



Chicago Housing Overview

Preserving Affordability and Expanding Accessibility

September 2021

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A Framework for Reducing the Racial Homeownership Gap in Chicago



Introduction

Homeownership is a critical tool for household wealth creation. In addition to providing a stable source of housing, it has historically been the best way for American families to accumulate wealth over multiple generations. Yet, there is persistent inequality in homeownership attainment and equity building across racial and ethnic lines (Goodman and Zhu 2021).

According to the latest data from the 2019 American Community Survey, 72 percent of non-Hispanic white households owned homes, compared with 61 percent of Asian households, 48 percent of Hispanic households, and 42 percent of Black households. Notably, the current homeownership rate for Black households is even lower than it was when fair housing laws were passed in 1968.

Homeownership tends to play a bigger role in creating wealth for families of color than it does for white families. For example, housing equity makes up nearly 60 percent of total net worth for Black homeowners, compared with 43 percent of total net worth for white homeowners. Black households with housing equity, however, have about half the median equity of white households. These numbers are troubling because positive equity gives homeowners more wealth, cushioning families against emergencies and providing the means for moving up the economic ladder (Neal, Choi, and Walsh 2020).

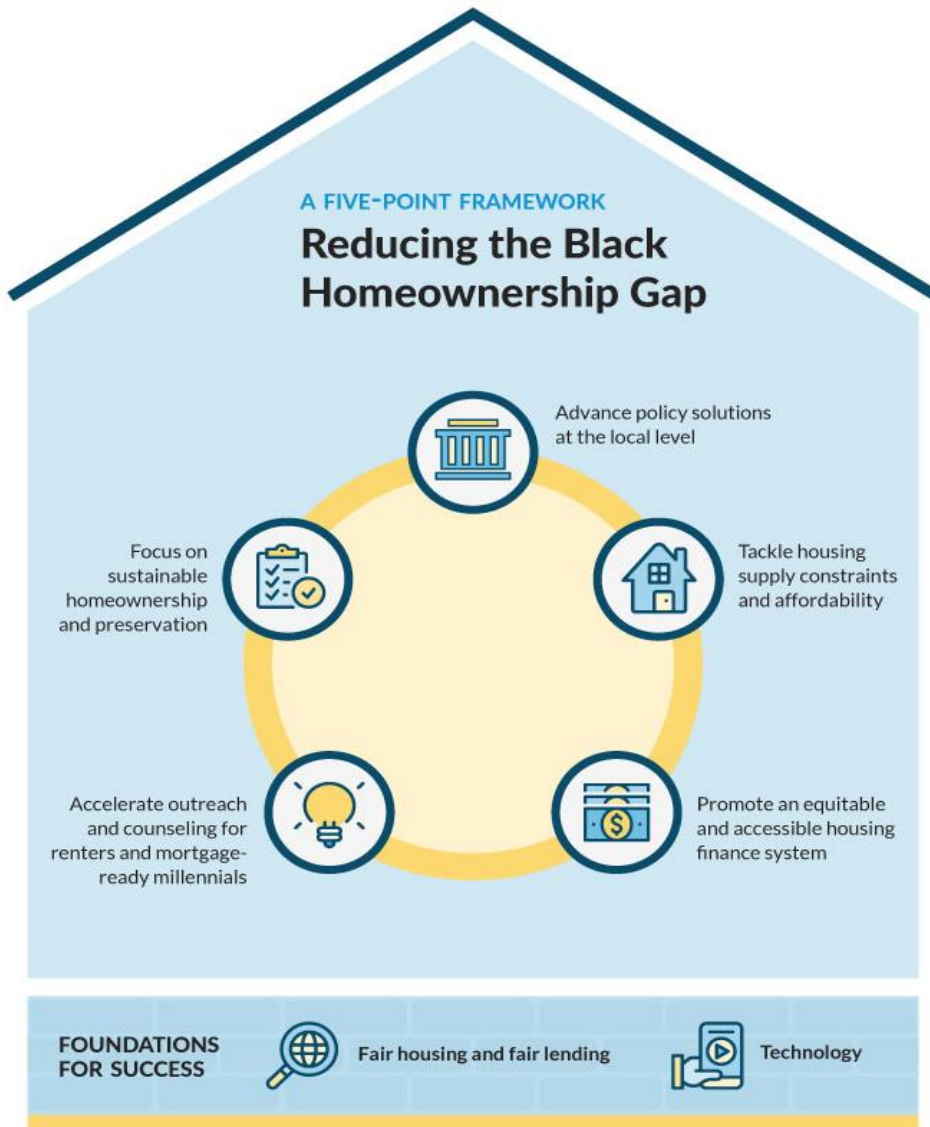
In Chicago, the homeownership rates for Black and Hispanic families are 35 percent and 43 percent, respectively, compared with 54 percent for white households (CFED 2017). Black and Hispanic Chicago homeowners also are not reaping the same benefits from home equity as white Chicago homeowners (Henricks et al. 2017). The gaps in both homeownership rates and home values can be attributed in part to the legacy of racist structural practices and policies that have fueled the region's high Black-white and Hispanic-white segregation (Acs et al. 2017).

