

OBSTACLES TO HOME BUYING BY RACE/ETHNICITY IN A POST- COVID-19 MARKET

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QUIRK'S NEW YORK 2022



U.S. HOUSING MARKET – MAY

2.6

Months' supply

25%

All-cash buyers

4.2

Offers per seller

55%

Buyers bidding
above listing price

**MAY MEDIAN HOME PRICE =
\$407,600**

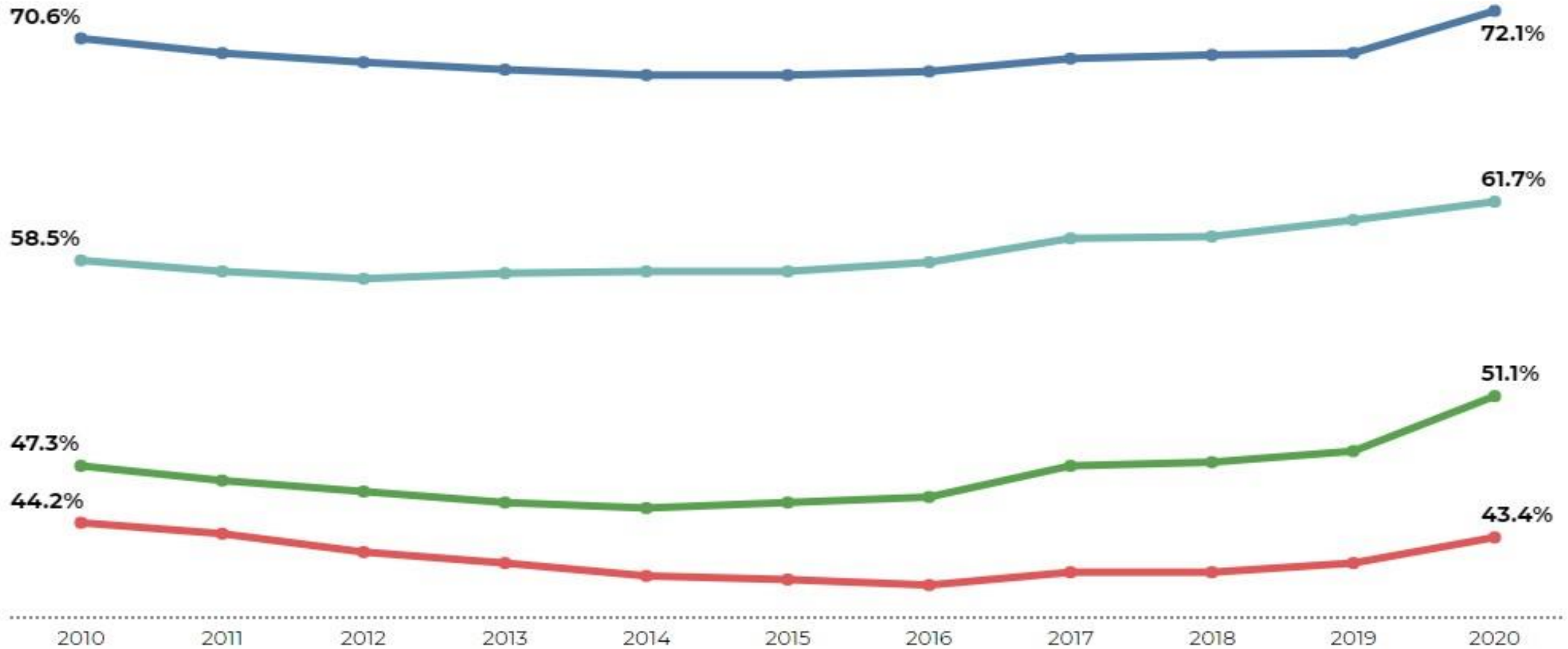
Up 14.8% from May 2021

Home buyers might feel like...this



Homeownership rate (2010-2020)

by race



White

Black

Asian

Hispanic

Source: NAR Calculations of ACS PUMS Data

DIFFERENCES AMONG SUCCESSFUL HOME BUYERS

MORTGAGE DENIAL RATES:

- Hispanic/Latino and Black/African-American households experience a higher denial rate than Asian/Pacific Islander and White home buyers: **7% vs. 3 – 4%**

PREVIOUS HOMEOWNERSHIP:

- All minority groups nearly twice as likely as White buyers to be **first-time home buyers**:
 - **52%** of Asian/Pacific Islander buyers
 - **50%** of Hispanics/Latino buyers
 - **48%** of Black/African-American buyers
 - **28%** of White buyers

Source: NAR 2022 Snapshot of Race and Home Buying in America

DIFFERENCES AMONG SUCCESSFUL HOME BUYERS

STUDENT LOAN DEBT:

- Black/African-American buyers are almost twice as likely as other groups to hold student loan debt:
 - **43%** among Black/African-American buyers
 - **24%** of Hispanic/Latino buyers
 - **21%** of White buyers
 - **16%** of Asian/Pacific Islander buyers

AMOUNTS OF STUDENT LOAN DEBT:

- **\$38k** among Black/African-American and Asian/Pacific Islander buyers
- **\$30k** among White buyers
- **\$25k** among Hispanic/Latino buyers.

