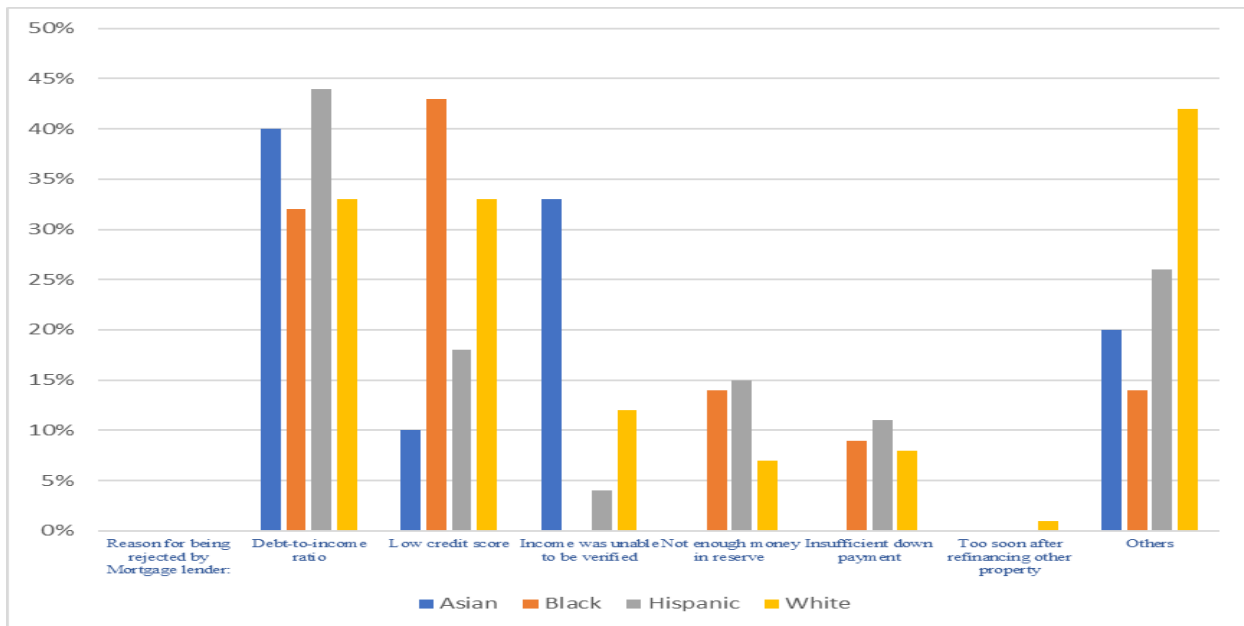


The Fair Housing Act was created more than fifty years ago with the purpose of stopping racial discrimination in housing. Six years later, the Equal Credit Opportunity Act (ECOA) was

enacted which, among other things, prohibits discrimination based on neighborhood racial composition (Quillian et al., 2020). However, discrimination persists, with 74% of Asians living where the majority are not of the same race. In comparison, 69% of Blacks and 55% of Hispanics report being steered toward or away from specific neighborhoods. The majority of Whites (69%) live in neighborhoods where everyone is of the same race, while Asians (15%) and Blacks (17%) are less likely to live in a neighborhood with the majority of their neighbors of the same race.

Figure 5

Buyer Mortgage Application had been Rejected by Mortgage Lender by Race/Ethnicity



Socioeconomic characteristics are considered by mortgage lenders. In fact, race and ethnicity are the main factors contributing to widening racial and ethnic gaps in home ownership and wealth (Butta et al., 2022). Underwriters decide whether to approve a mortgage loan based on gender, income, credit score, loan amount, and debt to income ratio, among other variants. People who are part of the minority are usually the most rejected; the main reasons are low income and low credit scores. Hispanics, at a 44% rejection rate, occupy the top spot, which shows that their debts are

very high in relation to their income; therefore, in the eyes of underwriters, they are judged as poor managers of their finances.

Asians have a 33% rejection rate, possibly due to non-verifiable income. Although many Asians are considered professionals, many of them are merchants, as established by the US Census Bureau. Blacks are the most rejected due to low credit score, with a 43% rejection rate.

Gentrification

Gentrification, according to Powell and Spencer (2003), happens when people with economic power move into new buildings located in impoverished communities making living conditions more expensive. It is a process that occurs over time when people of higher means move into an area of poverty and begin buying up residential and commercial real estate as well as rental properties, thereby raising the cost of the market in that area (Powell and Spencer, 2003). When gentrification occurs, it causes additional barriers that affect minorities' entry into their housing acquisition goal since when this effect happens, the price of real estate in the city or communities in which it occurs increases beyond affordability (Powell and Spencer, 2003).

Once this gentrification begins, it affects people with low income so that they are in need of moving to another place because of the increase in rent and home costs as well as the increase in basic services such as food, education, health, and transportation (Ghaffri et al., 2018). Minorities are terribly affected by this process since the amount they prequalify for when purchasing a house will not be enough to acquire real estate in a good neighborhood; they have to choose to buy in a place at a lower socioeconomic level (Ghaffri et al., 2018).