The COVID-19 pandemic threatens to widen racial and ethnic homeownership gaps, as Black and Hispanic communities continue to suffer greater health and economic losses than white communities. Homeowners of color still are less likely to refinance their mortgage and benefit from lower interest rates or built-up housing equity. Homeowners in predominantly Black or Hispanic neighborhoods are also slightly more likely to be unprotected by federal forbearance plans than homeowners in predominantly white neighborhoods.¹

To address these needs—and this opportunity—and inspired by the Urban Institute's Five-Point Framework for Reducing the Black Homeownership Gap (see below), the Chicago Community Trust in 2020 launched its Protecting and Advancing Equitable Homeownership initiative as part of its Growing Household Wealth strategy.² As part of this initiative and as the COVID-19 pandemic unfolded, the Chicago Community Trust convened local expert housing practitioners and advocates through 2020 and early 2021 to learn about what has worked and not worked for reducing regional homeownership gaps. The Urban Institute provided insights from its research into racial and ethnic homeownership and wealth gaps and, in partnership with the DePaul University Institute for Housing Studies (IHS), served as knowledge partners and data sources for the initiative and this cohort of local housing organizations.

Introduction (continued)

Five-Point Framework for Reducing the Black Homeownership Gap



This five-point framework provides a structure for further policy recommendations and research to build an effective and comprehensive plan to allow national and local entities to address the racial homeownership gap. Framework development was informed by Urban’s body of work on homeownership gaps and the expertise and insights of a racial homeownership collaborative of stakeholders who convened in 2018 to identify actions that, evidence has shown, can reduce the homeownership gaps.

Research Background

In early 2020, the Chicago Community Trust launched the first round of grantmaking for its Advancing Homeownership strategy, providing general operating support to eight local housing organizations—Latin United Community Housing Association, the Chicago Area Fair Housing Alliance, the Lawndale Christian Development Corporation, the Brighton Park Neighborhood Council, Neighborhood Housing Services of Chicago, the Northwest Side Housing Center, Spanish Coalition for Housing, and Housing Action Illinois—to support their ongoing efforts to address homeownership gaps in Chicago.

These organizations were convened as a cohort by the Chicago Community Trust five times during 2020 and 2021 to develop and refine solutions that support homeownership as a wealth-building tool for Chicago’s Black and Hispanic households. The cohort used Urban’s five-point solutions framework as a starting point for grappling with barriers to homeownership, including housing supply constraints, lack of affordability, and limited access to equitable financing systems.

Throughout the series, Urban and IHS advised the Chicago Community Trust on agenda development and often presented relevant national and local data to frame, contextualize, or advance discussion and ensure a common understanding of needs and barriers for the cohort group. In the next section, we provide further detail on these data points. IHS and Urban also led focus group discussions with the eight organizations to gauge their needs and inform agenda development for the series.

Beyond Urban’s and IHS’s regular research and data support, representatives from local and national organizations, such as financial institutions, community development organizations, philanthropic institutions, and academic institutions, were also invited to inform this group’s discussions.

Chartbook Overview

The data in this chartbook are compiled from various sources on the state of the Chicago housing market, with a focus on homeownership, race, and ethnicity. It intends to be a resource for Chicago's housing actors, from mortgage lenders to foundations, providing reference points for building accessibility and racial equity into housing programs, practice, and policy.

This chartbook aims to be informative both to readers with intimate knowledge of the topic and to newcomers. Local data from IHS provide a deep dive into the Chicago housing landscape while Urban's national perspective offers points of comparison from around the country. Many of the indicators are disaggregated along demographic and geographic lines, highlighting the drastic market differences between communities in the city. And by presenting historical data, with a focus on the 2008 bust and subsequent recovery, this chartbook fills in critical background while highlighting current trends.

The data are presented in four sections:

Part 1: Racial and Ethnic Demographics

Chicago's diverse population is heavily segregated by race and ethnicity. This section describes the city's demographics, including the geographic distribution of residents and population and income trends.

HIGHLIGHTS

- Despite roughly proportionate racial and ethnic representation citywide, communities of color remain highly concentrated in neighborhoods on the south and west sides of Chicago.
- From 2010 to 2019, Chicago's Black population declined 4.5 percent, or 118,900 residents.
- Only 12.2 percent of residents in predominantly Black areas earn at least \$100,000 a year, compared with 18.8 percent of residents in majority-Hispanic areas and 46.7 percent in majority-white areas.

Part 2: Precrisis and Postcrisis Housing Market Trends

The 2008 recession had devastating impacts on Chicago homeowners, stripping significant home equity and pushing many households into foreclosure. Variation in the recession's impact and the market recovery across neighborhoods amplified disparities in homeownership and wealth. This section tracks indicators from the recession into the recovery and highlights how the crash changed Chicago's housing landscape.

HIGHLIGHTS

- Foreclosure rates during the recession in Chicago, peaking at 6.6 percent of total properties, were high relative to comparable metropolitan areas and the nation as a whole.
- From 2010 to 2019, the number of owner-occupied households in predominantly Black areas in Chicago dropped 13.6 percent. The number of such households increased 0.3 percent in majority-Hispanic areas and 0.8 percent in majority-white areas.
- Since 2000, single-family home prices have increased 60 percent in predominantly Black census tracts compared with 92 percent in majority-white tracts and 120 percent in majority-Hispanic tracts.

