How Much Can Downpayment Assistance Close Homeownership Gaps for Black and Hispanic Households?

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Executive Summary

The persistently wide homeownership rate gaps between Black, Hispanic, and white households mean that households of color are disproportionately excluded from the many potential financial and social benefits of homeownership. These inequalities did not appear overnight but rather are the result of past and present policies and racist housing practices that specifically excluded non-white households from owning homes. Addressing these inequalities calls for new policies and programs to support homeownership for these historically disadvantaged households. Downpayment assistance is one such program that has the potential to overcome a lack of savings, which is one of the most significant barriers to buying a home and is a consequence of the historical barriers to homeownership among people of color.

There has been growing interest in expanding downpayment assistance efforts, with a notable example being the Downpayment Toward Equity Act of 2021 that would have provided up to $25,000 in downpayment assistance for first-generation homebuyers. The purpose of this paper is to assess how many Black and Hispanic renters would be able to purchase a home in their market area with this level of assistance. The goal is to evaluate how much of the current shortfall in homeownership relative to white households might be closed through such a program and in what geographic areas this level of assistance would be most effective.

Of course, a lack of savings is just one of many barriers facing Black and Hispanic households looking to buy a home. Low incomes, low credit scores, and lack of familiarity with the homebuying process are other important barriers facing potential homebuyers, in addition to the limited availability of affordable homes for sale in a tight market. However, the data available from the US Census Bureau's American Community Survey to assess the potential for individual renters to purchase a home does not include credit histories or wealth. Consequently, this paper focuses on a single barrier, that of monthly income levels, as a limiting factor in how much downpayment assistance can do to increase Black and Hispanic homeownership rates and reduce homeownership rate gaps with white households. Thus, the paper identifies Black and Hispanic renters who have sufficient income to purchase a moderately priced home and so could buy with the help of downpayment assistance to meet the need for cash at closing. We refer to such households as being 'income-ready.' However, we limit the potential gains in Black and Hispanic homeownership to match the white homeownership rate by income in recognition of the fact that not all renters would want to buy a home and the white rate represents a reasonable expectation of a target rate for renters of color.

Employing standard underwriting assumptions for a mortgage backed by the Federal Housing Administration, this study finds that $25,000 in assistance would, indeed, be enough to cover the required minimum 3.5 percent downpayment on a home priced at 80 percent of the median home price in every state except Hawaii. This assistance could potentially make homeownership possible for 1.1 million income-ready Black and Hispanic renter households in the prime first-time homebuying ages of 25-55. If each of these 700,000 Black and 400,000 Hispanic households were to purchase a home, Black and Hispanic homeownership rates nationwide would rise by 8.0 percentage points and 3.2 percentage points, respectively. These significant increases in the Black and Hispanic homeownership rates would, however, still be just a partial reduction in the Black-white and Hispanic-white homeownership rate gaps of 31.8 and 20.6 percentage points, respectively, for households in this age group as measured by the 2021 ACS.

The potential impact on Black and Hispanic homeownership would vary by state. The shares of Black and Hispanic renter households who were income-ready for homeownership range from a high of 24.5 percent in Mississippi down to just 1.3 percent in California. In general, states where the highest shares of Black and Hispanic renters are income-ready for homeownership have relatively low home prices and high shares of middle-income Black and Hispanic renter households. States with the lowest shares of income-ready Black and Hispanic renters have relatively high home prices and relatively high shares of Black and Hispanic renter households with very low incomes.

The potential impact on Black and Hispanic homeownership would also be mostly among higher-income Black and Hispanic households, with very little impact on low- and moderate-income households—particularly in high-cost coastal states like California and New Jersey. Specifically, Black or Hispanic renters earning less than 80 percent of AMI could afford a moderately priced home only in a small number of states with the lowest home prices, whereas in high-cost states virtually all income-ready households would need to earn over 120 percent of AMI.

Adjusting some of the lending criteria could help increase the impact of the assistance on Black and Hispanic homeownership, but at the expense of increasing the monthly cost burdens. Raising the assumed maximum allowable monthly debt-to-income ratios for affordability from the 31 percent used in this base analysis to 41 percent would increase the number of income-ready Black and Hispanic renter households from 1.1 to 1.4 million households. Raising the limit to 51 percent would further increase the number to 1.7 million. While expanding the reach of these programs to enable homeownership, each of these scenarios would fall short of creating the roughly 2.8 million additional Black and Hispanic homeowners needed to eliminate homeownership rate gaps with whites for this age group within each state and income level.

All told, the intervention of $25,000 in downpayment assistance would go a long way toward removing a significant barrier to Black and Hispanic homeownership. It could potentially increase Black and Hispanic homeownership by over 1.1 million households, and by up to 1.7 million households under more lenient affordability standards. Flexible financing would enable some additional households to own homes, but the impact of any downpayment assistance effort on homeownership rate gaps would be limited by the high share of Black and Hispanic renter households whose incomes still would not support ongoing monthly homeownership costs. The analysis does, however, suggest the potential benefit of downpayment assistance programs to higher-income Black and Hispanic households—those earning 80-120 or even 120 percent of area median and higher—for whom barriers other than income are the main deterrent to homeownership. Shared equity programs and special purpose credit vehicles able to direct benefits to Black and Hispanic households as disadvantaged groups are pathways for downpayment assistance programs to increase homeownership sustainably.

Introduction

Since the spring of 2020, a series of high-profile murders of African Americans have brought the issue of racial inequality to the forefront of public discussion in all spheres of US society. While injustice in the legal system is salient and devastating, disparities in access to decent, affordable housing in healthy, safe and productive neighborhoods are also critically important given how foundational homes and neighborhoods are for overall well-being. Indeed, there are large and important racial disparities in housing affordability, the incidence of experiencing homelessness, and the rate of homeownership, reflecting the long history of racial discrimination in all aspects of US society.[1]

Of these critical housing issues, racial differences in homeownership have attracted particularly significant attention by policy makers, advocates and the housing and mortgage industries over the past year. And for good reason. According to the American Community Survey, Black households have homeownership rates that were 29 percentage points lower compared to white households in 2021—a gap that was even larger than the 24-percentage-point gap in 1970 shortly after the Fair Housing Act was passed in 1968.[2] Hispanic households have fared little better, with a 23-percentage-point gap in 2021, which was equal to the gap in 1970. Asian households have made a bit more progress in closing

[1] Joint Center for Housing Studies (2020).
[2] For long-term trends in racial homeownership gaps, see Herbert et al. (2005).

homeownership disparities, with a gap relative to white households of 10 percentage points in 2021, down from 17 percentage points in 1970.

These gaps in homeownership rates relative to white households have significant implications. While certainly not without risks, homeownership can be an important source of wealth for many and is generally associated with improved physical and mental health, higher levels of community engagement, and a greater sense of control over one's living situation.[3] Furthermore, a large majority of people of color express a strong desire to own a home someday, and so it represents an important personal goal for many.[4]

Given these large and meaningful gaps in the homeownership rates by race, there have been a number of significant proposals for federal programs to provide downpayment assistance at a much greater scale than in the past. Importantly, the Biden campaign made a $15,000 grant a part of its platform in the last presidential campaign. More recently, proposals for up to $25,000 in downpayment assistance were included in the Downpayment Toward Equity Act introduced in the House of Representatives in June of 2022; an explicit focus of this support was on closing homeownership gaps by targeting first-generation homebuyers.[5]

While such a program would represent a significant increase in federal support for first-time homeownership, it is an open question whether that level of assistance would be generous enough to make a meaningful contribution to closing the substantial racial homeownership gaps. The purpose of this paper is to examine the potential for downpayment assistance of $25,000 to expand homeownership opportunities for Black and Hispanic renters, taking into account the income distribution of these households and the price of housing in the markets where they live. The goal of the paper is to help inform the policy debate about this important tool for expanding homeownership opportunities, including through information that will help identify the income groups and geographic areas most likely to benefit from such a program—as well as those for whom this assistance will not be sufficient to make a meaningful contribution to closing racial homeownership gaps.

The first section of the paper reviews the case for policies to expand homeownership opportunities for people of color; it examines the evidence regarding the financial and social benefits of homeownership, and it reviews the factors that contribute to racial gaps in homeownership attainment and research that identifies a lack of savings as a critical barrier to homeownership. The second section

[3] Rohe and Lindblad (2014).
[4] Drew and Herbert (2013); Drew (2014).
[5] *Downpayment Toward Equity Act of 2021*, HR 4495, 117th Congress, https://www.congress.gov/bill/117th-congress/house-bill/4495.

then presents the methodology for assessing the potential of $25,000 in downpayment assistance to increase homeownership among Black and Hispanic renters. The third section presents the results of this analysis for states and the nation overall. The paper concludes with a review of the key findings and implications for policy to promote homeownership.

The Case for Downpayment Assistance as a Means to Close Homeownership Gaps

The Financial and Social Benefits of Homeownership

One of the key factors cited in support of homeownership policies is that homeownership can be a significant source of wealth accumulation. In part due to more limited opportunity to own homes, households of color have significantly lower wealth holdings. According to the most recent Survey of Consumer Finances (SCF) from 2019, the median net wealth among Black households was $24,100, only 13 percent of the median of $188,200 for white households, while Hispanic median net wealth was only slightly higher at $36,100, 19 percent of the median for white households.

Of course, homeownership disparities account for only a portion of the overall racial wealth gap. However, several studies have found that racial differences in homeownership attainment are the single largest contributing factor to these wealth disparities. Shapiro, Meschede, and Osoro (2013) found that differences in the number of years as a homeowner explained more than a quarter of the difference in wealth between white and Black households tracked over a 25-year period from 1984 to 2009.[6] Differences in household income had the next largest association, accounting for 20 percent of the wealth difference, while differences in education, unemployment spells, and familial wealth accounted for smaller shares.

Taking a somewhat different approach, Sullivan et al. (2015) simulated how equalizing homeownership rates for Black and Hispanic households, while holding constant the wealth associated with owning a home by race, would affect racial wealth gaps.[7] Specifically, they found that equalizing access to homeownership would reduce the wealth gap by 31 and 28 percent, respectively, for Black and Hispanic households.

These results indicate that while closing homeownership gaps would not eliminate the racial wealth gap by itself, it would make a meaningful contribution. According to the 2019 SCF, Black and

[6] Shapiro, Meschede, and Osoro (2013).
[7] Sullivan et al. (2015).

Hispanic homeowners had median net wealths of $113,100 and $164,800, respectively, or 38 percent and 55 percent of the $299,900 median net wealth for white homeowners. Thus, while the wealth disparities among homeowners by race are themselves quite large, they are substantially smaller than for all households.