Hispanics, which make up the largest minority, are more likely to buy houses in poor neighborhoods instead of neighborhoods with better economic conditions (Din and Hemphill, 2021). It is important to consider when acquiring a house, it is not only to buy or invest in real estate, but this

acquisition also comes with expenses that are associated with the place where it is located (Din and Hemphill, 2021). Minorities often take transportation into consideration when acquiring a house. They try to find a property located in a neighborhood where basic services are within walking distance since, in some cases, they do not have means of transportation, or only some of them have the possibility of buying a vehicle. Therefore, neighborhoods are chosen where everything they need exists near public transportation, allowing them to reach their places of employment, schools, supermarkets, as well as health and other services. Minorities take these situations into account when they begin their process of searching for housing, and sometimes these realities affect them in their decision making. Gentrification negatively affects minorities and poor neighborhoods, causing displacement and reducing the economic growth of those who have fewer resources (Din and Hemphill, 2021; Ghaffari et al., 2018).

Debts-Credit Score

Other barriers affecting minorities' ability to buy a house are debt and credit score factors, moreover, education regarding forming a bank relationship. Minorities, who can also be immigrants to the US, in some cases, have not experienced the bank-client relationship before arriving. It may be the case that in their former countries, it is not necessary to have a previous banking relationship to obtain a banking service. In the United States, having a banking relationship not only opens the doors to acquiring a simple proof of address but also operates a range of possibilities that facilitate the financial lives of those who manage this relationship.

According to Agarwal et al. (2018), the main role of a bank institution is to provide loan services to its customers. However, this benefit is not obtainable if a relationship is not established beforehand. This relationship starts in any institution with opening a simple checking or savings account to begin a financial life, which is the means of establishing credit. Some immigrants need

education in how banking works in the US. The timing of banking relationships is a vital factor and is considered by banking institutions along with proper management of their accounts. All these factors are shared among banking institutions, which have an internal credit reporting system. Once clients establish credit with a banking institution, they begin to have a financial history. This entails taking care of their accounts, avoiding overdrafts, maintaining a constant balance, paying on time, not using more than 30% of the balance of credit cards, and keeping an adequate number of credit lines according to income. Clients who maintain a previous banking relationship with a banking institution are less likely to incur debts that they cannot pay to the organization (Agarwal, 2018). Once the person has established credit, the information is reported from lenders to the two most common external credit scores industry-standard, FICO (Fair Isaac Corporation) and Vantage, both of which have information from Expedia, Transunion, and Equifax. The credit bureaus allow banking institutions to have direct access to the information of their account holders, such as credit card numbers, non-bank credit cards (such as store cards), balances of the same and their limits, Home Equity Line Of Credits (HELOC), mortgage balance, student loans, personal loans, auto loans, length of the relationship, balances, open credit lines, and credit cards and accounts closed (Agarwal et al., 2018).

Banking institutions usually offer written materials to clients with information about products, account management, and financial details, as well as information about the benefits of online banking. A healthy banking relationship is vital to achieving the goal of acquiring a home, and to the extent that minorities strengthen this bond, it will no longer be a barrier that prevents them from reaching their goal of buying a house.

Language

Definitely, the limitation of being proficient in English is a disadvantage that affects many immigrants, part of the minority in the US. Golding et al. (2018) states that about 5.3 million heads of households in the United States speak little or no English. Homeownership is the main tool for people to build wealth or gain financial stability (Golding et al., 2018). Spanish-speaking immigrants are the largest minority group in the country, followed by Chinese, Vietnamese, Korean, Filipino, Arabic, Russian, Haitian, Portuguese, and French. The fact that these ethnic groups contain high percentages of people unable to communicate in English makes it more difficult for them to understand the home-buying process in this country and the necessary steps to acquire it.

Despite the fact that the Federal Housing Finance Agency (FHFA) announced in October 2017 that the documents generated by banks for the purchase of homes could be generated in the borrower's preferred language, thus even though documents can be translated, this does not necessarily remove the language barrier for those with limited English language abilities. This is because there are many layers to this process, with each having documents that may or may not be translated (Golding et al., 2018).

Limited English Proficiency (LEP) is one of the barriers that many have to overcome. This obstacle prevents this group of people from advancing financially and economically since it makes it difficult for them to do many things, among which we can mention generating a good income, maintaining a bank account, building wealth, and buying a house (Nan et al., 2022).

Education

The subject of education in the field of acquisition or home purchasing in the United States is less about the educational achievement level of the future borrower but rather the knowledge that must be acquired by first-time homebuyers during and after having made this purchase.

Notwithstanding the fact that being better educated often means a higher level of income which plays a critical role in the home buying process. According to the Department of Housing and Urban Development (2022), the down payment process is one of the most common barriers to achieving the acquisition of a house. However, the biggest obstacle is the lack of knowledge about the importance and value of having good credit to be able to buy your house (Murray, 2002). Without the necessary education and knowledge of what it entails to own a property and, of course, the benefits of having good credit, many of those who make up the minority find themselves facing a plethora of predatory lenders presenting poor loan choices and subprime markets.