Chartbook Overview (continued)

Part 3: Recovery Drivers and Postrecession Impact

Chicago's postrecession recovery has been slow and unequal, with home prices only recently returning to the precrisis peak in some areas. This section describes home price changes, by race or ethnicity, and shows how access to credit and buyer activity have changed since the recession.

HIGHLIGHTS

- Investor purchases of homes in predominantly Black communities increased more rapidly than in other parts of the city during the foreclosure crisis.
- Majority-white communities, which have historically experienced substantially higher levels of mortgage credit compared with Chicago's communities of color, composed 58 percent of new originations in 2020.
- Despite recent price growth during the postrecession recovery period, house prices in predominantly Black communities remain 24 percent below peak levels while house prices in majority-white communities are above their 2007 levels.

Part 4: Impact of the COVID-19 Pandemic

With the pandemic's impacts rippling through the national housing economy, this section describes the vulnerability of Chicago's population and gives insight into housing instability by looking at the share of homeowners in forbearance while highlighting how strong price growth in communities of color during the pandemic may help some struggling families avoid foreclosure.

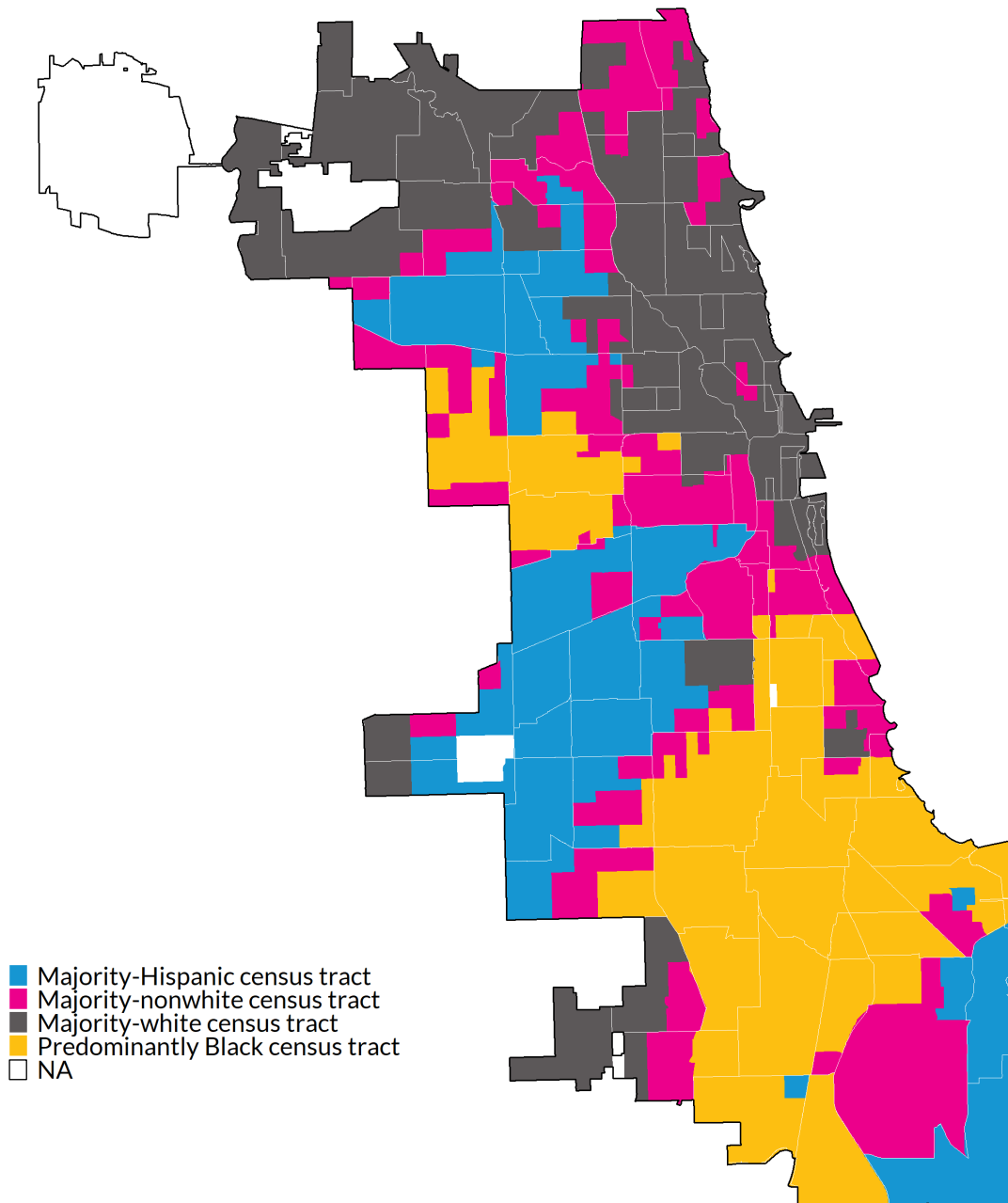
HIGHLIGHTS

- In February 2021, Illinois had the 12th-highest share of federally backed loans in forbearance of the 50 states and the District of Columbia and had the 13th-highest share of government-sponsored enterprise loans in forbearance.
- In Chicago, Federal Housing Administration loan levels after 2015 composed a larger share of total loans in Black and Hispanic neighborhoods than in white neighborhoods.
- About 40 percent of Hispanic workers were employed in occupations vulnerable to COVID-19 in 2018, compared with 37.2 percent of Black workers and 19.9 percent of white workers.
- House prices increased nearly 21 percent in predominantly Black neighborhoods, nearly 13 percent in majority-Hispanic neighborhoods, and 5 percent in majority-white neighborhoods.