OBSTACLES TO HOME BUYING: FOCUS GROUPS

METHODOLOGY



- **8 online focus groups conducted in October 2021** as follows:
 - 4 with Potential Buyers (begun homebuying process in last 12 months)
 - 4 with Recent/Successful Buyers (had purchased in the last 12 months)
- **One group in each category conducted with consumers who identified as:**
 - Black/African-American (AA)
 - Asian-American/Pacific Islander (AAPI)
 - Hispanic/Latin(o/x) (H/L)
 - White (W)

GREATEST OBSTACLES – AMONG RECENT BUYERS



LACK OF AFFORDABLE HOMES

“Tempering my expectations for the home I want versus the home I actually bought. I had to give up the area really I wanted to target.”



COMPETITION FOR HOMES

“Bidding wars on houses. There'd be like 10 offers on a house. Some houses would go in like 16 minutes.”



POST-OFFER ISSUES

“Your offer's been accepted. Now let's jump through hoops and negotiate again and pray to God that the inspection doesn't come back [badly]. And then you end up missing out on three houses.”

BIGGEST REASONS POTENTIAL BUYERS HAD NOT BOUGHT YET

LACK OF INVENTORY

"Ours is more a nice to have versus a need. We own our home now. We are happy where we're at. **The inventory is just not there.**"

PRICE

"**We knew we weren't going to be able to afford anything** in this market in this area."

ISSUES WITH LOANS

"**They told me that they wanted to see two years of freelance or gig income and you can't have a decline.** So, the first year has to be less than the next year. They want to see that your income is increasing."

MOBILITY CONCERNS

"**It comes down to job outlook.** I don't know what it's going to look like when I graduate in four months."



ASIAN- AMERICAN/PACIFIC ISLANDER BUYERS

- Several frustrated with their agents but more likely to attribute failings to agents “working for themselves” instead of for the buyers than to suspect bias.
- More likely to be purchasing in areas with high real estate prices (e.g., Bay Area).





BLACK AFRICAN-AMERICAN BUYERS

- Along with H/L respondents, least likely to have access to family help with down payments.
- Least likely to say family had owned home.
- Most likely to have seen foreclosure in family.
- Most likely to cite:
 - potential race-based discrimination by their agents.
 - Confusion over how to build credit.
 - A feeling among first-time buyers that they are simply expected to understand how the process works without any information.



HISPANIC/LATIN(O/X) BUYERS

- Most likely to say families had owned homes.
- More likely than others to cite the U.S. credit system and a need for credit history as sources of frustration and confusion.
 - Several immigrants who had worked to create credit histories could not get loans from their own banks due to “too low a volume” on the loan.





WHITE BUYERS

- Most likely of all groups to cite student loan debt as a major obstacle and reason to have not yet purchased.
- Along with AA buyers, most likely to say self- or contract-employment has been a major hurdle in getting a loan.
- Along with AAPI buyers, most likely to have received family help with down payment.
- Least likely to have seen foreclosures in their families.

TESTABLE HYPOTHESES

1. **Lack of affordable homes and lack of homes that fit their criteria:** greatest obstacles for all buyers
2. **More likely to report experiencing discrimination based on race/ethnicity:** AAPI and Black/African-American buyers
3. **More likely to report help with down payment from family:** White and AAPI buyers
4. **Lack of info about/confusion over credit process is greater obstacle:** Black/African-American and Hispanic/Latino buyers
5. **Self-employment is greater obstacle:** Black/African-American and White buyers
6. **Most likely to have seen a family member lose their home due to financial issues:** Black/African-American buyers
7. **Most likely to report parents/guardians were homeowners:** Hispanic/Latino and White buyers
8. **Most likely to cite student loan debt as obstacle among potential buyers:** White buyers