According to Murray (2002), the main reasons why minorities are not approved when trying to acquire a suitable loan is due to their low income/high debt in relation to their income and poor credit score. The federal government has provided millions of dollars so that nonprofit agencies across the country can reach underserved and minority communities and educate them on how to buy their home and maintain that investment. At the same time, this increases the number of buyers nationwide. Community agencies have to be approved by the Department of Housing and Urban Development (HUD) agency to facilitate educational classes for first-time homebuyers.

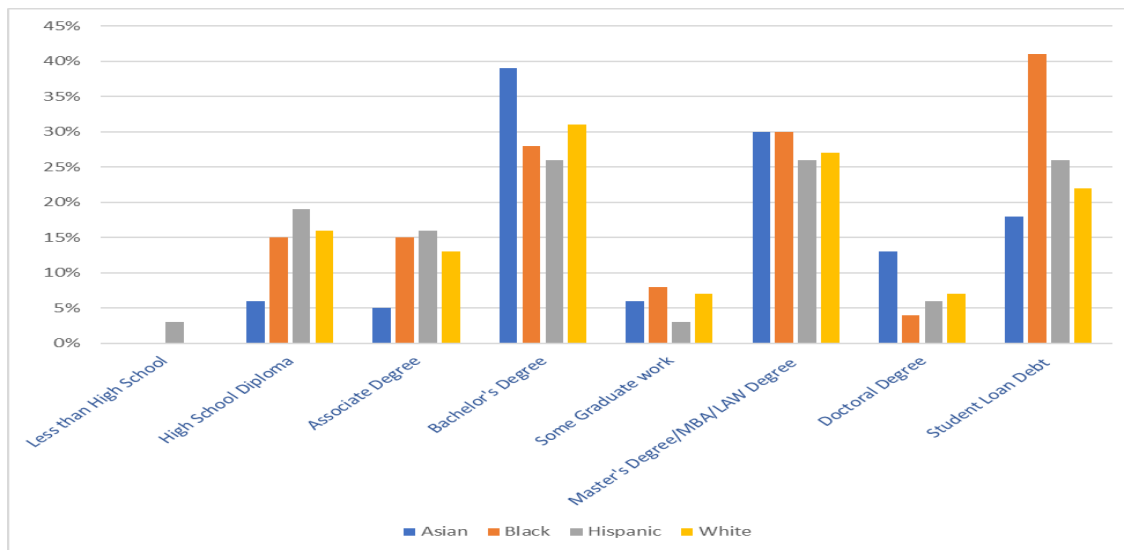
Part of teaching consists of educating about predatory home mortgage lending and subprime mortgages. Furthermore, they must have HUD-certified counselors to provide counseling for all those future home buyers whose credit is not ready to start their home buying process, preparing them to manage their finances by instructing them on how to create a budget, wise cash management, savings, and expense management, among others.

Once people are ready to start their home-buying process, they are oriented with classes provided by a Homeownership Counselor that offer information with the help of speakers like lenders, real estate agents, lawyers, home inspectors, and representatives that provide information

about other home purchase fields like state programs for first-time home buyers, insurance, home appraisal, local down payment assistance programs, lead removal, repairs, and loan for repairs, the value of comparing estimates, and much more. The education that the future home buyer acquires will depend on the capacity to select the right loan that fulfills their need and lets the borrower build wealth in the future. Education also will help them learn about the different documents to sign, the questions to ask, and whom to ask. It is shown that once a future buyer acquires the knowledge offered by the classes and counselors, they are more prepared to start the homebuying process and will definitely have a better chance of being a successful homeowner.

Figure 6

Education Level of Household by Race/Ethnicity



A person’s formal level of education is closely linked to purchasing power since the professional income factor is decisive for acquiring resources and investing. Asians and Blacks are minority groups that make up 1% or less of homebuyers with less than a high school education level, whereas 3% of Hispanics/Latinos are able to purchase a house despite not having a high school diploma. The majority (94%) of Asians who buy a house have more than a high school education, while Blacks with less than a high school education are not purchasing houses. Many

Blacks who choose to go on to higher education have to take out loans to pay for that education. They may not have resources such as family money or savings to use for this purpose. In fact, Blacks carry the greatest median student loan debt (\$45,000), while Asians have the least (\$24,400).

Income

According to Uunk (2016), economic inequalities are common between the White population and minorities in the United States. Despite the fact that many minorities sometimes have two or three jobs, their income level is not enough to facilitate the possibility of acquiring a home. There is a gap in terms of the acquisition of mortgage loans granted to minorities by lenders since they prefer to qualify those belonging to the population born in the United States rather than those of minorities who are immigrants. For banks, it is easier to grant a loan to a person born in the US with a low income than an immigrant with a higher income since they consider immigrants a population with a high-risk rate for default (Uunk, 2016).