Racial and Ethnic Demographics

Residential racial and ethnic segregation remains prevalent in Chicago. Despite roughly proportionate citywide representation among Chicago residents that identify as Black, Hispanic, and white, the city's neighborhoods remain segregated. The map below shows Chicago census tracts segmented by race or ethnicity to identify areas that are at least 80 percent Black,³ majority Hispanic, majority nonwhite, and majority white. Each neighborhood type represents substantial portions of the city in both land area and population.

Racial and Ethnic Majorities in Chicago Census Tracts, 2019



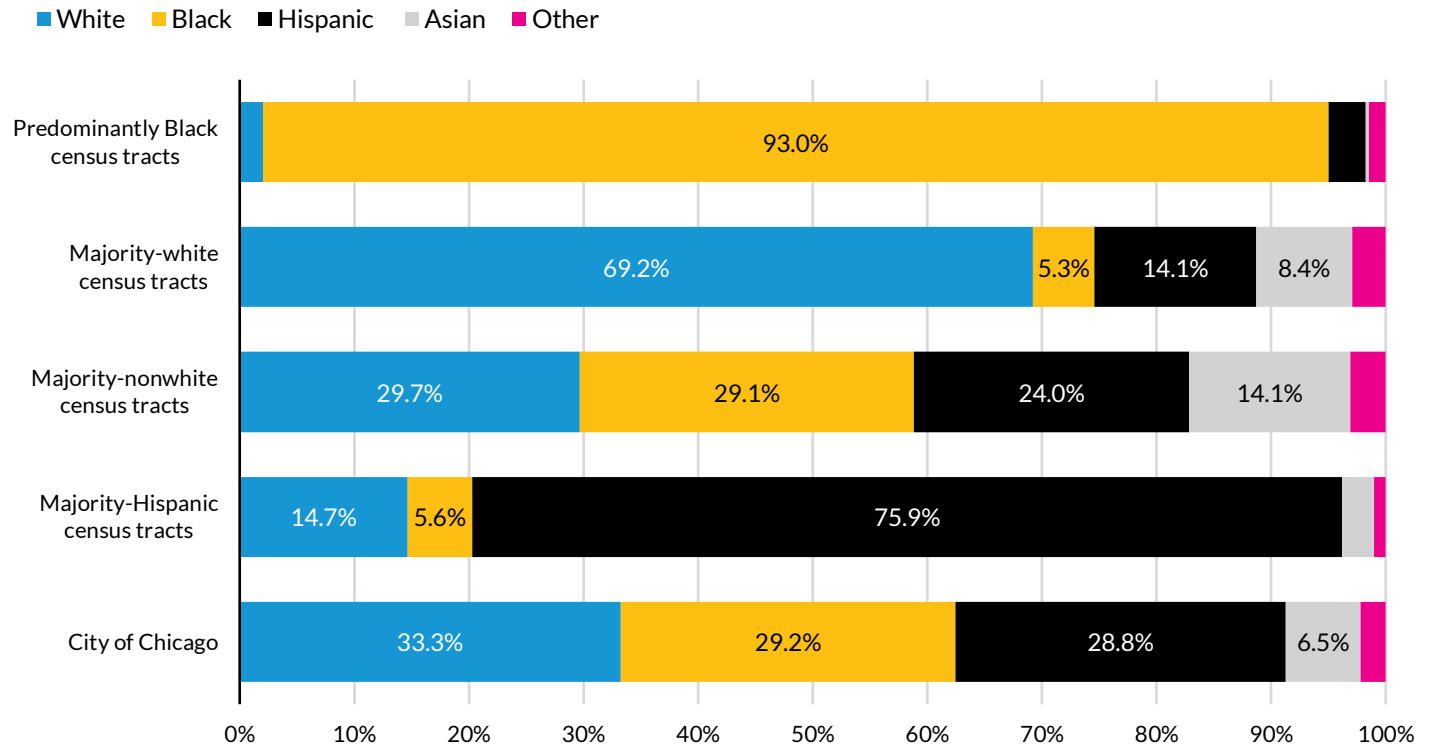
Source: 2019 American Community Survey data from the Institute for Housing Studies Data Clearinghouse.

Notes: NA = data unavailable in that census tract. Predominantly Black census tracts are at least 80 percent Black.