OBSTACLES TO HOME BUYING: SURVEY

METHODOLOGY



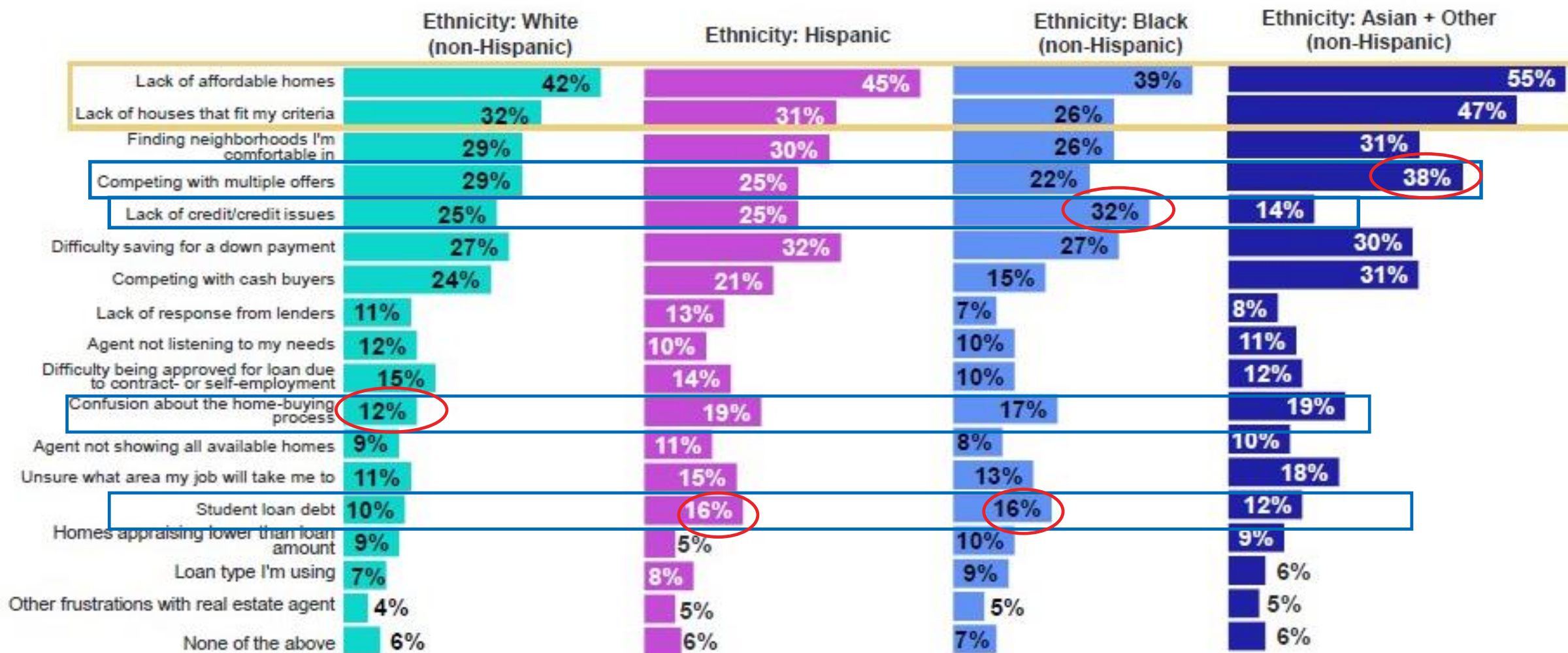
- Designed by **NAR Research and Morning Consult** based on focus group results
- Conducted in **December 2021** (*Fielded by Morning Consult*)
- **2,000 consumers total** who had either purchased a home or who had taken steps to begin the process in the past 12 months (~25% Recent/Successful Buyers, ~75% Potential Buyers)
- **500** identifying as each of the four racial/ethnic categories

POTENTIAL HOME BUYERS

POTENTIAL HOMEBUYERS

Among potential homebuyers, a lack of affordable homes and a lack of homes that fit a buyer's criteria are primary obstacles to purchasing a home among the races/ethnicities tested.

Which of the following, if any, have been obstacles to purchasing a home? Please select all that apply.*



*Only asked among potential homebuyers

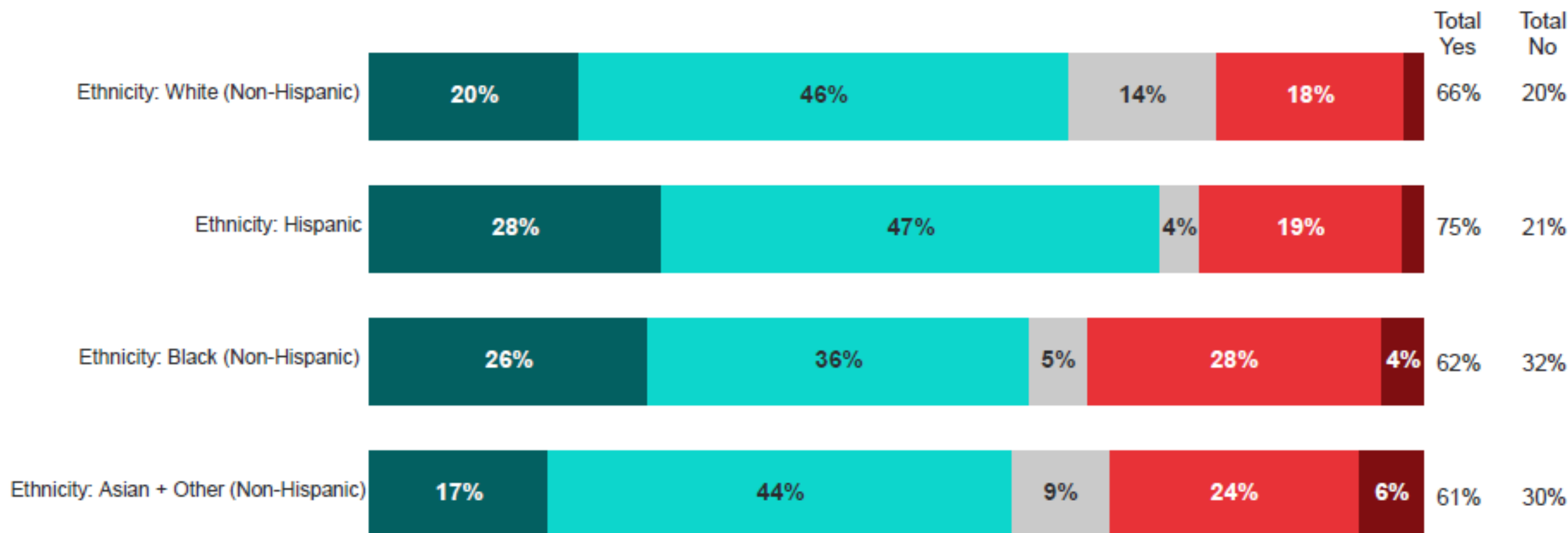
** Removed Other (approximately 1% of responses)