Of course, the gaps in wealth among homeowners by race also reflect the fact that there are meaningful differences by race in the degree to which homeownership adds to household wealth. A recent study by Wolff found that Black owners experienced a statistically significant lower rate of home appreciation relative to whites, while Hispanics experienced a higher rate of return.[8] Wolff further found that these differences were no longer significant when the duration of ownership and the overall level of market changes in prices were included, suggesting these are the principal factors contributing to these racial differences in price gains. Shapiro, Meschede, and Osoro (2013) noted that several factors contribute to lower financial returns to homeownership for Black households specifically, although these same factors affect other people of color as well. First, residential segregation is associated with much lower home values in communities of color, due to limits on demand for housing by white households and a history of underinvestment by the public and private sector in these communities. Second, disparate treatment in mortgage markets also raises the costs of financing for borrowers of color, contributing to lower returns. Finally, greater access to family wealth allows white homebuyers to buy larger homes and make larger downpayments, both of which help them to accrue wealth faster. Arguably, an important addition to this list should be the higher risk of failing to sustain homeownership among homeowners of color, which both contributes to the shorter periods of time that Black households own homes and undermines wealth accumulation if homes are lost to foreclosure or sales are forced during periods of financial distress. For this reason, policies designed to help close racial homeownership gaps as a means of closing wealth gaps must also be attuned to the factors that reduce the financial returns to homeownership for people of color.

Beyond homeownership's role as a source of wealth, there are a number of social benefits associated with homeownership that provide further support for efforts to increase opportunities for people of color to own homes. In a comprehensive review of the literature on the social benefits of owning a home, Rohe and Lindblad concluded there is considerable evidence that positive homeownership experiences are associated with higher levels of social and political activity, improved psychological health, positive assessments of neighborhoods, and increased rates of high school and

[8] Wolff (2022).

post-secondary school completion.[9] One important pathway by which homeownership produces these benefits is by enabling greater residential stability, which supports greater community engagement and less disruption to social relationships.[10]

But existing research is less definitive about whether these social benefits are as likely to be realized by lower-income homebuyers and people of color. Two studies in particular that focused specifically on low-income homeowners found that after controlling for selection effects for those who become owners, there was no association between owning a home and outcomes such as political participation, childhood health or cognitive achievement, or behavior problems among children.[11] However, in a comprehensive analysis of a range of social outcomes among low-income borrowers through Community Reinvestment Act lending programs, Manturuk, Lindblad, and Quercia (2017) found that homeownership is statistically associated with improved physical and mental health, greater feelings of control over one's life, and a greater likelihood of voting and getting involved in neighborhood groups.[12] They further found that the principal mechanism by which these benefits are conferred is through enhanced residential stability and a greater sense of control. The findings of this study are particularly important, as it was able to identify a strong comparison group of renters and therefore address the potential for selection bias in who becomes a homeowner.

Taken together, the fairly strong association between homeownership and these financial and social benefits—even if somewhat attenuated for people of color—provides support for policies to support homeownership for these historically disadvantaged households. Further support is provided by the strong preference among people of color for owning a home. Analyzing a national consumer survey conducted by Fannie Mae, Drew, and Herbert (2013) found that roughly nine out of ten respondents of all races and ethnicities aspired to own a home at some point in their lives.[13] Using data from the National Housing Survey, McCabe (2018) analyzed the specific rationales for preferring homeownership by race and ethnicity and found that Black and Hispanic respondents were more strongly motivated by opportunities to build wealth, to achieve higher social status, and to obtain higher-quality homes.[14]

[9] Rohe and Lindblad (2014).
[10] Lindblad and Quercia (2015); Aarland and Reid (2019).
[11] Engelhardt et al. (2010); Holupka and Newman (2012).
[12] Manturuk, Lindblad, and Quercia (2017).
[13] Drew and Herbert (2013).
[14] McCabe (2018).

However, McCabe (2018) also noted that the actual homeownership experience of people of color more often fails to realize these goals.[15] Thus, he argues, policies designed to support homeownership attainment need to be crafted to better meet the expectations of this population.

Factors Contributing to Racial Homeownership Gaps

There is an extensive literature examining the factors that contribute to racial gaps in homeownership.[16] These factors are derived from the determinants of tenure choice generally, which include demographic characteristics that influence the preference for homeownership, financial characteristics that influence the ability to own a home, and market conditions that influence the cost and availability of housing. Many of these studies employ a form of statistical analysis that provides a breakdown of the share of the gap that can be explained by available measures and an unexplained (or residual) portion that relates to unmeasured factors, including discriminatory treatment in housing and mortgage markets.

The long legacy of racial discrimination in American society is clearly reflected in significant racial disparities in education, occupation, health, income, household composition, and residential locations. Not surprisingly, studies find that each of these factors contributes to racial homeownership gaps. For example, a detailed study by DeSilva and Elmelech (2012) employing the American Community Survey for 2005-2007 found that among Black households, about half of the difference in homeownership propensity relative to whites was attributable to differences in demographic factors (such as marital status, presence of children, and age) and financial factors (such as income, employment status, and occupation).[17] For Hispanic households, these same characteristics were also important explanatory factors, but the concentration of these households in high-cost markets and the high share of recent immigrants were also significant contributors.[18] In contrast, for Asian households, most of the shortfall in homeownership was attributable to their concentration in high-cost markets and their high share of recent immigrants, with demographic and financial factors either neutral or favorable for homeownership.[19]

As is fairly common for studies of racial homeownership gaps, DeSilva and Elmelech lack measures of household wealth and credit history, both of which are known to be important

[15] Ibid.
[16] See Haurin, Herbert, and Rosenthal (2007) for a thorough review of the literature.
[17] DeSilva and Elmelech (2012).
[18] DeSilva and Elmelech disaggregate Hispanic households into those of Mexican, Puerto Rican, or 'other' descent and find notable differences in the factors explaining homeownership for each of these groups, with Puerto Ricans having the highest unexplained portion of the gap and Mexicans being particularly disadvantaged by socioeconomic factors.
[19] Ibid.

determinants of homeownership. As a result, it is not surprising that their analysis did not explain a large portion of some racial homeownership gaps, with only 58 percent of the Black homeownership gap explained by available measures and 69 percent of the gap for Puerto Ricans. However, available measures accounted for nearly all of the homeownership gaps for Asian, Mexican, and all other Hispanic households in their study. Employing a similar methodology that also lacked measures of household wealth and credit history but used the American Housing Survey from 1989, 2005, and 2013, Acolin, Lin, and Wachter (2019) were able to explain about half of the gaps in homeownership for Black and Hispanic households relative to white households, but nearly all of the gap for Asian households.[20]

Other studies that were able to incorporate measures of credit history and wealth demonstrate the importance of these factors in explaining the overall shortfall in homeownership. Dey and Brown (2022) employed data from one of the credit repositories to examine the transition to homeownership over the period from 2012 to 2018 for renter households including credit scores and the incidence of serious derogatory credit events.[21] They found household credit attributes to be strong predictors of the likelihood of buying a home that accounted for more than half of the difference in homeownership attainment between Black and Hispanic renters and white renters. Still, their model left between a third and a quarter of the racial gaps in homeownership transition unexplained.

Choi et. al. (2019) analyzed Black-white homeownership gaps across 105 metropolitan areas, pooling data from five years between 2000 and 2017.[22] They included average measures for demographics, household finances, housing market conditions and credit scores. They used a regression model to decompose the Black-white homeownership gaps into the shares associated with different factors. They find differences in income between whites and Blacks to be an important factor in the gaps across metro areas, with differences in median incomes and the metro area shares of households with income below the 25th percentile together accounting for 31 percent of the gap. Differences in the distribution of credit scores are also significant, accounting for 22 percent of the difference. Finally, demographic factors are also found to make a significant contribution, with differences in the age distribution accounting for 18 percent of the difference and net differences in marital status, single-parent households, and the presence of children together accounting for 9 percent of the gap.

Hilber and Liu (2008) is one of the few studies able to incorporate measures of household wealth into an examination of Black-white homeownership gaps.[23] Employing data from the Panel Study

[20] Acolin, Lin and Wachter (2019).
[21] Dey and Brown (2022).
[22] Choi et al. (2021).
[23] Hilber and Liu (2008).

of Income Dynamics, the study estimates the likelihood of homeownership in 2001 for Black and white households. Incorporating detailed demographic and financial measures but excluding measures of wealth, they were able to explain 78 percent of the difference in Black-white homeownership attainment, but when wealth was included they were able to fully explain this gap. These results provide support for the argument that wealth disparities play a significant role in explaining racial homeownership gaps.

Differences in knowledge about the homebuying process may also contribute to differences in homeownership rates between white households and households of color. This factor is often assumed to be associated with education levels, although that is at best a crude approximation. Haurin and Morrow-Jones (2006) examine specific knowledge about homebuying using results of a survey conducted with Black and white respondents in Columbus, Ohio.[24] Their results find that lower levels of real estate knowledge as measured by their survey were strongly associated with the likelihood of owning a home and accounted for a significant share of the difference in homeownership among Black respondents relative to white respondents. Consumer surveys by Fannie Mae have also found that many consumers do not have accurate or complete knowledge about mortgage requirements—in particular, many consumers overestimate the amount of downpayment and credit score needed.[25] While there is limited research documenting the impacts of homebuyer education and counseling to address these gaps, a recent experimental evaluation sponsored by the US Department of Housing and Urban Development (HUD) found that these services were in fact associated with an increase in confidence about the homebuying process.[26]

The Potential for Downpayment Assistance to Help Close Gaps

As the preceding review illustrates, there are a number of significant contributing factors to racial homeownership gaps. Among the key obstacles to homeownership are impaired credit, lower incomes, lower wealth, a lack of knowledge of the homebuying process, and lack of access to affordable homes that offer attractive opportunities to own. Given these barriers, multifaceted and comprehensive efforts would be needed to substantially close homeownership gaps, including support for homebuyer education and counseling, flexible mortgage underwriting that addresses impaired credit histories and

[24] Haurin and Morrow-Jones (2006).
[25] Mark Palim and Sarah Shahdad, "Consumers Continue to Overestimate Mortgage Requirements," June 5, 2019, https://www.fanniemae.com/research-and-insights/perspectives/consumers-continue-overestimate-mortgage-requirements.
[26] Peck et al. (2021).

financial constraints, subsidies to address affordability challenges, and incentives for the supply of affordable housing in neighborhoods where people of color would prefer to live.

Of these impediments, public policy has arguably paid the most attention to overcoming informational barriers and to expanding access to credit. HUD provides annual funding to nonprofit organizations to support the widespread availability of homebuyer education and counseling while further support is provided by state and local governments.[27] The government also supports expanded access to mortgage credit both through the provision of mortgage insurance by the Federal Housing Administration and the Department of Veterans Affairs as well as through regulatory mandates on depositories and the government-sponsored enterprises.[28] These efforts are certainly much needed as credit impairments are quite common among people of color. A recent assessment by Freddie Mac researchers found that only 25 percent of Black individuals and 40 percent of Hispanic individuals under age 45 who did not own a home had a credit profile that would meet typical mortgage underwriting criteria for a GSE loan, compared to 49 percent of white individuals. If near-mortgage-ready households are included, which corresponds more closely to meeting requirements for an FHA loan, the share of Black renters within reach of owning rises to 39 percent and Hispanics renters to 57 percent compared to 64 percent of white renters.[29]

However, while these multiple barriers should all be addressed, there is a strong case to be made that a lack of savings represents a particularly important obstacle to homeownership. Certainly, the findings of Hilber and Liu cited above about the importance of wealth as a significant determinant of racial homeownership gaps provides support for this view. Further evidence comes from studies that have assessed how effective different forms of subsidy would be in enabling borrowers to qualify for a mortgage. Using data from the 2009 Survey of Income and Program Participation, Wilson and Callis (2013) apply mortgage underwriting criteria to the financial characteristics of renter households to determine what share would be able to afford a moderately priced home under different assumptions about reductions in interest rates offered or cash granted toward closing costs and the downpayment.[30]

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[27] For detailed information on HUD's support for housing counseling see https://www.huduser.gov/portal/publications/affhsg/hsg_counseling.html. For a thorough assessment of the nature and extent of housing counseling as of 2008 see Herbert, Turnham, and Rodger (2008).