Racial and Ethnic Demographics (continued)

In predominately Black census tracts, 93 percent of the population is Black, while Black residents compose 29 percent of the city's total population. Similarly, in majority-Hispanic census tracts, 76 percent of residents are Hispanic, whereas Hispanic residents total 28 percent of the city's population. In majority-white census tracts, nearly 70 percent of the population is white, despite white residents totaling just a third of the city's overall population. High concentrations of one race or ethnicity inside census tracts means that racial and ethnic groups are unlikely to live in close proximity and highlights geographic segregation.

Racial and Ethnic Composition, by Neighborhood Racial or Ethnic Typology, 2019



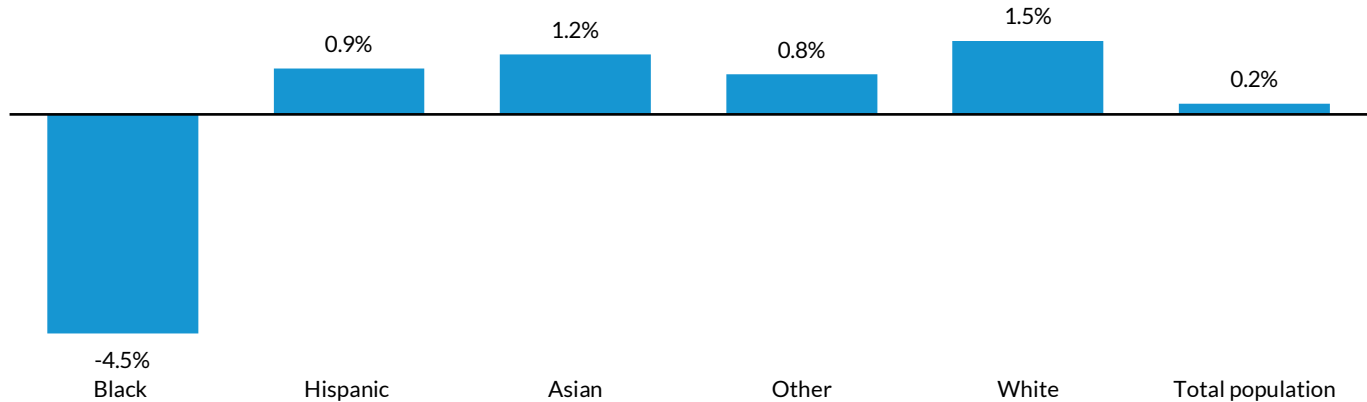
Source: American Community Survey five-year estimates from the Institute for Housing Studies Data Clearinghouse.

Notes: "Other" includes Indigenous Americans and two or more races. Predominantly Black census tracts are at least 80 percent Black.

Population Changes

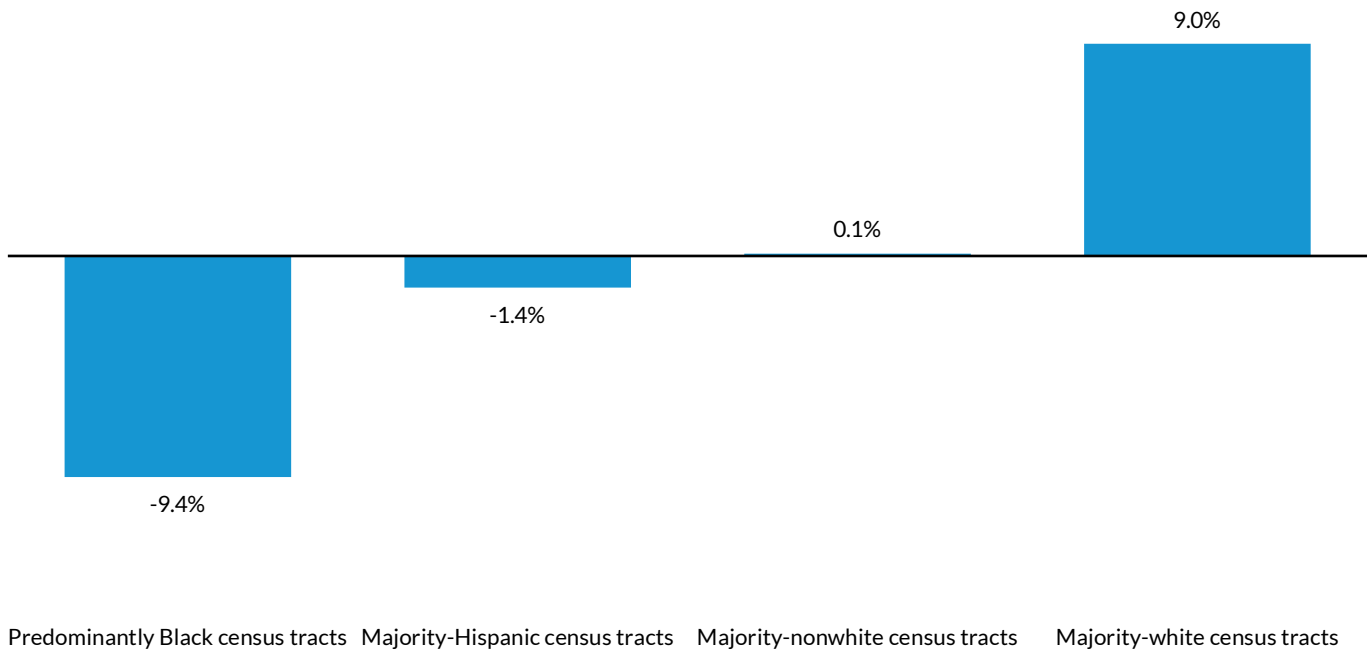
Chicago's Black population is declining citywide. From 2010 to 2019, Chicago's Black population declined 4.5 percent, or 118,900 residents, as all other racial and ethnic groups experienced population growth and the city's total population remained stable. Although all neighborhood types have seen declines in its Black population, this trend is most extreme in Chicago's predominantly Black communities because of the city's highly segregated residential patterns.