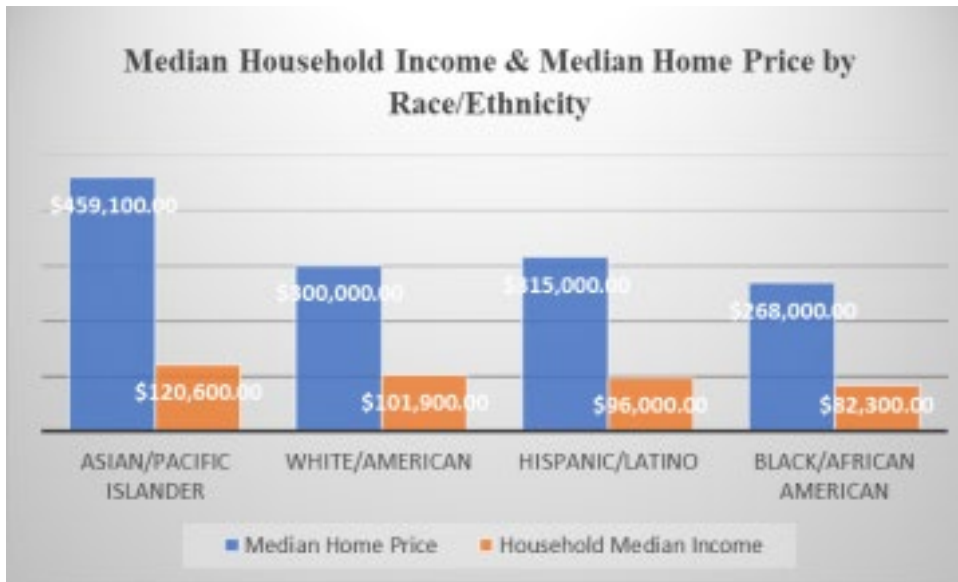
Sadly, immigrants with higher incomes are attractive to lenders and banks because they usually sell expensive mortgage products to this target. The demographics of being a minority and even more so of belonging to a group within it, which is that of being an immigrant, impacts in multiple ways the moment of wanting to start the home-buying process. For this reason, immigrant minorities are less likely to be homeowners than the White population. Minorities, but especially within this immigrant subgroup, regularly have fewer financial resources than the rest of the US population, as they have had to build their economy by growing from the bottom, with lower wages than White Americans and minorities born in the country (Uunk, 2016).

A low income can be a significant barrier for minorities to achieve their goal of being homeowners, but it should be noted that within this group, there is a subgroup of immigrants who have the ability to earn a better income. This subgroup will have a better chance of buying a home

than those with a lower income. Therefore, professional training in immigrant populations is vital for economic growth, despite not reaching the levels of other groups, such as Whites or the rest of the minorities born in the country.

Figure 7

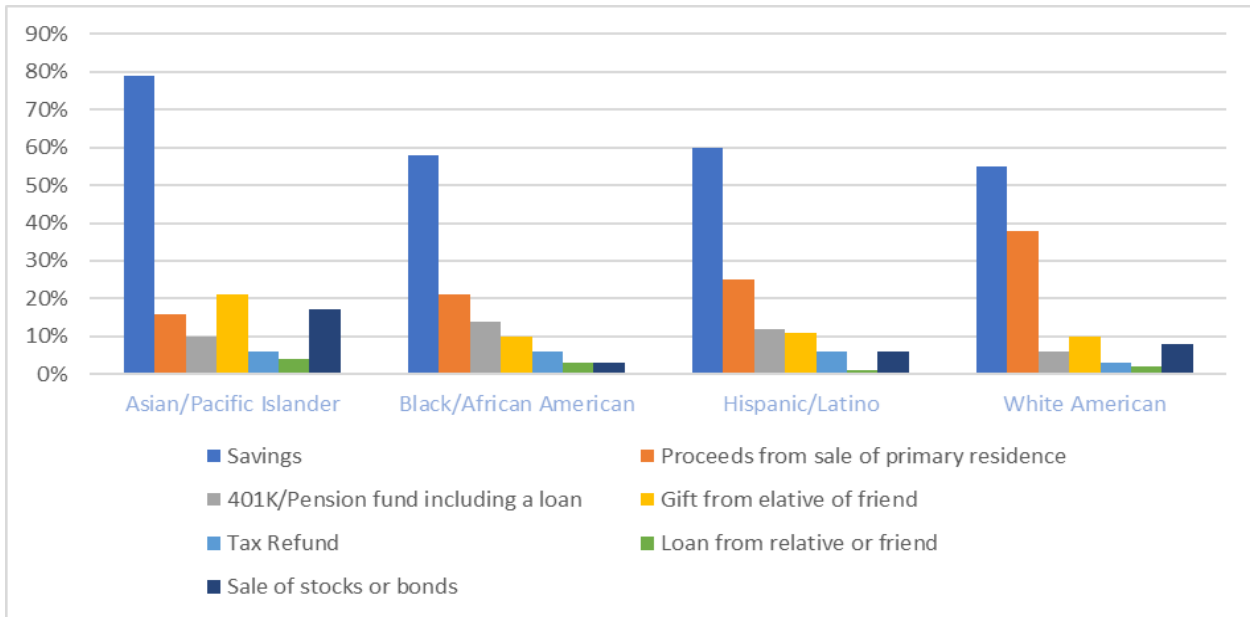
Median Household Income and Median Home Price by Race/Ethnicity



Income, credit, savings, and down payment are the most important factors in unlocking the possibility of becoming a homeowner. Asians have the highest income and spend the most on house purchases, and they also use savings as the source of the down payment 79% of the time. This is about 20% more than any other group. Despite being the group with the lowest income, Blacks use savings 58% of the time. They use funds from the sale of a previous home at a rate of 21% and 14% use money from their retirement plan for such purposes (Figure 7). Whites and Hispanics exhibit nearly the same levels of purchasing power, and the group with the least amount of purchasing power is Blacks.