[28] For a review of the federal government's role in expanding access to mortgage finance, see Levitin and Ratcliffe (2014).

[29] See Dey et al. (2021). Mortgage-ready individuals are those with a credit score above 660, a non-housing debt-to-income ratio of less than 25 percent, no severe delinquencies in the last twelve months and no history of bankruptcy or foreclosures in past eighty-four months. Near-mortgage-ready individuals have credit scores between 600 and 660 but also meet other credit criteria outlined.

[30] Wilson and Callis (2013).

Their results indicate that while reductions of the mortgage interest by as much as 3 percentage points would have only a modest impact on the share of renters who could afford to purchase a home, $10,000 in cash assistance would increase the share of all renters able to buy by 9.3 percentage points, including an increase of 6.9 percentage points for Black renters and 6.0 percentage points for Hispanic renters. The same analysis also found only a modest increase in the share of renters who could purchase using loans that do not require a downpayment, highlighting that savings are needed not just to fund a downpayment but also to meet closing costs.

The Survey of Consumer Finances from 2019 provides the most recent estimates of the level of cash savings held by renters, illustrating how few renters have sufficient cash to put towards a home purchase. According to this survey, the median renter had just $6,270 in total net wealth that included a median of just $1,500 in liquid assets **(Figure 1)**. Black and Hispanic renters had even lower median wealth levels of just $1,830 and $5,800, respectively, with just $800 and $1,000, respectively, in median cash wealth. Fully 71 percent of all Black renter households and 69 percent of Hispanic renters had less than $2,500 in liquid assets, compared to 60 percent of renters overall. Indeed, the large majority of renters in general, and of Black and Hispanic renters in particular, do not have sufficient cash available for making a downpayment on a typically priced home.

Figure 1: Most Renters, Particularly Those Black and Hispanic, Have Very Little Cash Savings

Distribution of Renter Households by Cash Wealth Level

Total Liquid Assets	**Race/Ethnicity**				**All Renters**
	White	**Black**	**Hispanic**	**Asian/other**	
Less than $2,500	52%	71%	69%	58%	60%
$2,500-$4,999	14%	11%	11%	9%	12%
$5,000-$9,999	10%	10%	10%	14%	11%
$10,000-$24,999	12%	5%	6%	8%	9%
$25,000 or More	12%	3%	5%	11%	9%
Total	100%	100%	100%	100%	100%
Median Liquid Assets	*$2,170*	*$800*	*$1,000*	*$1,700*	*$1,500*
Median Total Net Wealth	*$8,900*	*$1,830*	*$5,800*	*$6,170*	*$6,270*

Note: Black, white and Asian/other households are non-Hispanic. Hispanic households may be of any race. Percentages may not sum to 100 due to rounding. Liquid assets include money in savings, checking and money market accounts, call accounts at brokerages, and prepaid cards.

Source: JCHS tabulations of the Federal Reserve Board, 2019 Surveys of Consumer Finances.

Therefore, there are a great number of downpayment assistance programs offered by government agencies and private lenders. A study by the Urban Institute from 2018 identified 2,527 programs providing grants and loans offered by 1,304 agencies at the federal, state, and local levels.[31] But despite the great number of programs, it can be challenging for homebuyers to find programs that fit their needs given significant variation in eligibility criteria and the terms of this support. Funding for individual programs is also limited, and so even if a would-be buyer identifies a program they qualify for, they may not be able to access funding when they need it.

Programs such as that proposed by the Downpayment Toward Equity Act would address many of the limitations of existing programs. The provision of $25,000 in downpayment assistance would represent a fairly generous level of assistance, compared to the average of just under $14,000 of eligible assistance under existing programs as reported by the Urban Institute.[32] It would also provide generous terms, and it would have both a relative clarity of eligibility and federal funding support.

Still, given the affordability challenges facing would-be homebuyers of color, it is an open question how effective $25,000 in cash assistance would be in making home purchase feasible for renters of color. The goal of this paper is to examine the question of how many Black and Hispanic renters, if given this assistance, would be able to afford a moderately priced home in the geographic area where they live given their reported incomes.

Data and Methods

This analysis aims to quantify the possible impact that $25,000 in downpayment assistance could have on raising homeownership rates among Black and Hispanic households[33]. To do this, we focus on identifying the number of Black and Hispanic renter households whose incomes are high enough to afford the monthly payments on a moderately priced home in their state if given $25,000 cash assistance to cover the downpayment and closing costs and reduce the mortgage amount by any remaining cash after paying these costs. The number of potential homebuyer households is as of 2021, although we apply housing costs and interest rates that prevailed in September 2022 in making these estimates. We do not adjust household incomes for inflation, however, and so we may somewhat underestimate the number of potential homebuyers. A key reason we do not adjust household incomes

[31] Goodman et al. (2018).
[32] Ibid.
[33] In this analysis and throughout this paper, household race and ethnicity is determined by that of the householder. Black households are non-Hispanic and Hispanic households may be of any race.

is that they have likely followed different trajectories across income groups over the past year that we do not yet have data to measure. We therefore simply hold incomes at constant 2021 levels.

Household information is from the 2021 American Community Survey PUMS 1-Year Estimates. To focus on prime first-time homebuyer age groups, we restrict the analysis to renter households headed by a person between the ages of 25 to 55 years old.[34] The analysis of homebuying affordability is estimated at the household level, but for reporting purposes we group results by income level measured as a percentage of area median incomes (AMI) to match income categories used by housing assistance programs and policies. Since the ACS does not provide incomes as a percentage of AMI, these estimates follow a methodology developed by the National Low Income Housing Coalition for its affordability gap reports.[35] Our AMI categories follow the Department of Housing and Urban Development's income limits, ranging from extremely low income (ELI; incomes up to 30 percent of AMI), very low-income (VLI; 31 to 50 percent), and low-income (LI; 51 to 80 percent). We then assign two moderate-income bands of 81 to 100 percent and 101 to 120 percent of AMI, and a higher-income band for those with incomes of 120 percent of AMI and above.

To estimate the value of a moderately priced home within each state, we begin with the statewide monthly smoothed middle-tier Zillow Home Value Index (ZHVI) for all homes as of September 2022, which reflects the typical value for all single-family, condo, and co-op homes in the 35th to 65th percentile of all homes within the state as ranked by value.[36] We then take 80 percent of that value (the ZHVI) to use in our affordability analyses to represent the price of a moderately valued home in each state. This value roughly corresponds to the 40th percentile statewide home value. This statewide home value is then used in all calculations of homebuyer affordability, even though we do report some results at the metro-area level.

For mortgage terms and other components to calculate the total monthly owner costs for these homes, we follow the assumptions laid out in Perkins et al. (2020), which assumes a standard 30-year

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[34] It is important to note that while a majority of first-time homebuyer households transition from being renter households, a not insignificant number of these homebuyers come from other households where they are not the head of household, such as living with parents or other roommates. Perkins et al. (2020) report that 20 percent of first-time homebuyers in the Survey of Income and Program Participation from 2008 transitioned from such other living arrangements into homeownership. Thus, our estimates may be taken as a somewhat conservative estimate of the potential pool of homebuyers.

[35] See https://nlihc.org/gap. The methodology compares the income of each household to the household size-adjusted ACS median family income in that household's Core Based Statistical Area (CBSA) for 2021. Households outside of CBSAs are categorized using medians aggregated from the non-CBSA portions of their respective states. Note that categories use HUD household size adjustments from page 3 of HUD Notice PDR 2014-02, December 18, 2013, https://www.huduser.gov/portal/datasets/il/il14/HUD_sec8_14.pdf.

[36] "Housing Data," Zillow.com, https://www.zillow.com/research/data/.

fixed rate mortgage, a 3.5 percent downpayment, monthly mortgage insurance at 0.85 percent of the mortgage amount, and monthly property insurance at 0.35 percent of the home value.[37] Monthly property insurance costs are estimated by state as the statewide average rate reported in the 2021 ACS based on homeowners' reported home values and annual property tax payments. Additionally, the mortgage interest rate is the average PMMS 30-year fixed rate for September 2022. We do not assume any points but do assume closing costs of 3.0 percent of the home value, which is rolled into the mortgage amount, effectively making the mortgage have a loan-to-value ratio of 0.995.

This analysis also factors in the impact of receiving $25,000 in downpayment assistance on estimated monthly housing costs. Without any assistance, potential buyers in our methodology would still need to have enough cash to cover a 3.5 percent downpayment, even with our assumption that closing costs are folded into the mortgage.[38] In this respect, the primary impact of receiving downpayment assistance in our analysis is that it eliminates the assumption that unassisted borrowers who have incomes high enough to cover ongoing monthly costs after buying a home would need to provide the 3.5 percent cash downpayment. Additionally, for borrowers in states where $25,000 is more than 3.5 percent of the moderately priced home, the amount of mortgage needed and therefore monthly housing costs would be lower than those for a 96.5 percent LTV loan. This is because we assume a full $25,000 in cash assistance is provided to all homebuyers. An example of our methodology and calculations for allocating the full $25,000 in assistance is provided in **Appendix Table A-1**.

Next, we estimate how many Black and Hispanic renter households at each AMI level have incomes high enough to afford the monthly costs of owning a moderately priced home in their state with the benefit of $25,000 in up-front cash assistance. These calculations are done at the household level using income from the 2021 American Community Survey PUMS 1-Year Estimates. Whether or not a household can afford such a home depends on whether their income is sufficient to meet the minimum income required to qualify for the size of mortgage needed to purchase the home applying the $25,000 grant under our assumptions. A key assumption for these calculations is the housing cost-to-income ratio used by lenders in approving credit. For underwriting purposes, lenders assess the monthly cost of housing costs (mortgage payments, property taxes and insurance) plus other recurring debt payments (such as for student loans, auto loans, or credit cards). There is no strict limit for this

[37] Perkins et al. (2020).

[38] Our analysis does not account for the need for reserve savings (generally amounting to two months of monthly payments) often required by underwriting to show an ability to make payments if there is a disruption in income. To the extent that the downpayment assistance exceeds what is needed, it could arguably also be used to meet reserve requirements as needed.

ratio for most loans, although up until recently regulations had set a limit of 43 percent for this ratio for qualified mortgages that are subject to less liability for lenders. Given that we do not have measures for the level of consumer debt for the households from the ACS, we follow Perkins et al. (2020) and employ a 31 percent ratio as part of our initial estimates, as this seems most likely to correspond to the level of non-housing debt held by most renters, which is often 10 percent or more of household income. Later estimates presented relax this assumption to 41 and 51 percent, respectively. Renter households whose incomes are high enough to afford monthly payments on a moderately priced home in their market without exceeding these ratios are considered able to afford homeownership.