Population Changes from 2010 to 2019, by Race or Ethnicity



Source: American Community Survey five-year estimates from the Institute for Housing Studies Data Clearinghouse.

Percentage Changes in Total Population from 2010 to 2019, by Neighborhood Racial or Ethnic Typology



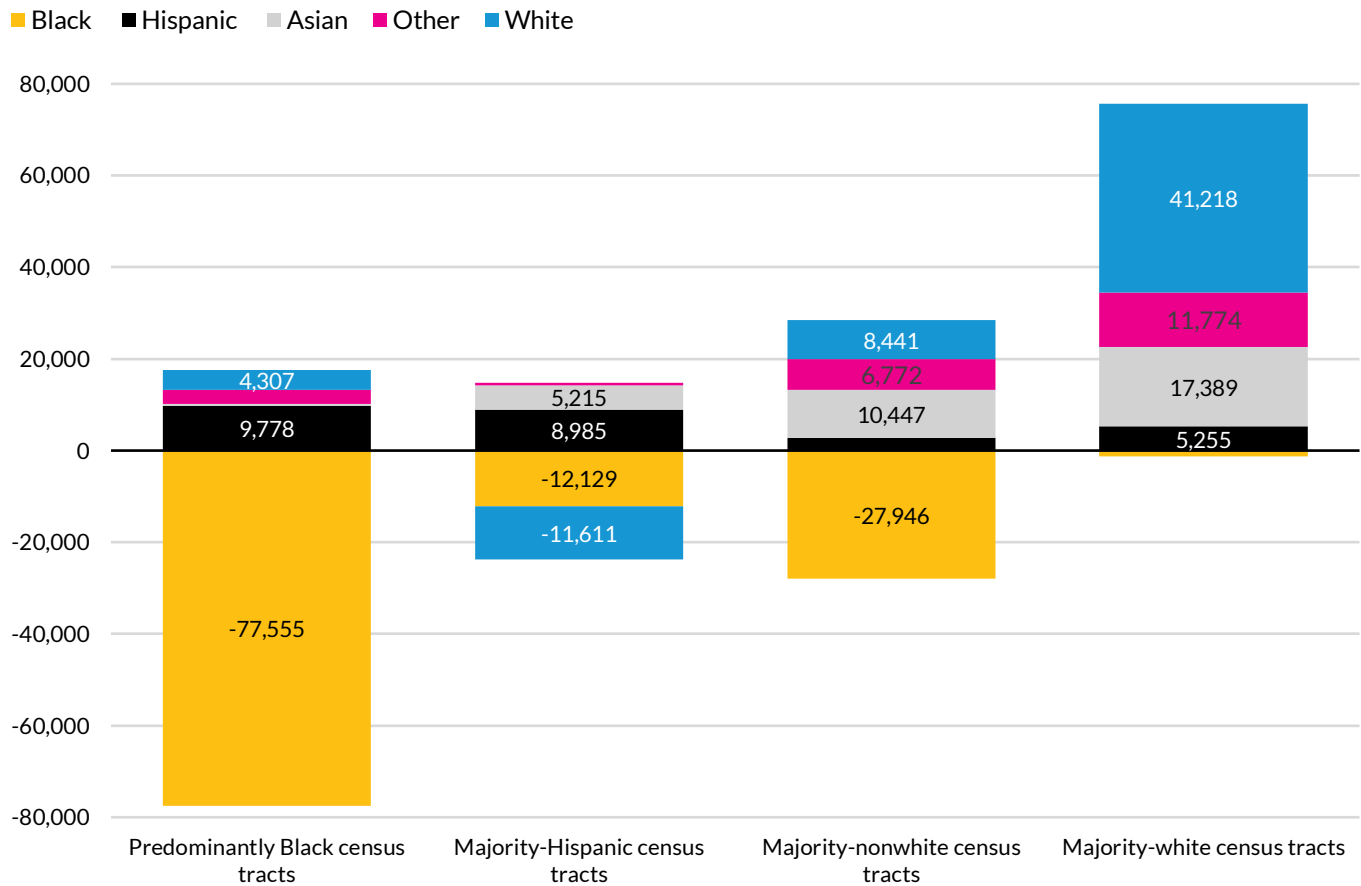
Source: American Community Survey five-year estimates from the Institute for Housing Studies Data Clearinghouse.

Note: Predominantly Black census tracts are at least 80 percent Black.