POTENTIAL HOMEBUYERS

Among those who have worked with a real estate agent, Black (32%) and Asian (30%) potential homebuyers are more likely than White (20%) or Hispanic (21%) potential homebuyers to say they are not being shown all available homes in their price point.

In your opinion, are you being shown all available homes in your price point?*

● Yes, definitely ● Yes, probably ● Don't know/no opinion ● No, probably not ● No, definitely not

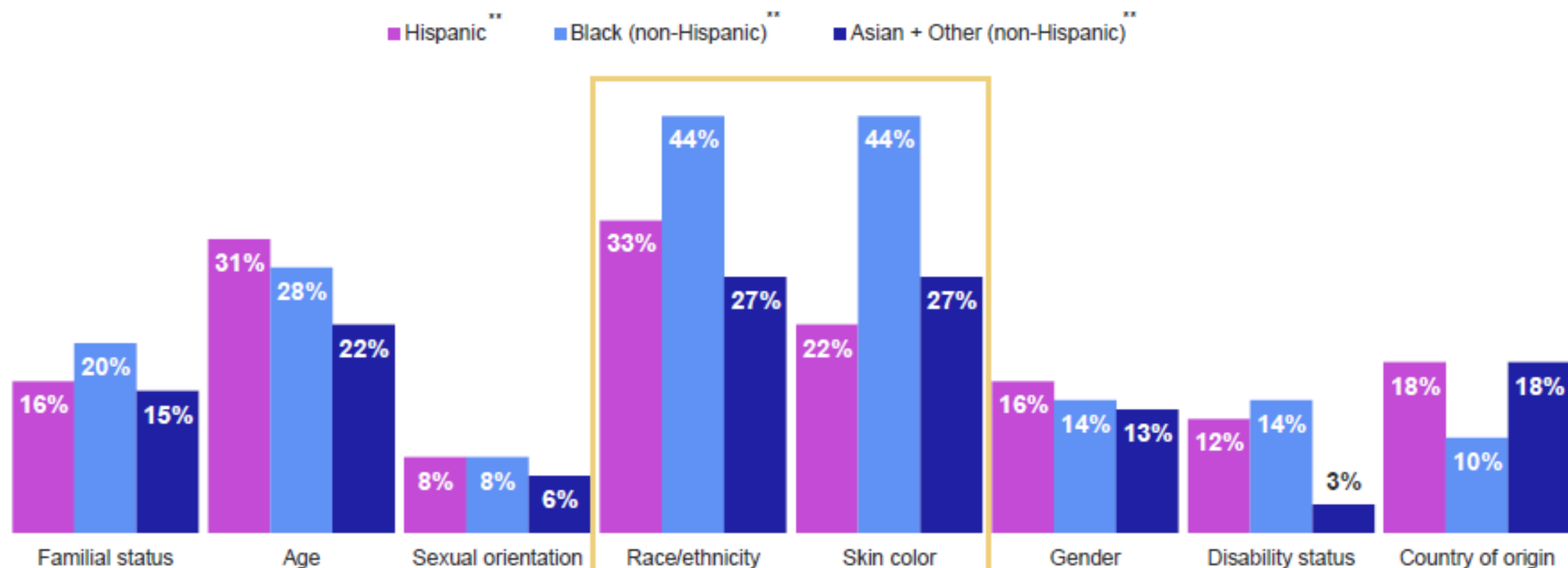


*Only asked among potential homebuyers who are currently working with, or have worked with in the past, a real estate agent or broker

POTENTIAL HOMEBUYERS

Forty-four percent of Black potential homebuyers say they have not been shown all available homes in their price range due to discrimination based on race or skin color.

Do you feel you are not being shown all available homes in your price range due to discrimination based on any of the following?*



*Only asked among potential homebuyers who do not feel like they've been shown all available homes in their price point