After calculating the total number of Black and Hispanic renters by AMI within each state who can afford homeownership under each of these scenarios, we then employ a constraint to calculate our final estimate for the number of Black and Hispanic renters who could potentially be expected to become homeowners if given assistance. This adjustment is necessary because not all households with the income to afford monthly homeowner costs on a moderately priced home in their state would be expected to buy a home just because they have the financial capacity to do so. While a large majority of individuals report an interest in owning a home, many would prefer to rent in recognition of the high transaction costs of buying and selling a home, the financial risk of owning, and the financial and physical demands of maintaining a property. Without imposing some constraint, our methodology finds that for some income groups virtually all households are estimated to be able to buy a home, which would raise homeownership rates for these income segments of Black and Hispanic households up to 100 percent, which is an implausible outcome.

To avoid producing such an unrealistic estimate, we assume that the homeownership rates of white households by state and income level are a reasonable proxy for a ceiling homeownership rate for households of a similar income in that state that is 'unrestricted' by the present and past racial discrimination that has confronted Black and Hispanic households. Therefore, we cap the number of 'income-ready' Black and Hispanic renter households in each income group that would be expected to purchase a home within each state at the number that would need to become homeowners for Black and Hispanic homeownership rates to equal those of whites within each AMI level within each state.[39]

[39] We use the term 'income-ready' to indicate households who could afford to buy a home based on their income relative to area home prices with the benefit of downpayment assistance and with the constraints described above. This term is meant to highlight that credit factors may also impede the ability to buy a home, but we do not have measures of the credit history of individuals in the American Community Survey. But also note that we cap the number of income-ready renters to not exceed the homeownership rate for white households at the same income level in each state.

We then provide some scenarios to get a sense of the scale and possible implications of adjusting debt-to-income ratios and the amounts of downpayment assistance.

Analysis and Results

How Would $25,000 Cash Assistance Impact Costs of a Moderately Priced Home Across the US?

Across states, typical values for moderately priced homes in September 2022 ranged from a low of $116,000 in West Virginia to a high of $728,000 in Hawaii **(see Appendix Table A-2)**. At these values, 3.5 percent downpayments needed for an FHA low downpayment loan range from $4,000 to $25,500, with the median state (which happens to be Minnesota) requiring $9,400.

These estimates suggest that as of September 2022, $25,000 in cash assistance payment would cover the required downpayment on a moderately priced home in all states, with the exception of buyers in Hawaii needing an additional $500. Additionally, if all assisted homebuyers were given the full $25,000, buyers in every state except Hawaii would have assistance funds left over after covering their downpayments that could further reduce the amount of mortgage they would need to take on. Even in California, the second most expensive state, where a moderately priced home would require a 3.5 percent downpayment of $21,500, assisted buyers would have $3,500 left after paying the downpayment. Assisted buyers in West Virginia, after paying their downpayment, would have $21,000 left over to drive down their mortgage amounts. In the median state of Minnesota, buyers would have $15,600 in assistance funds available to pay down a typical mortgage amount from $266,200 to $250,600.

All else equal, lower loan amounts mean lower monthly mortgage payments for borrowers. The potential reductions in monthly payments would vary by state according to each state's home prices, and would range from no reduction in Hawaii and just $23 per month in California up to $140 per month in West Virginia. In the median state, monthly payments would dip by $106, from $2,145 to $2,040. When aggregated nationwide, these reductions in monthly payments could lift a significant number of renters on the margins into a position where they can now afford the moderately priced home.

With Cash Assistance, Roughly 1.1 Million Black and Hispanic Renters Could Potentially Afford Monthly Payments on a Moderately Priced Home in their State

Results of our analysis indicate that nationwide there were approximately 1.1 million Black and Hispanic renters between 25 and 55 years of age whose incomes were high enough to afford monthly payments on a moderately priced home in their state in September 2022 assuming the availability of $25,000 in downpayment assistance and employing the constraint that the Black or Hispanic homeownership rate would not exceed the white rate for that state and income category. This total is split between roughly 700,000 Black and 400,000 Hispanic households, which represent approximately 12.5 percent of all Black renter households and 6 percent of all Hispanic renters in this age group.[40]

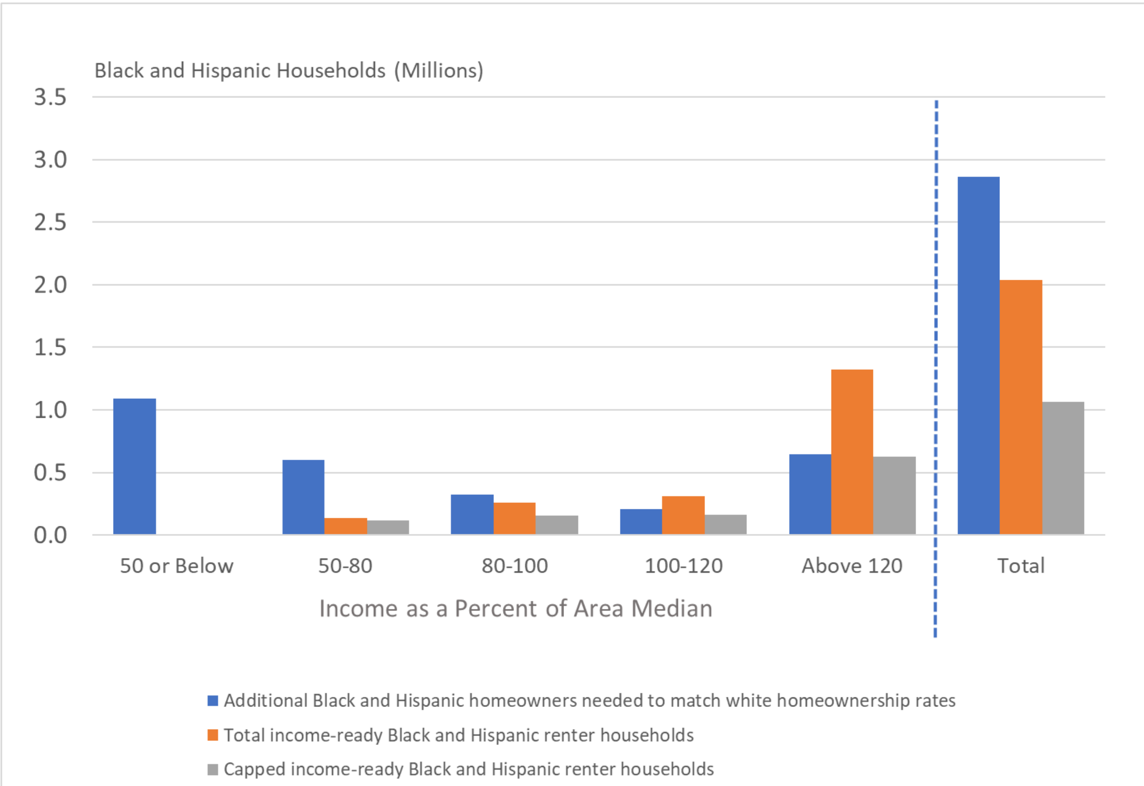
Higher-income households make up the majority of all income-ready Black and Hispanic renters who could potentially afford to own a home after being given downpayment assistance. This is true even after capping the number of higher-income Black and Hispanic households we consider income-ready **(Figure 2)**.[41] More than half (59 percent), or 630,000 of the 1.1 million income-ready Black and Hispanic renters, have incomes of 120 percent of area medians or higher. Another 30 percent of the income-ready Black and Hispanic renter households (315,000 households) have incomes between 80 and 120 percent of area medians, and just 11 percent (120,000) have incomes of 80 percent of area medians or lower.

This outcome reflects the fact that very few low-income renters are income-ready. The 120,000 income-ready renters with incomes below 80 percent of AMI account for less than 2 percent of the 7.7 million Black and Hispanic renter households in that income group. Income-ready shares rise to 14 percent of Black and Hispanic renters in the 80-120 AMI income group, and then to 32 percent of all Black and Hispanic renters with incomes of 120 AMI or above (with the increase in this highest income group constrained by limiting gains to match the white homeownership rate).

[40] If we did not limit the increase in Black and Hispanic homeowners to match the white homeownership rate, we find there would be an increase of 2.0 million homeowners, equally divided between Black and Hispanic households. A large majority of these additional homebuyers would be among those earning more than 120 percent of AMI.

[41] Following our methodology and our goal of assessing the likely impact of assistance on Black and Hispanic homeownership rates, we cap the number of income-ready Black and Hispanic households so that if all income-ready renters were to become homeowners, the potential homeownership rates of higher-income Black and Hispanic households do not exceed those of higher-income white households.

Figure 2: $25,000 in Downpayment Assistance Could Potentially Help 1.1 Million Income-Ready Black and Hispanic Renter Households Become Homeowners



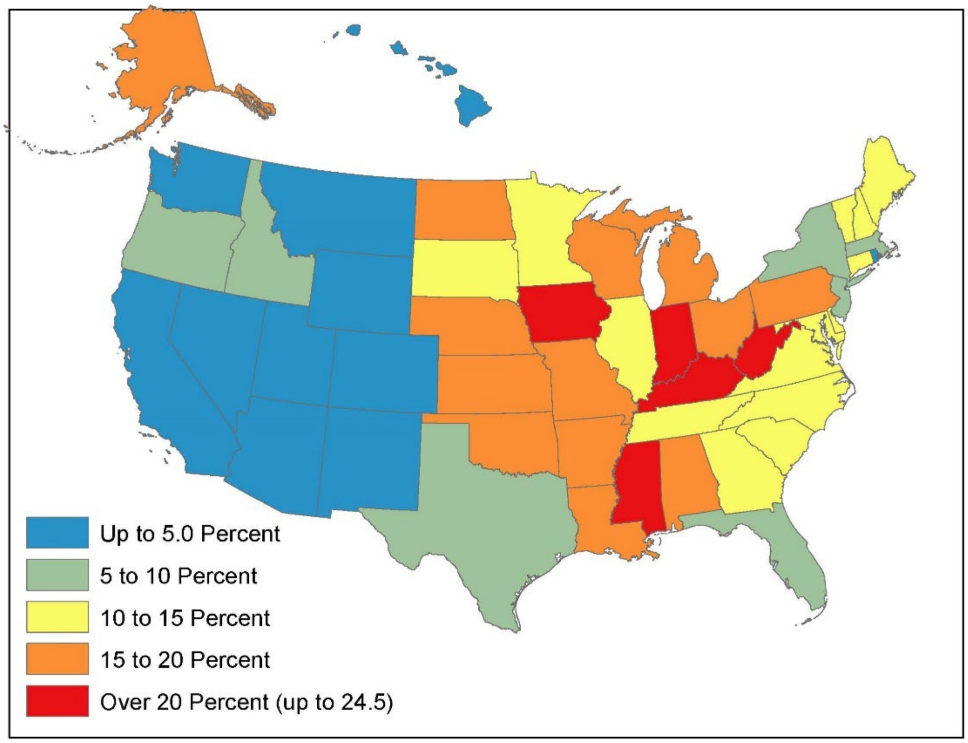
Note: Total income-ready Black and Hispanic renters are those aged 25-55 who could afford monthly homeowner costs on the moderately priced home in their state without spending more than 31 percent of income on housing costs after having received $25,000 in downpayment assistance. The capped income-ready estimate limits the number of renters who would buy to the level that would eliminate homeownership rate gaps with white households at each income level within each state.