Figure 8

Source of Down Payment by Race/Ethnicity



When considering all ethnic groups, Asians are the group most able to invest in the purchase of a house using their savings. It should be considered that they may have this ability particularly due to a primary factor such as a high income (Figure 7). Asians are the biggest savers, as 79% use savings for their down payment. Hispanics use funds from the sale of a previous house at a rate of 25%, whereas Whites do so at a rate of 38%. Blacks use withdrawals from their 401K funds the most at a rate of 14%. Asians benefit the most with gifts from relatives, with 21%, and they are also the ones that have used the most sales of their stocks or bonds, with 17%, to invest that money in the purchase of a house.

Minorities and Mortgage Loans

According to Ratner (1997), immigrants, unlike minorities in general, have obstacles since the form of the financial system they know in their countries and the process of buying a house is completely different from their nation. Furthermore, the language barrier also affects them for the

purposes of negotiating the purchase of their home. Unlike the immigrants from India and some Asian countries, who are mostly fluent in English and have a high level of education, other immigrants, especially those who do not have professional or business careers, find it more difficult to overcome those obstacles. Moreover, Ratner (1997) established that the minority corresponding to immigrants suffer a cultural gap, biases, and misunderstanding when they approach a mainstream financial institution. However, to help minorities achieve the goal of owning a home, different programs have been created that are endorsed by the FHA and others like Freddie Mac and Fannie Mae or conventional loans. These programs, in addition to being the best known nationwide and the ones that banks offer the most, are not the only ones on the market. There are more than 2000 types of loans or programs for first time buyers which are provided at the federal or state level.

Not all programs are available in all 50 states, nor do all people have access to them since even though they are designed for low-income borrowers, not everyone qualifies. The vast majority of the following mortgage products were designed to address the needs of minorities and to reduce the disparities by providing them access to affordable mortgage programs like the following:

Federal Housing Administration (FHA) Loan

FHA loans are provided to the public by private lenders under HUD supervision and the Private Mortgage Insurance (PMI) imposed upon the borrowers to receive this loan allows a higher loan to value and lower monthly payments, which makes it attractive for FTHB, young people, borrowers with low credit and high debts (Yezer, 2006). According to McCarty et al. (2019), the “(FHA) was established by the National Housing Act of 1934 (P.L. 73-479). Today, it is an agency within HUD that insures private lenders against losses on certain home mortgages.” This mortgage requires a credit score of 500-580 and a down payment of 3.5% to 10%; depending on credit score, they have a 3.5% down payment option for those with credit scores of 580 or above. If the credit

score is between 500 and 579, people can still get approved for an FHA loan but will be required to make a 10% down payment. For this type of loan, the borrower will have to pay PMI or Private Mortgage Insurance.

Veteran Affairs (VA) Loan

Contrasting with the rest of the mortgage loans, it has a credit score according to what the lenders or banks wish to establish, and it is not necessary to make a down payment. This loan is specifically for veterans, and to qualify, the borrower must be an active or retired service member or spouse. VA loans are backed by the US Department of Veterans' Affairs and are issued by private lenders. To qualify for a VA loan, the veteran needs to provide a Certificate of Eligibility and have a verifiable income. This loan has a variable interest rate which starts at 1.4% and 2.3% and can be typically rolled into the loan amount (McCarty et al., 2019).

United States Agricultural Department (USDA) Loan

USDA loans are available for applicants purchasing a home in a designated rural area. These loans have a minimum credit score requirement of 640 and a 0% down payment. USDA loans do not require PMI but do have a 1% upfront funding fee due at the time of closing and a 0.35% annual fee that will be built into monthly mortgage payments. This fee cannot be canceled once you reach 20% equity, contrasting the conventional loans offered by Freddie Mac and Fannie Mae, which do not have this fee (McCarty et al., 2019).

Fannie Mae Conventional Loan

The Fannie Mae Conventional Loan is one of the most common types of mortgages in the US; it has a minimum of 640 credit score requirement and a 3% down payment, with 15- and 30- year fixed mortgages being one of the most popular. It is not backed by the government like FHA, VA, and USDA loans but, instead, is backed by banks and the lenders themselves. A conventional mortgage

allows borrowers to put in as little as a 3% down payment. Mortgage Insurance Premium is required if less than 20% down is made at closing. However, mortgage insurance can be canceled once 20% of home equity is reached.

To qualify for a Fannie Mae Conventional Mortgage Loan, borrowers must have a credit score of at least 620 for a fixed rate and 640 for adjustable-rate mortgages. This type of loan has a conventional loan limit for a single unit in the amount of \$647,200, unlike the other mortgage loans that do not impose a maximum figure or cap for the home purchase.