Population Changes (continued)

Predominantly Black census tracts saw the largest net losses in Black residents (more than 77,500 residents). With little population growth among other residents, Chicago’s predominantly Black census tracts were the only neighborhood type that saw its total population decline substantially (9.4 percent). In majority-Hispanic tracts, majority-nonwhite tracts, and majority-white tracts, the population slightly declined 1.4 percent, remained stable at 0.1 percent, and increased 9 percent, respectively.

Net Population Change, by Race or Ethnicity and Neighborhood Racial or Ethnic Typology, from 2010 to 2019



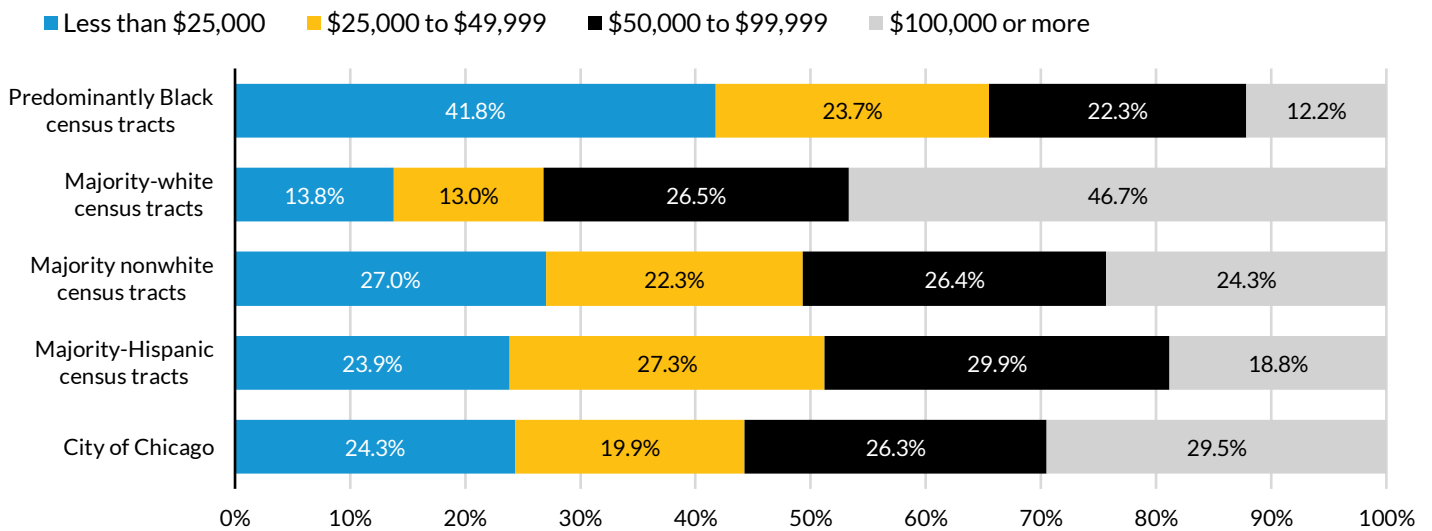
Source: American Community Survey five-year estimates from the Institute for Housing Studies Data Clearinghouse.

Note: Predominantly Black census tracts are at least 80 percent Black.

Household Income

Very low incomes remain a challenge in Chicago's communities of color. Predominantly Black census tracts, majority-Hispanic tracts, and majority-nonwhite tracts are home to a higher share of low- and moderate-income households compared with the city as a whole. Although roughly a quarter of Chicago households earn less than \$25,000 a year, nearly 42 percent of households in predominantly Black census tracts earn less than \$25,000 a year. Meanwhile, Chicago's majority-white tracts are home to a disproportionate share of high-income households. In majority-white census tracts, 46.7 percent of households earn at least \$100,000 a year. Citywide, households earning \$100,000 or more compose 29.5 percent of total households.

Household Incomes, by Neighborhood Racial or Ethnic Typology, 2019



Source: American Community Survey five-year estimates from the Institute for Housing Studies Data Clearinghouse.

Note: Predominantly Black census tracts are at least 80 percent Black.