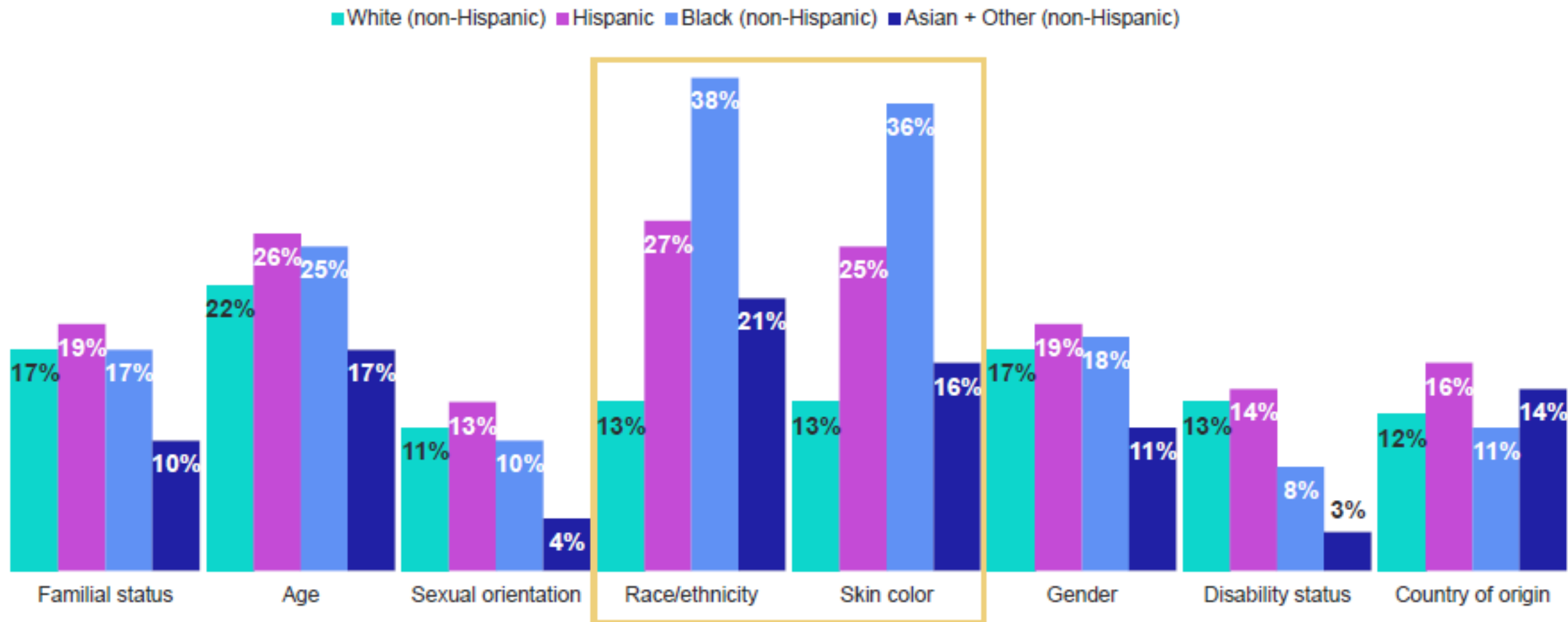
** Caution, low sample sizes: Black respondents n = 71, Hispanic respondents n = 51, Asian respondents n = 67, margin of error greater than +/- 10%

*** White respondents removed due to low sample size

POTENTIAL HOMEBUYERS

Approximately one third of Black potential homebuyers say have they faced discrimination during the homebuying process due to their race/ethnicity (38%) and their skin color (36%).

At any point throughout the home buying process, do you feel you have faced discrimination based on any of the following factors?*