Fannie Mae HomeReady Loan

The Fannie Mae HomeReady Loan is designed for low-income borrowers. This mortgage loan program is similar to the Freddie Mac Home Possible program, but it is easier to qualify. The HomeReady Mortgage program requires only 3% down and a minimum credit score of 620. Also, future borrowers have to complete a homeownership education course called the First Time Home Buyer Seminar. Unlike the FHA loan, this program does not place geographical restrictions on mortgage limits. Grants and gifts from nonprofit organizations, churches, or family members to help fund the down payment are permitted, and no minimum personal funds are required. PMI is required if the down payment is under 20%, and mortgage insurance is canceled once 20% home equity is reached.

Freddie Mac Home Possible Loan

The Freddie Mac Home Possible Loan is a conventional loan that is not backed by the federal government, similar to Fannie Mae loans. This program offers great benefits for first-time homebuyers. The Freddie Mac Home Possible Loan program only requires a 3% down payment but does require a minimum credit score of 660. To qualify, the home must be located in an underserved area, or one's income must be no greater than 80% of the median income. PMI is

required if the down payment is under 20%. And, like Fannie Mae, mortgage loans can be canceled when 20% of the home equity is reached.

Good Neighbor Next Door Loan

The Good Neighbor Next Door Loan is a federal loan mortgage program that incentivizes primary and secondary school teachers (from pre-K through 12th grade), law enforcement officers, emergency medical technicians, and firefighters with a 50% discount on a property's listed price. This program offers down payments as low as \$100 and requires a credit score as low as 500-580. The borrower must agree to live in US Department of Housing and Urban Development-approved revitalization areas for 36 consecutive months to receive the discount.

Energy Efficient Mortgage

The Energy Efficient Mortgage (EEM) was created by FHA to assist borrowers in qualifying for a larger loan amount and finance energy-efficient improvements to the home. This mortgage loan usually acts as a second lien; credit score and down payment will vary depending on the market. To qualify, an energy assessment is required, and the result will provide suggestions on how to lower the home's energy use.

An EEM can be used in conjunction with other mortgages like conventional loans, FHA and VA loans, as well as refinancing. Further, a larger down payment is not a requisite for additional funding, nor to requalify.

Theories

Critical Race Theory

Theories are the ways in which we can analyze social phenomena. They also can support different perspectives to find adequate solutions to social issues. According to Delgado & Stefancic (2017), Critical Race Theory (CRT) looks at race, racism, and power dynamics among the races incorporating facets of many areas to see these issues from a wider historical perspective. The United States is a country that was founded on the ideas of White supremacist culture. It is the very fabric of the nation. Indigenous peoples, here long before the Whites, faced both physical and cultural genocide when the colonizers arrived. These foundations are still seen today as Whites are afforded privileges while Blacks and the rest of the minorities are subjected. Laws and the social construct of race were invented for White people to oppress people of color. It is a racist idea to pre-select who can do manual jobs and who can do professional jobs, who can get lower interest real estate financing, make a difference in home appraisal depending on who owns the house, segregate minorities diplomatically, or how to reallocate federal, state, and local funds by race, as well as taking advantage of how laws are enforced as White people and minorities face differences in the systems (Lopez, 1994).

People are not born racist; they are taught by adults through their actions and words. However, people cannot assume that they are treated with racism due to isolated events resulting from irrelevant situations, as explained by Delgado & Stefancic (2017). Yes, racism exists in our society, but there are also people who, regardless of color, care about their peers.

Since its very foundation, this country has been based on social division according to race, disparity, segregation, oppression, and exclusion made towards Blacks and minorities in general. Although today, some want to deny that all these predicaments continue and we live with them

permanently in our society, for each of these reasons, it is impossible to deny the culture of White supremacy in America (Delgado & Stefancic, 2017).

Racism continues to be a curse in our society, and its existence is intended to stop the advancement of Blacks, and I would rather say that; moreover, it tries to stop the advancement of everyone who is not White. As an example, at the financial level, Blacks have up to 40 points of difference in their credit score in relation to Whites. In terms of employment, Whites are generally going to have better pay than Blacks, people of color, or minorities that are still doing the same job (Bell, 1995).

Some privileged social groups do not want it to be known that racists are bothered by the advancement of Blacks and the rest of the minorities and that they may be more intelligent (Bell, 1995). Historically, it has been shown that many race riots in this nation have been caused by the indignation of Whites at the success that Blacks have been able to achieve. Some Whites agree to see a Black person in a good economic, political, or social condition as long as it is not better than theirs.