The majority of the 1.1 million income-ready Black and Hispanic renter households had incomes high enough to cover monthly costs on a moderately priced home in their state prior to receiving downpayment assistance but were renting for other reasons. If lack of a downpayment is the reason these households do not own, then the downpayment assistance would remove that barrier to homeownership. Still, approximately 80,000 Black and Hispanic renter households in our sample would become income-ready because of the modest reductions in loan amounts from the excess downpayment assistance described above. These households had incomes just below our qualifying thresholds and were in states where $25,000 in downpayment assistance exceeded 3.5 percent of the price of a moderately priced home. So the remaining assistance would lower mortgage loan amounts for these households enough to reduce monthly payments below 31 percent of income. For these households the cash assistance would potentially remove both the downpayment barrier and ease the income barrier to homeownership.

Income-Readiness for Black and Hispanic Renters Varies by State

The share of Black and Hispanic renters age 25-55 who are estimated to be income-ready to purchase a home with $25,000 cash assistance varies greatly by state **(Figure 3)**. Rates range from 24.5 percent in Mississippi down to just 1.3 percent in California. Other states with the highest shares of renters able to afford the moderately priced home include Kentucky (22.4 percent), Indiana (22.3 percent), and Iowa (20.5 percent). These states have relatively low home prices and high shares of Black and Hispanic renters in middle income groups. Meanwhile states with the lowest shares of income-ready Black and Hispanic renter households are largely in the West, Mountain West, and Southwest, such as Colorado (4.1 percent), Arizona (4.3 percent), Nevada (4.8 percent), and New Mexico (1.0 percent). These states have relatively high home prices and/or high shares of Black and Hispanic renters in the lowest income groups.

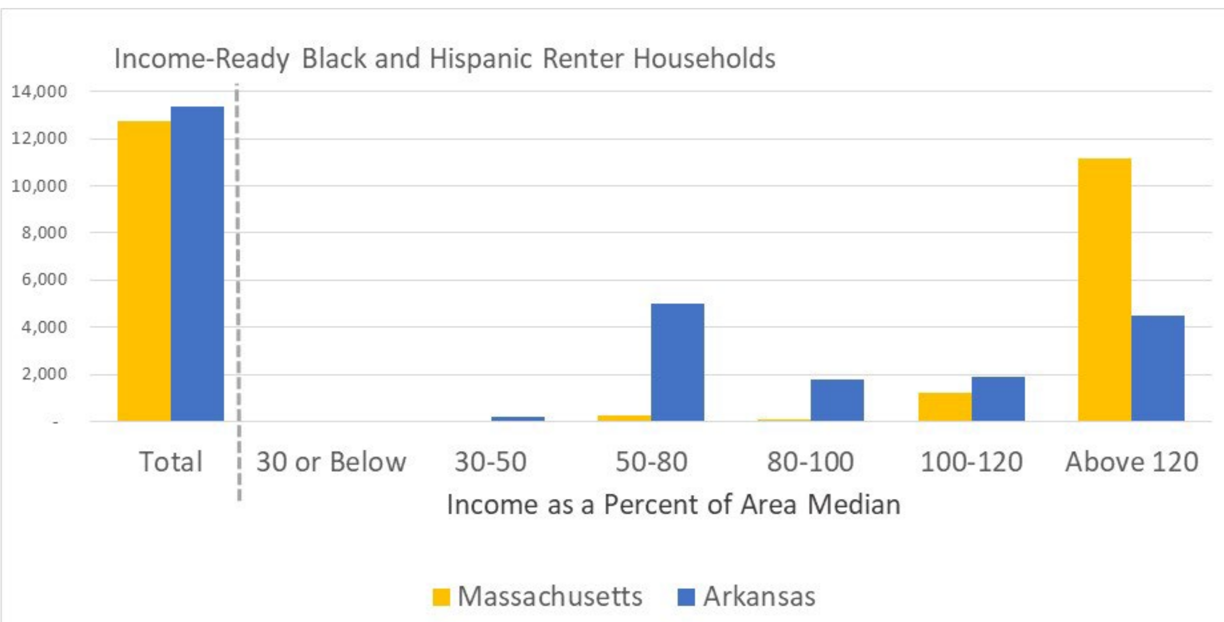
Figure 3: Income-Ready Share of Black and Hispanic Renters by State, September 2022



Note: Income-ready Black and Hispanic renters are those aged 25-55 who can afford monthly homeowner costs on a moderately priced home in their state without spending more than 31 percent of income on housing costs. The number is capped at the number that would eliminate homeownership rate gaps with white households at each income level within each state.

The types of renters who can afford monthly costs on a moderately priced home also differ by state according to relative affordability. For example, both Arkansas and Massachusetts have approximately 13,000 income-ready Black and Hispanic renter households. But in high-cost Massachusetts, fully 88 percent of all income-ready renters have incomes above 120 percent of area medians, only 11 percent have incomes between 80 and 120 percent of median, and just 1 percent have incomes below 80 percent of area medians **(Figure 4)**. Meanwhile, in Arkansas, a higher share of income-ready renters have moderate and middle incomes. In this state, roughly 34 percent of income-ready Black and Hispanic renters have incomes above 120 percent of area medians, while 27 percent have incomes between 80 and 120 percent of area medians, and 39 percent have incomes of 80 percent of area medians or below. Still, homebuyer affordability does not extend to the lowest-income renter households earning less than 50 percent of AMI in Arkansas or other lower-cost states. These households make up just two percent of all income-ready renters in the state.

Figure 4: The Income Distribution of Income-Ready Renters Differs Between Higher-Cost States Like Massachusetts and Lower-Cost States Like Arkansas



Note: Income-ready Black and Hispanic renters are those aged 25-55 who can afford monthly homeowner costs on a moderately priced home in their state without spending more than 31 percent of income on housing costs. The number is capped at the number that would eliminate homeownership rate gaps with white households at each income level within each state.

Priced Out: Sharp Decline in Income-Ready Black and Hispanic Renters in 2021-2022

The doubling of mortgage interest rates from 2.90 percent in September 2021 to the September 2022 rate of 6.11 percent used in this analysis, along with the continued growth in home prices, greatly reduced the number of income-ready Black and Hispanic renters. Between September 2021 and September 2022, the number of Black and Hispanic renters who could afford a moderately priced home in their state dropped by more than half a million households, from 1.6 million to 1.1 million. This brought income-ready shares down from 14 percent to 9 percent of all Black and Hispanic renter households.

Unsurprisingly, low- and moderate-income households were priced out of homeownership at the highest rates and in the largest numbers between September 2021 and September 2022. The increases in owner costs priced out nearly all renters with incomes under 50 percent of AMI. Meanwhile, the number of income-ready Black and Hispanic renter households in the 50-80 percent of AMI group dropped by 280,000 households, which was the largest numerical decline of any income group **(Figure 5).** As a result, just 4 percent of renters earning 50-80 percent of AMI could afford payments on a moderately priced home in September 2022, down from 15 percent a year earlier. The decline was smaller for each higher-income group up to the 120 percent or higher income group, which saw only a two percent drop in income-ready renters.

Figure 5: Over the Past Year, the Largest Drop in Income-Readiness Was Among Low- and Moderate-Income Renters

Income-Ready Black and Hispanic Renters (Thousands)

Date	Income as a Percent of Area Median						Total
	30 or Below	30-50	50-80	80-100	100-120	Above 120	
September 2021	8.2	62.9	395.2	299.0	203.3	642.2	1,610.7
September 2022	0.8	1.4	116.2	155.1	159.6	628.8	1,061.9
Change 2021-2022	*(7.4)*	*(61.5)*	*(279.0)*	*(143.9)*	*(43.7)*	*(13.3)*	*(548.8)*

Note: Income-ready Black and Hispanic renters are those aged 25-55 who can afford monthly homeowner costs on a moderately priced home in their state without spending more than 31 percent of income on housing costs. The number is capped at the number that would eliminate homeownership rate gaps with white households at each income level within each state.

Factors Affecting Affordability and the Number of Income-Ready Renters

Increasing the maximum front-end DTI ratios to 41 and 51 percent

The number of income-ready renters that we estimate above is affected by several factors built into our assumptions that could be adjusted. One key factor is the ratio used to determine the maximum share of income households are allowed to spend on monthly housing costs and other recurring debts according to mortgage underwriting. This ratio has a significant impact on our estimate for the number of Black and Hispanic renter households who are considered 'income-ready' and able to afford the home. Our baseline assumption follows Perkins et al. (2020) and assumes lenders are most likely to limit this ratio to near the previous standard of 43 percent and that the typical renter will have recurring non-housing debt of about 12 percent of income. But some renters may have lower debt levels and some lenders may be comfortable lending at higher ratios. To assess the impact higher thresholds would have on the number of 'income-ready' renter households, we consider alternatives where the maximum level is set at 41 and 51 percent.

Increasing the allowable debt to income ratio from 31 to 41 percent would increase the number of income-ready Black and Hispanic renter households by about 33 percent, or 360,000 households. This would increase the number of income-ready renters from 1.1 million to 1.4 million households, or from 9 percent to roughly 12 percent of all Black and Hispanic renters in our sample. Raising the debt-to-income limit to 51 percent of household income lifts the potential number of income-ready Black and Hispanic renter households up another 300,000 households, to 1.7 million, which is about 15 percent of all Black and Hispanic renter households in our sample.

Easing the affordability thresholds to 41 and 51 percent of incomes would increase the number of lower- and moderate-income households able to afford monthly owner costs. The greatest increase in income-readiness would be among households in the 50-80 and 80-100 AMI groups, which together account for more than three-quarters of the gain in income-ready households from shifting to 41 or 51 percent DTI thresholds **(Figure 6)**. Meanwhile, increasing the DTI ratio to 41 percent would have little impact on affordability for the lowest-income households, but at 51 percent there are some meaningful increases. Specifically, among households earning less than 50 percent of AMI, the shift in DTI threshold to 41 percent DTI would add just 29,000 income-ready Black and Hispanic renters nationwide, but the increase to 51 percent DTI adds on 120,000 more income-ready renters than in the 31 DTI ratio scenario. Increasing the DTI limits also would do little to increase affordability among the highest-income households because so many households of 120 AMI or greater would already be income-ready under the 31 percent DTI threshold.

Figure 6: Increasing the Maximum Allowable Debt-to-Income Ratios Increases the Number of 'Income-Ready' Black and Hispanic Renter Households with Moderate Incomes

Income-Ready Black and Hispanic Renters (Thousands)

Debt-to-Income Threshold	Household Income as Percent of Area Median						Total
	30 or Below	30-50	50-80	80-100	100-120	Above 120	
31 Percent DTI	0.8	1.4	116.2	155.1	159.6	628.8	1,061.9
41 Percent DTI	4.9	26.3	280.8	266.9	201.0	642.2	1,422.0
51 Percent DTI	14.8	106.6	441.6	315.2	205.8	642.2	1,726.2

Note: Income-ready Black and Hispanic renters are those who can afford monthly homeowner costs on a moderately priced home in their state. The number is capped at the number that would eliminate homeownership rate gaps with white households at each income level within each state.