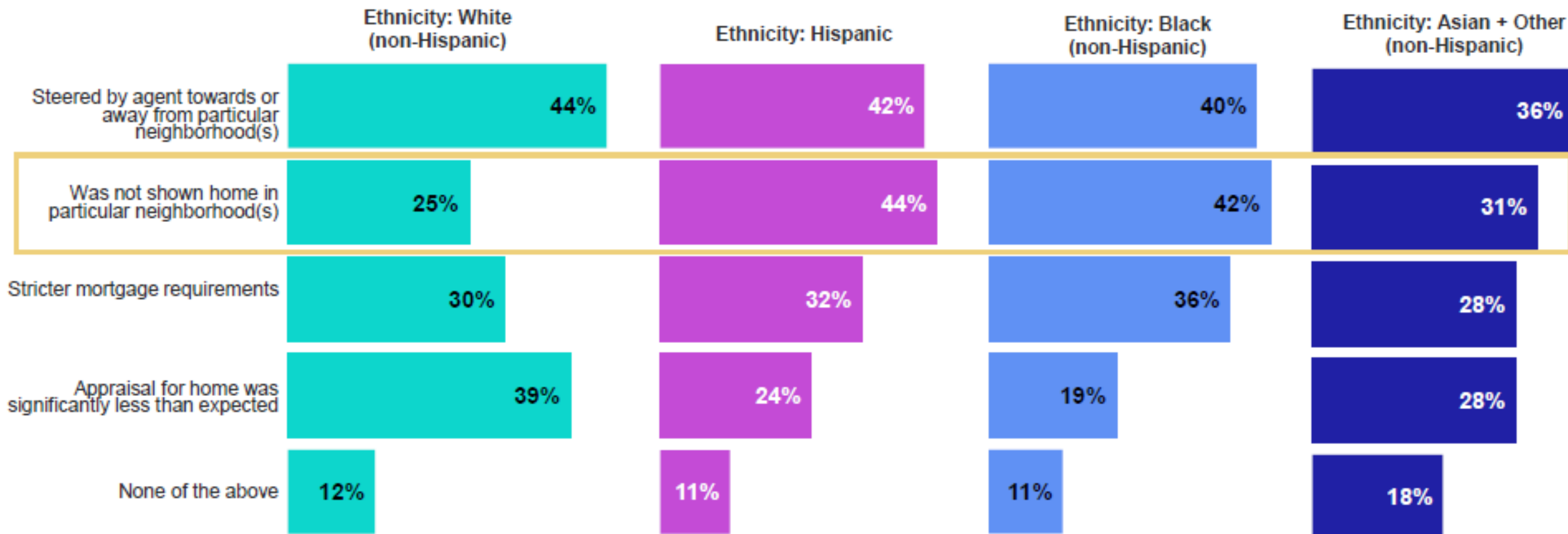


*Only asked among potential homebuyers

POTENTIAL HOMEBUYERS

Hispanic (44%) and Black (42%) potential homebuyers are more likely than White (25%) or Asian (31%) potential homebuyers to say that during the home buying process they faced discrimination because they were not shown homes in particular neighborhoods.

In which of the following way(s) throughout the home buying process did you face discrimination? Please select all that apply.*



*Only asked among potential homebuyers who say they faced discrimination in the home buying process

** Some answer options cut due to low sample size

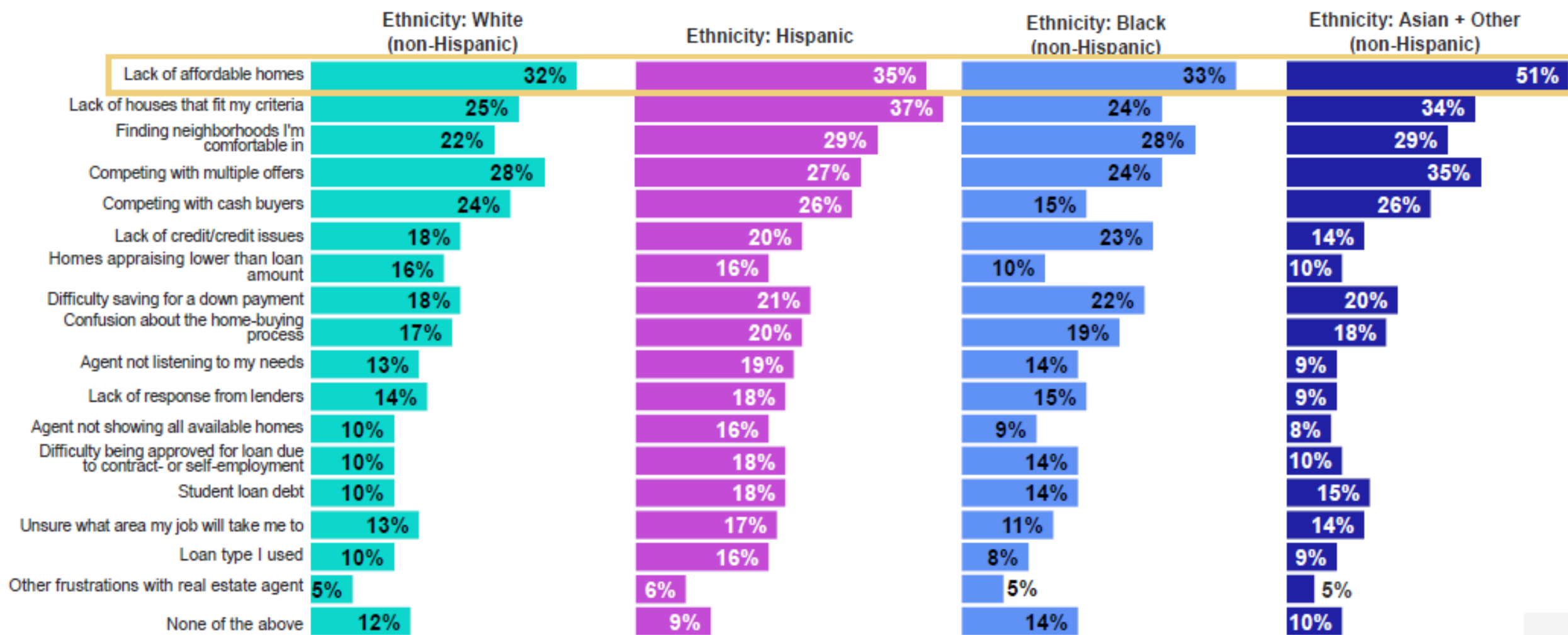
*** Removed Other (approximately 1% of responses)

RECENT/SUCCESSFUL HOME BUYERS

SUCCESSFUL HOMEBUYERS

Among successful homebuyers, Asian respondents (51%) are more likely than White (32%), Hispanic (35%), or Black (33%) respondents to say a lack of affordable homes was an obstacle in purchasing a home.