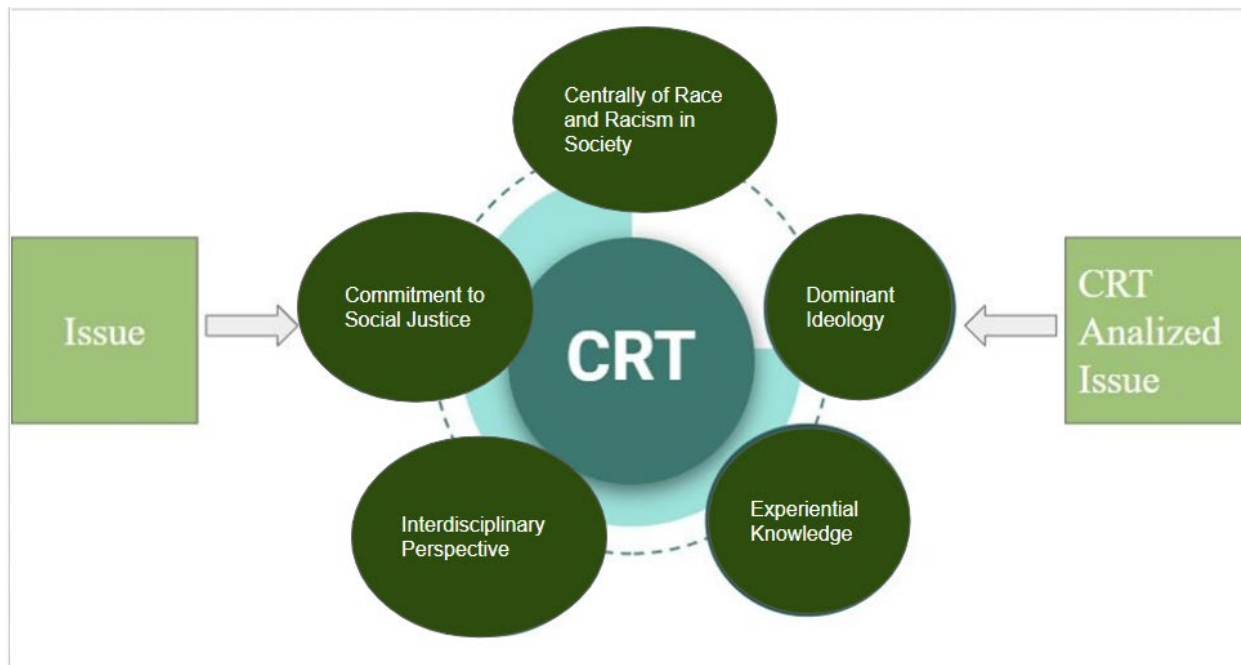
Some groups have the intention of stopping the teaching of CRT in college and universities in order to stop the advancement and, in turn, the right that each individual should have to know and apply social justice. CRT is about the recognition of the racism in our society and the struggle that Blacks and minorities must maintain as a race and oppressed groups in order to advance in the struggle to bring to light the racism that they try to hide behind the different social ramifications created and commanded by Whites.

Critical Race Theory brings to our days the social connection between the past and the present through the analysis of inequities, disparities, injustices, and racism, with the intention of creating changes in the system and in our society. It is a way to teach Whites about the implicit biases contained in them where they subconsciously believe that minorities are less than them, which

continues the systems of oppression in place. It teaches how racism is pervasive in schools, neighborhoods (where they try to segregate), and in places of employment while at the same time, they make minorities think that it is a belief and that it is not real. CRT is a way to educate, empower, and increase empathy in our society through the promotion of social justice and a fair housing market.

Figure 9

Critical Race Theory Issue Analysis



Conflict Theory

The Conflict Theory is a socio-political system with roots in Marxism, created by Karl Marx, a German theorist. Marxism seeks to explain the political and economic events that have to do with the constant struggle over material resources. According to Marxist theory, capitalism is responsible for the appearance of disparity since industrialization gave way to material acquisition and a society divided into two classes based on ownership. Marx points out the antagonistic relationship that has been waged many times between the bourgeoisie, what today would be the rich class or the class of

power, and the proletariat, what we know as the working class, nowadays the people less fortunate, the poor, the disadvantaged group (Hunter & McClelland, 2020).

Conflict theory maintains that the social order is achieved due to the supremacy and dominance exercised by a class of power over a class whose rights are restricted and whose progress is constrained. This theory also establishes that social problems arise from the lack of structures in society that reinforce inequities based on social class, race, gender, language, color, sex, ethnicity, and other components. Social groups will have different interests depending on their social position (Hunter & McClelland, 2020). Conflict Theory examines the differences between the White empowered class and minorities. The obstacles that even today minorities have to face to achieve objectives that allow them to advance in society, such as getting a better job, access to education, food, health, acquiring a home, etc., are not new. These have been continuous throughout history since material possession led to the differences between humans and gave way to social classes. The disparities that affect minorities and delay their progress to grow economically and stop their purchasing power and ability to purchase a home are nothing more than a reflection of the social problem which is intrinsically embedded in social structures to reinforce inequities, segregation, racism, and oppression.

Recommendations and Implications

Minority populations will continue to increase in the United States. It is interesting to see the ability they have to take on challenges, overcome obstacles, be resilient, focused, willing to achieve their goals and expand their limits through knowledge and preparation. However, they continue to face adversity as the policies, created, executed and imposed by laws, hinder their progress.

Nevertheless, minorities are hungry to move forward and pursue their dreams, and one of the best ways to achieve that advancement is by acquiring homeownership status. According to McCabe (2018), 9 out of 10 homeowners feel satisfied that they have achieved their dream of owning a home. Furthermore, once that goal is reached, people feel happy because this acquisition adds stability, security, and the ability to change their economic and financial status, including their future generations. According to what we have seen, this process remains quite difficult for minorities who, unlike Whites, have to overcome obstacles to achieve their dream of owning a home.