In all, increasing the debt-to-income ratio limits increases the overall number of renter households that have the incomes to afford a moderately priced home in their state, and has the largest impact on affordability among moderate and middle-income households earning between 50-80 and 80-100 percent of AMI. Households earning less than 80 percent of AMI go from making up just 25 percent of all income-ready renters under a 31 percent DTI limit to 51 percent of all income-ready renters under a 51 percent DTI limit. However, higher DTI loans also put a higher payment burden on borrowers, and therefore lenders also commonly require borrowers with high DTI loans to provide higher downpayments and have higher credit scores and reserve savings to mitigate risk of default. These additional requirements may cause the number of income-ready borrowers gained by raising the maximum DTI thresholds to be lower than shown above. Still, given that the average DTI ratio for borrowers with FHA-insured purchase mortgages in FY 2022 was 44 percent, and nearly 28 percent had DTI ratios in excess of 50 percent, the 41 and 51 percent DTI ratio scenarios shown are plausible scenarios to consider.[42]

Increasing the downpayment assistance amount to $50,000

Another potential adjustment that could increase affordability for homebuyers is to raise the amount of downpayment assistance provided. To assess the sensitivity of the number of income-ready renters to

[42] FHA (2022).

the amount of assistance provided, we double the assistance level to $50,000 and rerun our analysis. We find that, although the higher level of assistance would potentially provide income-ready buyers access to more homes, raising the assistance level from $25,000 to $50,000 per household would have very little impact on raising the number of income-ready Black and Hispanic renters. The change in assistance level would raise the number of income-ready renters in our baseline scenario from 1.1 to 1.2 million. This gain in income-ready renters is about one-third of the gain that would be obtained by raising the maximum allowable DTI level from 31 to 41 percent and keeping the assistance level at $25,000. Additionally, the income distribution of gains in income-ready renters from increasing the assistance level would be similar to that of gains from increasing the maximum allowable DTI level, so there would be little relative benefit for low-income households when compared to increasing the DTI. For example, 76 percent of the additional income-ready renters gained from increasing the downpayment assistance would be households earning between 50 and 100 percent of AMI, compared to 77 percent of additional renters gained from increasing the DTI threshold.

Although the impact on the number of income-ready households is relatively small relative to the $25,000 scenario, raising the assistance level to $50,000 would better ensure that every renter household, even those in Hawaii, has enough cash for a 3.5 percent downpayment on a moderately priced home in their state. The primary benefit of raising the downpayment assistance level may be in increasing housing availability rather than affordability, which is beyond the scope of this analysis. More funds would increase the price point of homes which already income-ready buyers would have enough of a downpayment to purchase, which would be beneficial to potential buyers in areas where there are few, if any, homes available for sale at the moderate price level.

The increase in total costs from doubling the assistance level would be substantial, however. The cost of offering $50,000 to 1.2 million potential homebuyers ($59 billion) would be more than twice the cost of offering $25,000 to 1.1 million households ($26.5 billion). In other words, the 11 percent increase in the number of income-ready renters would increase costs by 220 percent. Such an increase in costs would be prohibitive given that a $25,000 downpayment could already meet downpayment thresholds for buyers of a moderately priced home in nearly every state in September 2022.

The Potential Impact on Black and Hispanic Homeownership Rates and Gaps with Whites

So far, we have discussed the number of Black and Hispanic renter households that might be expected to buy a home with $25,000 in downpayment assistance. Given the strong interest in closing racial gaps in homeownership relative to white households, it is also instructive to assess the potential impact of these gains on closing these homeownership gaps. This assessment assumes that the assistance is made available only to Black and Hispanic households.[43]

We find that, at best, if all 700,000 Black renter households who are income-ready after receiving the $25,000 downpayment assistance and with the homeownership rate constraints imposed were to buy a home, there would be an 8.0 percentage-point increase in the Black homeownership rate for households age 25-55 **(Figure 7)**. If all 400,000 income-ready Hispanic households bought a home, there would be a 3.2 percentage point increase in Hispanic homeownership rates for households in our focus age group. As shown in Figure 7, this hypothetical increase would raise the Black homeownership rate among this age group from 36.0 to 44.0 and the Hispanic homeownership rate from 47.2 to 50.4 percent. Even with these potential increases, both rates would fall well short of the white homeownership rate of 67.8 percent. The Black-white homeownership rate gap would decline from 31.8 percentage points to 23.8 percentage points, while the Hispanic-white gap would ease from 20.6 percentage points to 17.4 percentage points.

Figure 7: Black and Hispanic Homeowners and Income-Ready Renters, by Income

Percent of Households

	Income as a Percent of Area Median						
	Up to 30	**30-50**	**50-80**	**80-100**	**100-120**	**Above 120**	**Total**
Black Homeownership Rate in 2021	15.5%	18.9%	28.2%	38.0%	47.5%	63.4%	36.0%
Income-Ready Black Renters (as Percent of Households)	+0.0%	+0.1%	+4.5%	+12.5%	+16.0%	+16.8%	+8.0%
Combined Rate with all Income-Ready Black Renters	*15.5%*	*19.0%*	*32.7%*	*50.4%*	*63.5%*	*80.3%*	*44.0%*
Hispanic Homeownership Rate in 2021	25.2%	27.9%	39.5%	47.6%	55.1%	68.8%	47.2%
Income-Ready Hispanic Renters (as Pct of Households)	+0.0%	+0.0%	+1.6%	+2.9%	+3.9%	+7.2%	+3.2%
Combined Rate with all Income-Ready Hispanic Renters	*25.2%*	*27.9%*	*41.1%*	*50.5%*	*59.0%*	*76.0%*	*50.4%*
White Homeownership Rate in 2021	37.9%	41.6%	52.1%	61.3%	67.4%	81.1%	67.8%

Note: Income-ready Black and Hispanic renters are those who can afford monthly homeowner costs on a moderately priced home in their state without spending more than 31 percent of income on housing costs. The number is capped at the number that would eliminate homeownership rate gaps with white households at each income level within each state.

[43] This may be difficult to achieve in practice for a variety of reasons discussed in the policy implications section below. That section also discusses how downpayment assistance programs may be structured to differentially benefit Black and Hispanic households.

These moderate 8.0 percent and 3.2 percent reductions in the overall Black-white and Hispanic-white homeownership rate gaps are based on very few changes among lower-income households. Indeed, there would be virtually no impact on homeownership rates for households with incomes below 50 percent of area medians because income-ready renters make up virtually zero percent of all households at this income level. As shown in Figure 7, downpayment assistance would have virtually no impact on the 22.4 percentage point Black-white homeownership rate gap and 12.7 percentage point Hispanic-white gap among households earning up to 30 percent of AMI. There would also be little impact at all on the 22.7 percentage point Black-white and 13.8 percentage point Hispanic-white homeownership rate gaps among households with incomes of 30-50 percent of AMI. Together, households in these income groups make up roughly a third of all Black and Hispanic households.

Higher DTI levels could result in larger gains in Black and Hispanic homeownership and greater reductions in homeownership rate gaps. The 41 percent debt-to-income scenario could potentially lead to an 11.0 percentage point increase in the Black homeownership rate, which would reduce the Black-white homeownership rate gap in our 25-55 year old age group to 20.8 percent. Hispanic rates under this scenario could gain as much as 4.1 percentage points, which would lower the Hispanic-white gap to 16.5 percentage points. The 51 percent DTI scenario would produce additional gains. Under this scenario, the Black homeownership rate would potentially increase by 13.4 percentage points and the Hispanic homeownership rate by 4.9 percentage points. These increases would lower the Black-white homeownership rate gap to 18.3 percentage points and the Hispanic-white gap to 15.7 percentage points **(Figure 8)**. However, raising to these higher DTI thresholds would do little to narrow the rate gaps for the lowest-income households.

Figure 8: Impact of Various DTI Ratios on Homeownership Rate Gaps

Percentage-Point Differences in Homeownership Rates

	Income As Percent of Area Median						
	Less than 30	**30-50**	**50-80**	**80-100**	**100-120**	**Above 120**	**Total**
Original Black-White Gap	22.4%	22.7%	23.9%	23.3%	19.9%	17.6%	31.8%
Potential gap after assistance and 31 DTI loan	22.4%	22.7%	19.4%	10.8%	3.9%	0.8%	23.8%
Potential gap after assistance and 41 DTI loan	22.2%	20.9%	11.4%	3.8%	1.3%	0.3%	20.8%
Potential gap after assistance and 51 DTI loan	21.7%	15.8%	4.7%	0.9%	0.7%	0.3%	18.3%
Original Hispanic-White Gap	12.7%	13.8%	12.6%	13.7%	12.3%	12.2%	20.6%
Potential gap after assistance and 31 DTI loan	12.7%	13.7%	11.0%	10.8%	8.4%	5.1%	17.4%
Potential gap after assistance and 41 DTI loan	12.7%	13.4%	9.7%	7.5%	6.4%	5.0%	16.5%
Potential gap after assistance and 51 DTI loan	12.6%	11.9%	7.8%	5.9%	6.4%	5.0%	15.7%

Note: Potential gaps assume all income-ready Black and Hispanic renters become homeowners. Income-ready Black and Hispanic renters are those who can afford monthly homeowner costs on a moderately priced home in their state without spending more than 31 percent of income on housing costs. The number is capped at the number that would eliminate homeownership rate gaps with white households at each income level within each state.

Summary and Policy Implications

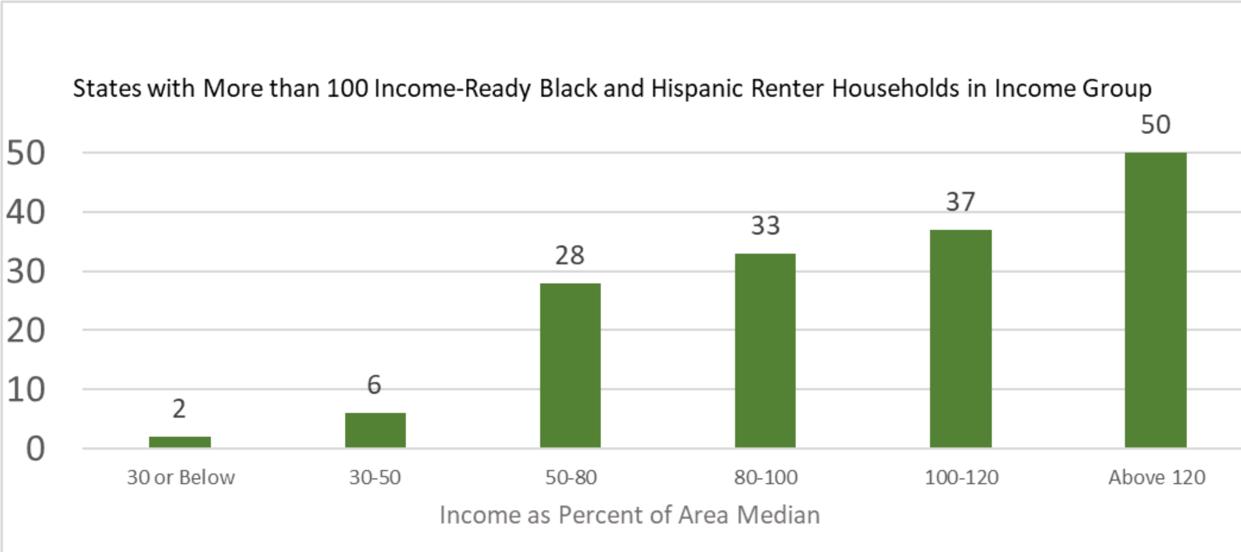
The analysis presented in this paper is intended to simulate the potential impact of $25,000 in downpayment assistance in opening the door to homeownership for Black and Hispanic renters. This analysis is predicated on the observation that a large majority of renters lack the cash savings needed to meet downpayment and closing cost requirements. Indeed, tabulations of the 2019 Survey of Consumer Finances find that 82 percent of Black renters and 80 percent of Hispanic renters had less than $5,000 in cash savings, while only 3 percent of Black renters and 5 percent of Hispanic renters had $25,000 or more in savings.

