A partnership between the UCLA Ziman Center for Real Estate and the UCLA Anderson Forecast sponsored by the Ziman Center's UCLA Rosalinde and Arthur Gilbert Program in Real Estate, Finance and Urban Economics

SEPTEMBER 2020

Monthly condensed analyses of crucial real estate and economic issues offered by the UCLA Anderson Forecast and the UCLA Ziman Center for Real Estate. In this September 2020 Letter, researchers from the UCLA Center for Neighborhood Knowledge, Karna Wong, Paul M. Ong and Silvia R. González, find that about 5 million – or 8% of American homeowners – were unable to pay their mortgage on time, April to July 2020. In addition, under the COVID-19 crisis, compared with non-Hispanic whites, blacks and Hispanics (or Latinx) had two to three times higher odds of experiencing housing hardships.

A link to the complete study is here.

Systemic Racial Inequality and the COVID-19 Homeowner Crisis

By Karna Wong, Paul M. Ong and Silvia R. González

An analysis of the U.S. Census Bureau's weekly Household Pulse Survey, collected between April and July 2020, finds that about 5 million or 8% of American homeowners were unable to pay their mortgage on time. In comparison, during the Great Recession, there were approximately 3.8 million foreclosures. The current rising number of homeowners struggling to pay their mortgage is an ominous indication that this may lead to more foreclosures, housing instability, and homelessness.

"There are large racial disparities among those falling behind on their mortgage payments. The elevated risks of mortgage delinquency among minorities are associated with pre-existing income and educational inequalities and reinforced by the disparate impacts of COVID-19 on the labor market."

There are large racial disparities among those behind on their mortgage payments. Compared with non-Hispanic whites, blacks and Hispanics (or Latinx) had two- to three-times higher odds of experiencing housing hardships. This systematic inequality is associated with pre-existing income and educational inequalities and reinforced by the disparate impacts of COVID-19 on the labor market. Furthermore, how disadvantages are produced is unique to each ethnoracial minority group. The diversity of outcomes is due to disparate ways that race is transmitted through a complex web of institutionalized and systemic inequalities.

The present research determined that about 5 million or about 8% of homeowners were unable to pay their mortgage payment between April and July 2020; this alarmingly high number foreshadows another housing crisis.

SYSTEMIC RACIAL INEQUALITY

Although the pandemic and the accompanying economic disruption have affected all segments of society, previous studies have documented that the burdens and costs have been very unequally distributed. For instance, a series of reports from existing analyses, including those from UCLA's Center for Neighborhood Knowledge, found that low-income and communities of color are more likely to be among those most hurt by the pandemic.

They suffer disproportionately from job losses and encounter multiple barriers to financial assistance to weather the downturn. Moreover, they are most likely to be among the last to be rehired during the slow and protracted economic recovery. In turn, the disproportionate burden translates into a higher chance of homeowners not having the means to pay their mortgage. These systematic racial or ethnoracial disparities derive from multiple factors including systemic inequality, itself a product of a complex web of factors and processes.

Pre-existing racial disparities in class (both income and wealth) and educational attainment reflect in part generations of racial discrimination in the public and private sectors. Equally important, the way inequality is produced and reproduced can vary across ethnoracial minority groups. The rest of this research brief provides empirical insights into how racial inequality is generated in the housing crisis.

Race is not only correlated with the inability to pay for housing, but is also associated with the other pre-pandemic and COVID-19 factors. The percent of homeowners who were unable to pay their mortgage varies by race, class (income), educational attainment, and earnings loss during COVID-19.

1. The non-payment rate was an estimated 20% for higher income non-Hispanic (NH) whites (with an annual income of $50,000 or higher) and an estimated 17% for lower income NH whites (with an annual income of less than $50,000). Higher income and lower income Asians, blacks, and Hispanics all had higher rates of non-payment than NH whites, ranging from 28% to 52%.

2. About 11% of college-educated NH whites did not pay their mortgages; and 17% of NH whites without a college education did not make their payments. All three ethnoracial groups, Asians, blacks, and Hispanics with high and low educational attainment, had higher rates of non-payment than NH whites, ranging from 15% to 35%.

3. Only 3% of NH whites who did not lose earnings, from April to July 2020, did not pay their mortgage. Asians, blacks, and Hispanics who did not lose earnings, had higher rates of missing their mortgage payment. These ranged from about 3% to 9%. Nearly 12% of NH whites who lost earnings also missed their mortgage payment. Asians, blacks, and Hispanics who lost earnings, had higher rates of missing mortgage payments, which ranged from about 15% to 23%.

Regardless of income or educational attainment, Asians, blacks, and Latinx were more likely to have a mortgage non-payment problem than NH whites. The pattern indicates that racial inequality is not due simply to class differences. Ethnoracial minorities were also more likely to suffer a loss of earnings since April 2020. Thus, the analysis finds compounding effects of financial inequality for these ethnoracial populations, before and during the pandemic.

Percent Unable to Pay Mortgage by Ethnorace During COVID-19

	NHW	Asian	Black	Hispanic
Household Income in 2019				
$50,000 and higher	19.7%	29.5%	52.3%	39.5%
Less than $50,000	16.6%	27.7%	37.4%	29.2%
Educational Attainment				
At least some college	11.0%	14.5%	29.5%	20.7%
No college	16.8%	34.5%	34.9%	28.4%
Earnings Loss Since April 2020				
No	2.5%	3.3%	9.4%	5.2%
Yes	11.8%	15.4%	23.4%	18.8%

RECOMMENDATIONS

It is critical for elected officials to act now to address the looming housing crisis. On the short run, they must extend temporary protections during the pandemic period. They should also renew enhanced Unemployment Insurance (UI) benefits at a level that enables jobless persons to weather financial hardships. This includes expanding UI benefits eligibility so it covers those currently outside the system. On the long run, elected officials should develop programs that provide mortgage relief or assistance.

Finally, government must directly address the role of systemic racial inequality in housing. The documented dynamics provide insights into the connection between past injustices, contemporaneous employment disruptions and today's COVID-19 housing crisis. It is suggestive as well of the role of institutionalized and systemic racism during the pandemic. The unfortunate reality is public resources are limited and programs are imperfectly implemented. These realities translate into disparities of who receives help. Without conscious and explicit equity mechanisms, the most advantaged will disproportionately benefit, while the most disadvantaged will be left behind.

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