Minorities may encounter several barriers to becoming a homeowner, such as redlining, gentrification, language, education, and income, among others. These barriers must be solved by means of the redesigning and restructuring of policies while at the same time eliminating policies that support inequalities, racism, segregation, disparities, and discrimination. Therefore, it is imperative to start with modifications of social policies at the federal, state, and local levels so that, in this way, it is easier for minorities to reach their goal of being homeowners.

Federal Level

The Federal Housing Act, enacted more than 50 years ago during the presidency of Lyndon B. Johnson, needs to be revised and re-edited. This policy was created to reduce permeative racial intolerance by prohibiting discrimination based on color, national origin, race, religion, sex, familial status, or disability (Quillian et al., 2020). However, currently, there is evidence that discrimination

persists conclusively in the housing sector. Despite the fact that the federal agency HUD, which is in charge of enforcing the policies derived from the Fair Housing Act, monitors the banking and government institutions related to the housing sector and imposes laws to avoid discrimination, it is still latent in the banking sector, real estate, housing development, housing inspection, mortgage rates, underwriters' results, and home appraisal evaluation. One way to end the breach of this policy should be to integrate more minority people into the parties that are in charge of overseeing and enforcing these policies.

The federal agency HUD should create a group made up of minorities to supervise the decisions of the banks, especially in the area of approval of the interest mortgage rates for minorities, as well as for the review and evaluation of the decisions and requirements that the underwriters apply to minority mortgage applications.

It is necessary to restructure the federal programs that provide different mortgage programs to minorities, such as Federal Housing Administration (FHA) and its federal mortgage programs, as well as the Federal Housing Finance Agency (FHFA), which handles conventional home loans. These programs need to be more flexible and accessible to minorities. These federal programs must have a solution to the three main obstacles that minorities face when trying to acquire a house which are a low to moderate income, lack of savings to afford a down payment and closing costs, and poor credit history. Therefore, they must be reviewed so that they can comprehensively overhaul their programs to eliminate the barriers that stop minorities from becoming homeowners. The major barriers can be resolved if the federal government narrows the disparity and inequality gap that exists between White and minority wages.

State Level

Addressing minority income inequalities at the state level is imperative, as this is one of the

obstacles preventing them from advancing their home-buying goal. As long as there is such a large income gap between Whites and minorities, this problem will not allow for the economic advancement of minorities. Each state policymaker should abide by the federal modifications if a comprehensive overhaul were put into operation, in addition to ensuring intensive supervision over realtors and banks to avoid redlining, segregation, inequality, and disparity in minorities when they try to acquire a home.

State legislators need to enact laws that prevent minorities from being scammed by mortgage brokers and independent companies (predatory lenders) that provide mortgages to minorities, which abuse this group by selling them high-interest mortgages. Legislators need to ensure more funds are available at the state level to educate minorities about the home buying process, predatory lenders, subprime markets, mortgage loan programs, and the home buying process in general.

Regulating the costs of the housing market at the state level, as well as increasing the construction of affordable housing so that minorities at a low-income level, poor credit scores, and low savings can have the option of acquiring fair housing that guarantees them a roof for their family. Providing more funds for First Time Home Buyers (FTHB) mortgage programs and educational agencies and making sure that they make fair use of the money are also important.

Local Level

Local authorities must ensure that their citizens are not scammed by predatory lenders. They must issue local laws that make people who are disguised as mortgage brokers, who abuse the ignorance of minorities, pay for this criminal activity.

Lowering local taxes for minorities would assist in addressing the inequities of wages. With a different tax payment percentage, minorities would have a stronger earning potential and improve their earnings ratio for home ownership. However, this does not take into consideration that, at the

moment, minorities do not receive a comparatively equal income to Whites. Property taxes should be based on income. Distributing local funds to agencies that provide classes for first-time homebuyers and developing publicity programs that inform the population about the existence of such agencies so that minorities take advantage of them can also allow first time homebuyers to achieve their goal. They also ensure homeowners can keep their home by receiving education and counseling about how to avoid losing their home if they refinance or take out a home equity loan. These classes should include topics such as money management after the home purchase, how to complete home enhancements, how to save for emergencies, and how to shop around before making money decisions about their house.

Conclusion

Research and existing data show that homeownership remains out of reach for many minorities, despite existing policies and programs. Minorities continue to face barriers all along the process that stop them from moving toward the progress they deserve.

The United States is supposed to be a country of equal opportunity with a so-called “pursuit of the American Dream,” but at any step of the home-buying process, minorities may encounter subtle, unforeseen delays that in some cases, halt progress toward their goal. Programs, which are intended to help by providing the necessary solvency for preparation and subsidy for the acquisition of houses, create obstacles which must be overcome for minorities.

The agencies and the policies Whites have established to set the guidelines should be reviewed in a way that they will provide genuine support for minorities such that changes in these policies are executed successfully. This will require that more people of color are in positions of power. Otherwise, the advantages minorities have been trying to achieve will continue without much success.

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