On the positive side, our analysis shows that in every state but Hawaii as of September 2022, $25,000 in downpayment assistance would be enough to cover a 3.5 percent downpayment on a moderately priced home, which we define as one priced at 80 percent of the typical home price in the state. Such assistance could potentially help up to 1.1 million Black and Hispanic renters aged 25-54 who have incomes high enough to afford a moderately priced home in their state under a standard qualifying debt-to-income ratio of 31 percent.[44] If each of these households were to buy a home, the Black homeownership rate would be increased by 8.0 percentage points and the Hispanic homeownership rate by 3.2 percentage points. This could begin to reduce, but not eliminate, the wide 31.8 percentage point Black-white and 20.6 percentage point Hispanic-white homeownership rate gaps within our sample age group. We also find that raising the maximum allowable debt-to-income ratio for qualifying for homeownership from 31 percent to 41 percent would increase the number of income-ready Black and Hispanic households to 1.4 million, while raising the DTI to 51 percent would result in 1.7 million income-ready renters.

This analysis also shows how, even before incorporating other barriers, the incomes of Black and Hispanic renters limit the extent to which downpayment assistance could raise the homeownership rates of Black and Hispanic households at various income levels in different locations around the country. Downpayment assistance alone would produce only modest reductions in the historically large racial and ethnic differences in homeownership rates mainly because a) assistance does too little to increase affordability for lower-income households and b) there are simply too few renter households of color with incomes high enough to afford monthly payments on a moderately priced home for their area even if they receive upfront cash assistance. Specifically, we find that very few Black or Hispanic renters with incomes below 80 percent of AMI and almost no renters in any part of the country with incomes below 50 percent of AMI could afford homeownership even after receiving $25,000 of downpayment assistance **(Figure 9)**. Furthermore, renters earning 50-80 percent of AMI could afford a moderately priced home only in a small number of states with the lowest home prices, whereas in high-cost states virtually all income-ready households would need to earn over 120 percent of AMI.

[44] While including the constraint that Black and Hispanic homeownership rates do not exceed rates of non-Hispanic white households by state and income group.

Figure 9: Few States Have Any Income-Ready Black or Hispanic Renters with Incomes below 50 Percent of Area Medians



Note: Income-ready Black and Hispanic renters are those who can afford monthly homeowner costs on a moderately priced home in their state without spending more than 31 percent of income on housing costs. The number is capped at the number that would eliminate homeownership rate gaps with white households at each income level within each state.

Downpayment assistance would, however, cover the downpayment needs for higher-income households who could otherwise afford monthly payments to be homeowners. For these households, particularly those earning 120 percent of AMI or higher, we find that homeownership rate gaps could be eliminated if all income-ready renters were to buy a home.

These results underscore the fact that although downpayment assistance can help overcome one of the major barriers to homeownership, alone it can go only so far in reducing homeownership rate gaps or increasing low-income homeownership rates. Due to the combination of high housing prices and low incomes, most households of color who rent could not afford the ongoing monthly mortgage costs according to standard parameters. As an example of the wide affordability gap, our calculations show that in California, even after receiving $25,000 in downpayment assistance, a household would need to earn $184,000 per year in order to afford monthly costs of a moderately priced home in that state ($4,749) at 31 percent of income. This is more than three times the $57,000 average annual income of Black and Hispanic renter households in the state earning 50-80 percent of AMI. Even under a 41 percent maximum DTI threshold, a household would need to earn $139,000 per year to qualify. Putting homeownership within reach for more in these groups would therefore require much more substantial subsidies to effectively raise incomes or lower housing costs.

In addition to noting the limits of downpayment assistance in enabling homeownership, it is also important to highlight that the analysis presented in this paper assumes that renter households would not be constrained by their credit history in qualifying for mortgage financing. In fact, an analysis by Freddie Mac indicates that only 25 and 40 percent of Black and Hispanic renters under age 45 respectively have credit histories that would qualify for conventional mortgage financing, compared to 49 percent of white renters. Our analysis is also unable to assess whether households would be constrained in qualifying for a mortgage by having high levels of outstanding debt. Perkins et al. (2020) shed light on this barrier as they identify the share of renters with non-housing debt-to-income ratios exceeding 12 percent, making it unlikely they would qualify for conventional financing. They find that 24 percent of potential homebuyers would be unable to purchase regardless of the level of subsidy provided because of this high level of debt, with a slightly higher share of Black individuals facing this constraint. Thus, in addition to downpayment assistance, many would-be borrowers of color would also need more flexible underwriting guidelines to incorporate non-traditional forms of credit assessment and allow for somewhat higher levels of non-housing debt.

Policy Options for Reducing Homeownership Rate Gaps

Several policy options are available that could make homeownership more affordable for a greater number of households of color and with lower incomes. Shared equity models are one means of providing substantial subsidies to reduce the purchase price of a home.[45] These programs allow households to purchase a home for below market price in return for restricted equity gain on sale that allows the home to remain affordable to the next family. Given the magnitude of costs, this option is beneficial to ensure benefits support homeownership for more than just the original buyer. Shared equity homeownership could happen through a resident-owned cooperative or a resident-owned community of manufactured housing, or it could be stewarded by a community land trust or established through inclusionary zoning and the use of a deed restriction on the unit.

Perkins and her colleagues estimate the degree to which the significant levels of downpayment assistance generally associated with shared equity models could increase homeownership for individuals by different income levels and racial groups as of 2013.[46] The results find that downpayment assistance

[45] For a detailed review of shared equity homeownership models, see Lubell (2014).
[46] Perkins et al. (2020).

of $25,000 would enable homeownership for 37 percent of renters, and increasingly higher levels of assistance up to more than $250,000 would enable homeownership for up to another 30 percent of renters – with 22 percent of renters unable to afford a home at any level of assistance due to other barriers and 10 percent able to afford without financial assistance. These shares were similar across racial groups, although Hispanics were more likely to need larger subsidies as they were more concentrated in high-cost markets. Our own findings, albeit focused only on income constraints, show that while doubling downpayment assistance from $25,000 to $50,000 would result in a relatively modest increase in the share of Black and Hispanic renters who could afford monthly payments on a moderately priced home, these gains were concentrated among those earning between 50-80 percent of AMI. Given the limits placed on financial returns to homeowners by shared equity models, only households who need substantial financial assistance to purchase a home would likely be attracted to these programs. Thus, programs that provide substantial amounts of downpayment assistance to address the limited purchasing power of lower-income households could adopt a shared equity approach to target use of these funds to households who could qualify to purchase a home only with this assistance.

Regardless of the type of program, eliminating race-based homeownership rate gaps will also require an intervention that has some form of targeting to households of color to reverse the longstanding imbalances that have put these households at a disadvantage in becoming homeowners. There are several possible approaches for policies aimed at reducing homeownership rate gaps to ensure that Black and Hispanic renters benefit to a greater degree than whites.

Special purpose credit vehicles are one way lenders can target programs to benefit households of color directly. The Equal Credit Opportunity Act prohibits discrimination in lending on the basis of race, color, religion, gender and other characteristics, but also allows institutions to provide special programs to benefit disadvantaged groups to remedy past discrimination, called Special Purpose Credit Programs (SPCPs). Rulings in the past year by the Consumer Financial Protection Bureau and HUD have provided guidance for lenders looking to offer such programs that will not violate federal law or regulations.[47] SPCPs give lenders wide latitude to tailor lending programs to specific groups or classes of

[47] See "Equal Credit Opportunity (Regulation B); Special Purpose Credit Programs," https://www.federalregister.gov/documents/2021/01/15/2020-28596/equal-credit-opportunity-regulation-b-special-purpose-credit-programs and "Office of General Counsel Guidance on the Fair Housing Act's Treatment of Certain Special Purpose Credit Programs…," https://www.hud.gov/sites/dfiles/GC/documents/Special_Purpose_Credit_Program_OGC_guidance_12-6-2021.pdf.

people in order to meet special social needs, which include the need to eliminate longstanding racial inequalities in homeownership and the related inequalities in wealth and housing instability. These programs can provide a defined class of persons increased access to credit or more favorable terms and conditions than would be offered to other applicants of similar creditworthiness.[48]

The ability to directly target households of color through a special purpose credit program is limited to credit institutions. But there are other means that government agencies and private organizations can employ to design programs and policies that will not be limited to specific racial groups but would nonetheless be likely to disproportionately benefit people of color. One such indirect means of targeting is to offer programs for first-generation homebuyers whose parents were renters, who are more likely to include people of color. Targeting first-generation homeowners increases homeownership opportunities for those without the advantage of generational wealth gained from homeownership held in the equity of their homes. An analysis by the Urban Institute documents that such an approach would indeed benefit higher shares of households of color without directly targeting race or ethnicity.[49]

Another way of indirectly targeting programs to benefit households of color would be geographic targeting to areas that are inhabited predominantly by communities of color. One such example is MassHousing's Commonwealth Builder program, which is a fund intended to spur the construction of single-family homes and condominiums that are affordable to households with moderate incomes, particularly in communities of color.[50] Geographic targeting begins to address the longstanding racial segregation by geography that has been linked closely with inequalities in homeownership and the fact that communities of color have been subject to underinvestment and so do not offer as many attractive options to own. The Neighborhood Homes Investment Act, proposed in Congress in 2021, also employed a geographic targeting approach in directing tax credits to be used to develop owner-occupied housing to neighborhoods marked by lower incomes and housing costs and relatively high poverty rates.[51] This program is also aimed at addressing the lack of supply of suitable homes for purchase in communities subject to disinvestment.

Given the magnitude of racial gaps in homeownership and the significant financial and social benefits that can be realized by owning a home, there is a compelling case for public action to enable and support homebuying among people of color. As the analysis presented in this paper has

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[48] Ficklin and Nier (2021).
[49] Choi and Ratcliffe (2021).
[50] See https://www.masshousing.com/en/developers/commonwealth-builder.
[51] For details on the bill, see https://neighborhoodhomesinvestmentact.org/.

demonstrated, fairly generous downpayment assistance of $25,000 has the potential to support home purchase by more than one million Black and Hispanic renters. But at the same time, this analysis also highlights that additional measures will be needed to support homebuying to substantially close racial homeownership gaps, including mortgage finance options that address other credit barriers to qualifying for a mortgage. For many households of color, deeper subsidies are also needed to make buying a home affordable.

In all cases, policy makers will also need to be thoughtful about how to target assistance so that it helps to remedy the historical legacy of discrimination that has put people of color at a disadvantage in the housing market. In fact, there are a number of promising options for pursuing such targeting that are increasingly being incorporated into policy recommendations. As noted, a multifaceted approach to supporting homeownership is needed to address the multiple factors that contribute to racial disparities in homeownership. But a key obstacle that has not been addressed at a meaningful scale thus far is the need for substantial upfront assistance to meet the need for downpayment and closing costs and to make home purchase more affordable. The downpayment assistance programs proposed in recent years would be a meaningful step in addressing this important gap in supports.