Which of the following, if any, were obstacles for you in purchasing a home? Please select all that apply.*



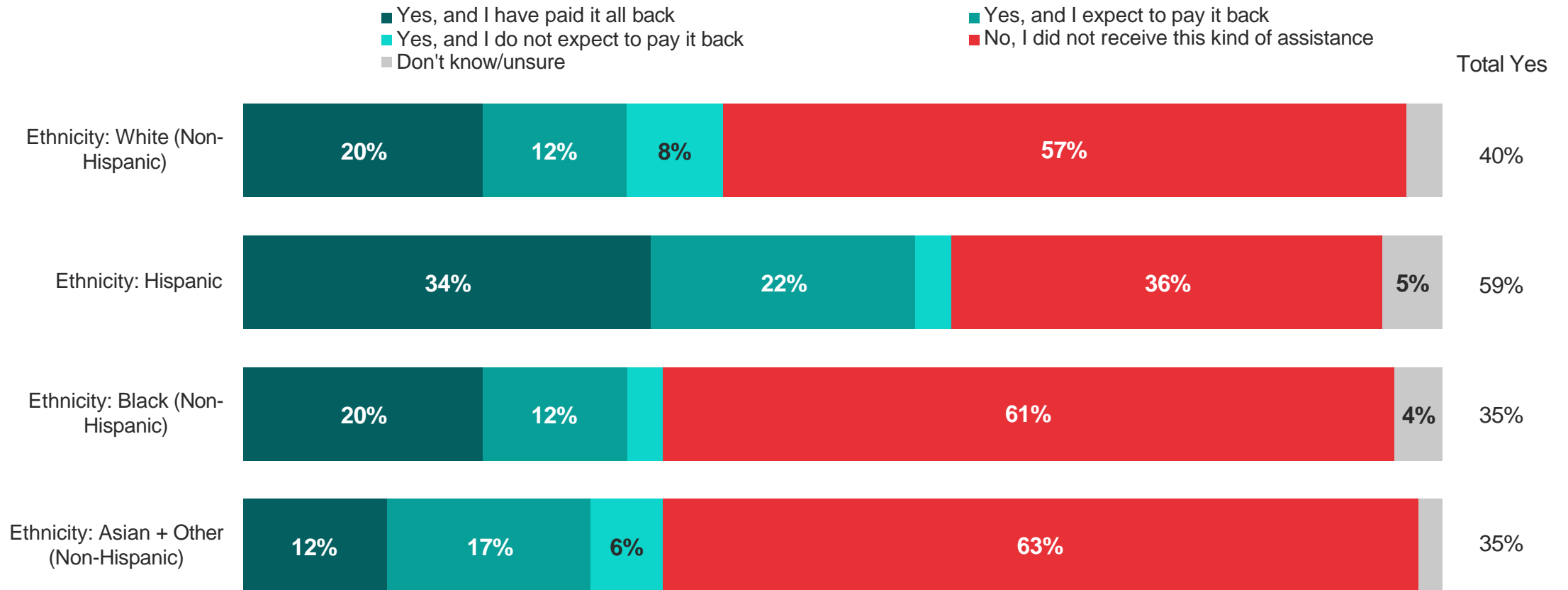
*Only asked among successful homebuyers

** Removed Other (approximately 1% of responses)

SUCCESSFUL HOMEBUYERS

Hispanic successful homebuyers (59%) are more likely than other races/ethnicities tested to say they received financial assistance from family to pay for the down payment on the most recent home they purchased.

Did you receive any financial assistance from a family member(s) to help pay for the down payment on the most recent home you purchased?*