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Appendix

Table A-1: Sample Calculations of Impact of $25,000 Downpayment Assistance on Monthly Housing Payments When the State Median-Priced Home Is $300,000 and the 30-year Mortgage Interest Rate is 6.112%

Description of Cost Component	Calculation	No Downpayment Assistance	With $25,000 Downpayment Assistance
Typical Home Value in State	ZHVI	300,000	300,000
Moderately Priced Home = Home valued at 80% of State median	A= ZHVI * .8	240,000	240,000
3.5% Downpayment	B = A * 3.5%	8,400	8,400
3% Closing costs (Rolled into Loan)	C = A * 3%	7,200	7,200
Mortgage Amount, Pre-Assistance	D = A + C - B	238,800	238,800
Downpayment Assistance	E	-	25,000
Total Cash Needs by Buyer Post-Assistance (if any)	F= B-E, or Greater of [B - E] or Zero	8,400	-
Excess Assistance Available to Pay Down Loan (if any)	G =E-B, or Greater of [E - B] or Zero	-	16,600
Mortgage Amount, Post-Assistance	H= D - G	238,800	222,200
Monthly Mortgage Payment, P&I only (30 Year Loan, 6.112% Interest rate)	K=PMT(6.112%/12,360,-[H])	1,449	1,348
Additional monthly costs, (MI of 0.85% of loan, PT of 1.15% of home value, PI of .35% of home value)	L = (([H]*0.85%) + ([A]*1.15%)+([A]*0.35%))/12	469	457
Total Monthly Payment	**M = K + L**	**1,918**	**1,806**

Table A-2: State Home Values and Housing Costs, September 2022

State	Typical Home Value (ZHVI, Sept 2022)	80% of Typical Home Value	3.5% Buyer Downpayment Needed	Mortgage Amount (Without Assistance)	Total Monthly Payments (Without Assistance)	Extra Assistance Funds Available after Downpayment (from $25,000)	Mortgage Amount (After Assistance)	Total Monthly Payments (After Assistance)	Estimated State Property Tax Rate
Alabama	215,294	172,235	6,028	171,374	1,279	18,972	152,402	1,150	0.47%
Alaska	336,888	269,510	9,433	268,163	2,136	15,567	252,596	2,031	1.07%
Arizona	432,850	346,280	12,120	344,549	2,631	12,880	331,668	2,543	0.68%
Arkansas	187,071	149,657	5,238	148,909	1,146	19,762	129,147	1,013	0.75%
California	769,405	615,524	21,543	612,446	4,773	3,457	608,990	4,749	0.86%
Colorado	577,500	462,000	16,170	459,690	3,498	8,830	450,860	3,438	0.65%
Connecticut	360,650	288,520	10,098	287,077	2,538	14,902	272,176	2,437	2.11%
Delaware	361,656	289,325	10,126	287,878	2,238	14,874	273,005	2,138	0.84%
DC	681,476	545,181	19,081	542,455	4,162	5,919	536,536	4,122	0.72%
Florida	406,988	325,590	11,396	323,962	2,546	13,604	310,358	2,454	0.94%
Georgia	323,991	259,193	9,072	257,897	2,037	15,928	241,969	1,929	0.99%
Hawaii	910,349	728,279	25,490	724,638	5,366	-	724,638	5,366	0.40%
Idaho	471,341	377,073	13,198	375,187	2,877	11,802	363,385	2,798	0.72%
Illinois	267,383	213,906	7,487	212,837	1,889	17,513	195,324	1,770	2.16%
Indiana	227,165	181,732	6,361	180,823	1,421	18,639	162,184	1,295	0.94%
Iowa	199,388	159,510	5,583	158,713	1,338	19,417	139,296	1,207	1.63%
Kansas	214,970	171,976	6,019	171,116	1,433	18,981	152,135	1,304	1.56%
Kentucky	205,598	164,478	5,757	163,656	1,290	19,243	144,413	1,159	0.97%
Louisiana	218,008	174,406	6,104	173,534	1,314	18,896	154,639	1,186	0.60%
Maine	369,767	295,814	10,353	294,335	2,402	14,647	279,688	2,303	1.30%

Maryland	405,957	324,766	11,367	323,142	2,600	13,633	309,509	2,508	1.17%
Massachusetts	583,964	467,171	16,351	464,835	3,798	8,649	456,186	3,739	1.31%
Michigan	237,236	189,789	6,643	188,840	1,573	18,357	170,482	1,449	1.51%
Minnesota	334,482	267,586	9,365	266,248	2,145	15,635	250,613	2,039	1.18%
Mississippi	171,319	137,055	4,797	136,370	1,054	20,203	116,167	917	0.79%
Missouri	234,924	187,939	6,578	187,000	1,497	18,422	168,577	1,373	1.12%
Montana	463,871	371,097	12,988	369,241	2,889	12,012	357,230	2,808	0.90%
Nebraska	248,627	198,902	6,962	197,907	1,670	18,038	179,869	1,547	1.63%
Nevada	454,158	363,326	12,716	361,510	2,744	12,284	349,226	2,661	0.62%
New Hampshire	438,366	350,693	12,274	348,939	3,029	12,726	336,214	2,943	1.92%
New Jersey	471,719	377,375	13,208	375,488	3,399	11,792	363,696	3,319	2.37%
New Mexico	299,814	239,851	8,395	238,652	1,857	16,605	222,047	1,744	0.85%
New York	411,861	329,489	11,532	327,841	2,843	13,468	314,373	2,752	1.91%
North Carolina	328,682	262,946	9,203	261,631	2,050	15,797	245,834	1,943	0.91%
North Dakota	284,130	227,304	7,956	226,167	1,813	17,044	209,123	1,697	1.13%
Ohio	216,746	173,397	6,069	172,530	1,457	18,931	153,599	1,329	1.64%
Oklahoma	187,915	150,332	5,262	149,580	1,179	19,738	129,842	1,045	0.97%
Oregon	515,439	412,351	14,432	410,289	3,242	10,568	399,722	3,170	0.99%
Pennsylvania	268,984	215,187	7,532	214,111	1,807	17,468	196,643	1,689	1.64%
Rhode Island	437,424	349,939	12,248	348,190	2,898	12,752	335,437	2,812	1.50%
South Carolina	299,173	239,338	8,377	238,142	1,828	16,623	221,519	1,715	0.72%
South Dakota	305,170	244,136	8,545	242,915	1,974	16,455	226,460	1,863	1.26%
Tennessee	309,460	247,568	8,665	246,330	1,904	16,335	229,995	1,793	0.79%
Texas	315,815	252,652	8,843	251,389	2,131	16,157	235,232	2,022	1.68%
Utah	562,693	450,154	15,755	447,904	3,416	9,245	438,659	3,353	0.66%
Vermont	370,790	296,632	10,382	295,149	2,556	14,618	280,531	2,457	1.90%
Virginia	382,958	306,366	10,723	304,835	2,383	14,277	290,557	2,286	0.89%
Washington	613,674	490,939	17,183	488,485	3,829	7,817	480,667	3,776	0.92%

West Virginia	144,640	115,712	4,050	115,133	890	20,950	94,183	748	0.78%
Wisconsin	268,737	214,990	7,525	213,915	1,807	17,475	196,439	1,689	1.65%
Wyoming	339,353	271,482	9,502	270,125	2,070	15,498	254,627	1,965	0.71%

Note: Costs use mortgage interest rate of 6.112 percent.

Source: JCHS tabulations of Zillow median home prices; Freddie Mac, PMMS; and US Census Bureau, 2021 American Community Survey data.

Appendix Table A-3: Income-Ready Black and Hispanic Renter Households, by State (September 2022)

	Income as Percent of AMI						
State	30 or Below	30-50	50-80	80-100	100-120	Above 120	Total
Alabama	0	184	7,032	7,968	1,397	10,775	27,356
Alaska	0	0	0	134	1,000	686	1,820
Arizona	0	0	0	0	176	9,915	10,091
Arkansas	0	219	4,999	1,769	1,885	4,495	13,367
California	0	0	0	139	1,031	25,232	26,402
Colorado	0	0	0	30	70	6,478	6,578
Connecticut	0	0	1,484	2,805	2,667	7,144	14,100
Delaware	0	0	37	152	1,119	2,358	3,667
DC	0	0	0	0	0	1,345	1,345
Florida	0	0	57	487	5,627	73,508	79,679
Georgia	0	0	1,003	10,399	16,381	36,504	64,286
Hawaii	0	0	0	0	0	334	334
Idaho	0	0	0	0	0	1,333	1,333
Illinois	0	281	9,877	15,396	8,661	18,973	53,188
Indiana	0	72	11,407	6,654	3,612	10,134	31,880
Iowa	0	155	2,876	1,466	178	2,204	6,880
Kansas	0	0	1,872	586	907	5,662	9,027
Kentucky	65	80	4,148	2,398	3,309	5,429	15,428
Louisiana	0	0	4,766	6,986	3,650	17,576	32,977
Maine	0	0	0	0	45	603	648
Maryland	0	0	5,066	6,674	8,447	12,099	32,287
Massachusetts	0	0	258	78	1,248	11,173	12,757
Michigan	0	0	4,405	11,153	8,540	19,455	43,553
Minnesota	0	0	2,058	3,026	873	4,652	10,609
Mississippi	502	0	9,861	6,028	3,986	11,524	31,902

Missouri	0	0	6,015	7,256	128	8,989	22,387
Montana	0	0	0	0	0	13	13
Nebraska	0	0	871	851	1,305	3,456	6,484
Nevada	0	0	0	119	143	6,694	6,957
New Hampshire	0	0	0	0	562	333	895
New Jersey	0	0	0	153	1,459	34,647	36,259
New Mexico	0	0	0	0	0	788	788
New York	0	0	320	3,397	14,579	57,557	75,853
North Carolina	0	0	1,254	6,973	6,838	28,036	43,101
North Dakota	0	0	0	0	213	1,246	1,459
Ohio	227	58	13,129	14,691	6,590	18,698	53,393
Oklahoma	0	178	2,831	1,771	2,708	10,064	17,552
Oregon	0	0	0	0	58	4,619	4,678
Pennsylvania	0	0	7,142	11,604	9,377	18,002	46,125
Rhode Island	0	0	0	0	0	884	884
South Carolina	0	0	614	2,889	5,014	17,249	25,766
South Dakota	0	0	0	0	242	564	806
Tennessee	0	0	909	2,885	6,636	17,422	27,851
Texas	0	0	4,442	6,003	19,180	64,520	94,145
Utah	0	0	0	0	69	1,890	1,959
Vermont	0	0	0	0	0	275	275
Virginia	0	0	4,238	5,375	7,297	17,631	34,541
Washington	0	0	0	0	87	8,055	8,142
West Virginia	30	146	1,005	244	72	315	1,812
Wisconsin	0	0	2,247	6,529	2,140	6,982	17,899
Wyoming	0	0	0	0	83	327	410
Total US	824	1,373	116,225	155,071	159,587	628,849	1,061,928

Note: Assumes 31 Percent DTI, receipt of $25,000 downpayment assistance, with constrained homeownership rates by income and state.