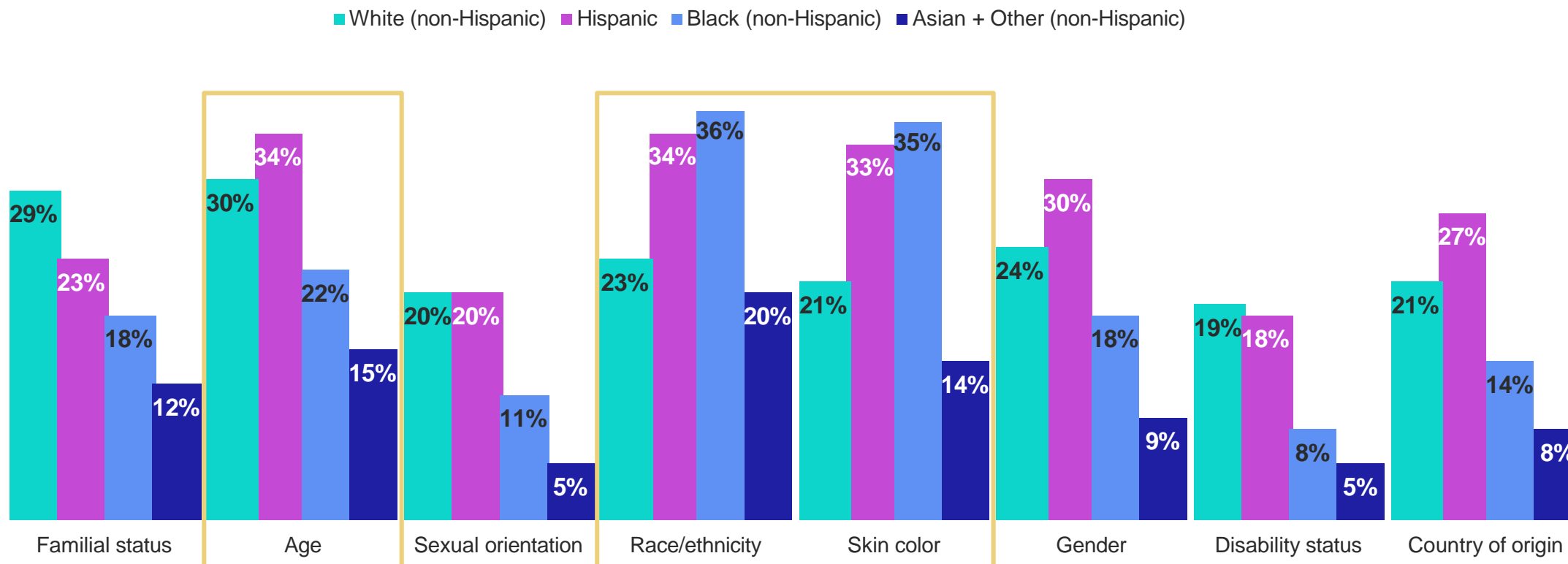


*Only asked among successful homebuyers

SUCCESSFUL HOMEBUYERS

Hispanic (34%) and White (30%) successful homebuyers are more likely to say they faced discrimination during the home buying process based on age. Hispanic and Black successful homebuyers are more likely to say they faced discrimination based on race/ethnicity (34% and 36%, respectively) and skin color (33% and 35%, respectively).

At any point throughout the process of buying your most recent home, did you feel you faced discrimination based on any of the following factors?*



*Only asked among successful homebuyers

TESTABLE HYPOTHESES - RESULTS

- **Lack of affordable homes and lack of homes that fit their criteria:** greatest obstacles for all buyers – **TRUE, EXCEPT THAT:**
 - **Lack of credit/credit issues is Number Two Issue among Black/African-American potential buyers.**
- Black/African-American and Hispanic/Latino buyers more likely to cite **lack of info about/confusion over credit process as obstacle:**– **TRUE – SORT OF.**
 - **This was a greater obstacle for both these two groups AND for AAPI buyers than for White buyers.**
- AAPI and Black/African-American buyers **more likely to report experiencing discrimination:**– **HALF-TRUE.**
 - **Among Black/African-American potential buyers not being shown all available homes in price point, 44% attribute this to racial discrimination.**
 - **One-third of all potential Black/African-American buyers report facing discrimination somewhere in the process.**
 - **About one-third of Hispanic and Black successful homebuyers say they faced discrimination based on race/ethnicity or skin color.**

TESTABLE HYPOTHESES - RESULTS

- Black/African-American and White buyers say **self-employment is greater obstacle – FALSE. This was obstacle for 18% or less of all groups; no significant differences.**
- Hispanic/Latino and White buyers **most likely to report parents/guardians were homeowners - FALSE-ISH. White (83%) and Asian (79%) buyers were slightly more likely than Hispanic (72%) or Black (71%) buyers to report this.**
- White and AAPI buyers are **more likely to report help with down payment from family – FALSE. Hispanic/Latino successful buyers were significantly more likely than other groups to report this for their most recent home (59% of successful buyers vs. 40% or less of other groups).**

TESTABLE HYPOTHESES - RESULTS



- Black/African-American buyers are **most likely to have seen a family member lose their home due to financial issues**— **FALSE**. **Hispanic buyers were most likely to report this (29%), followed by Black (25%) and White (21%) buyers. 12% of AAPI buyers report this.**
- White potential buyers are **most likely to cite student loan debt as obstacle** – **FALSE**. **Greater obstacle among Hispanic and Black/African-American potential buyers than for White or AAPI buyers; no significant differences among successful buyers.**

BIGGEST TAKE-AWAYS



- All minority groups are more likely to cite lack of information about or confusion over credit as an obstacle than White buyers.
- Lack of credit/credit issues is the Number Two Obstacle to home buying among Black/African-American potential buyers.
- Black/African-American potential buyers are much more likely to report racial discrimination in the home buying process than any other group.
- Black/African-American and Hispanic/Latino successful buyers are more likely than others to report racial discrimination in the process.

WHAT NAR IS DOING ABOUT IT

- 1. Black Homeownership Collective:** NAR has joined the National Association of Real Estate Brokers, the National Fair Housing Alliance, the Mortgage Bankers Association, and the Urban Institute to launch this organization.
 - Mission = creating 3 million net new Black homeowners in America by 2030
 - Website 3 by 30 launched to help walk new homeowners through the process: <https://3by30.org/>
- 2. DEI Resources for Real Estate:**
 - Fair Housing Action plan, including national Fair Housing policy committee
 - Housing Opportunity, Fair Housing, Diversity Initiative and Commercial Innovation Grants
 - Actionable Road Map for REALTOR® Associations
- 3. Fair Housing and DEI Training for REALTORS®**
 - DEI and Fair Housing Self-Study Modules for REALTORS®
 - Fairhaven virtual simulation course for REALTORS®
 - Bias Override Training Course
 - At Home With Diversity (AHWD) Certification course
- 4. Research:** <https://www.nar.realtor/research-and-statistics>

THANK YOU.



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