Precrisis and Postcrisis Chicago Housing Market Trends

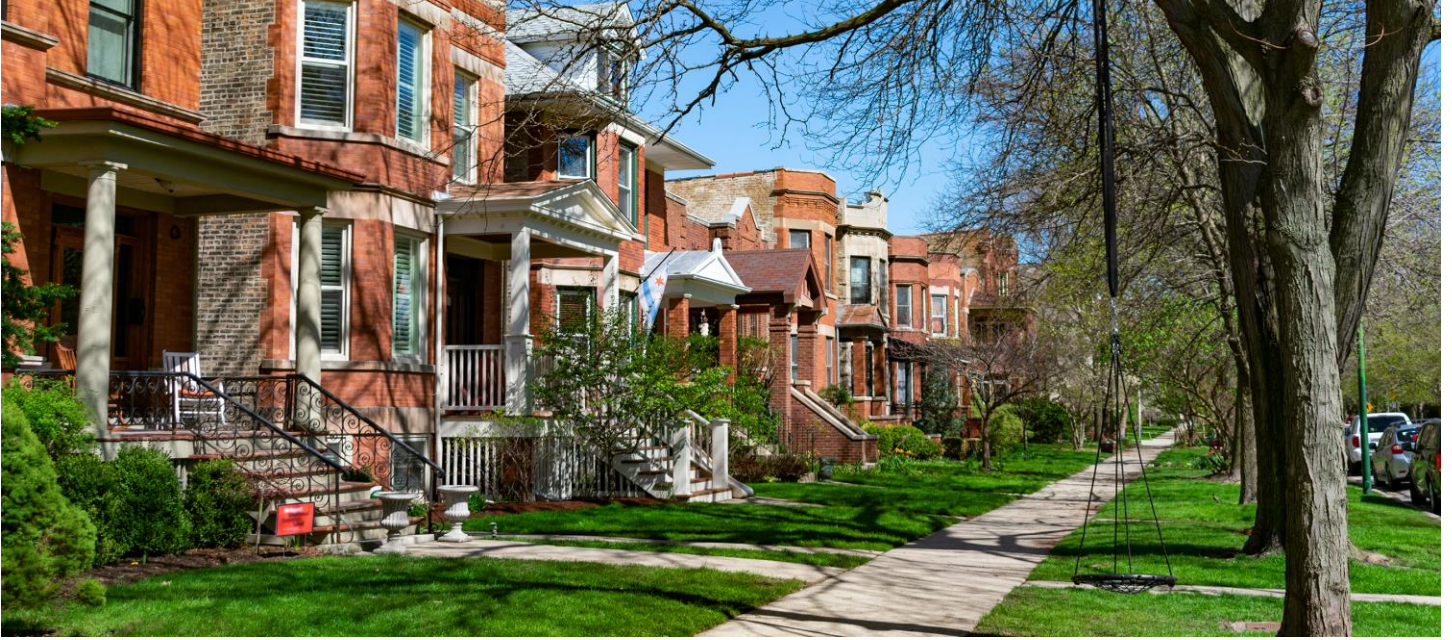


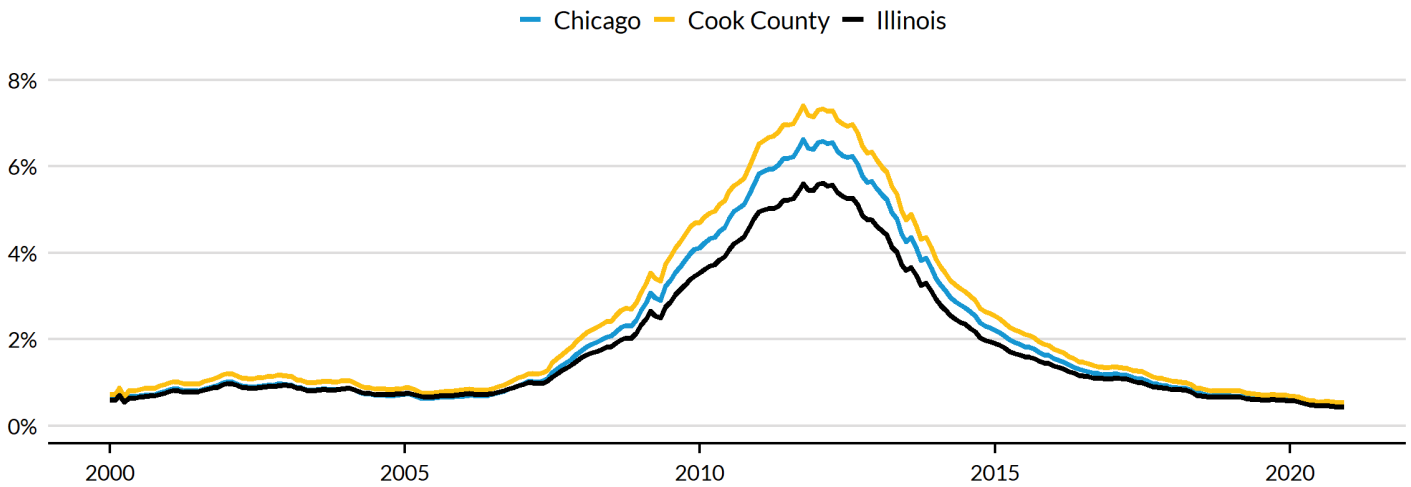
Photo by James Andrews1/Shutterstock.com

Historical Foreclosure Rates

The share of properties at any point in the foreclosure process in Chicago increased to 6.6 percent in the wake of the 2008 housing bust, as many Chicago homeowners were unable to afford their mortgage payments. Chicago and surrounding Cook County experienced above-average foreclosure activity during the crisis compared with similar midwestern cities and other “super” cities; the next-highest peak was in the New York metropolitan statistical area (5.9 percent). It is important to note that some foreclosures do not get reported, and the timing of reported foreclosures may differ based on state laws.

The foreclosure rate has since declined, but foreclosures leave lasting impacts, changing neighborhood composition and well-being and putting households in worse long-run financial positions. For individuals and families, a foreclosure is an indicator of financial distress that often translates into housing instability and reduced short- and long-term homeownership opportunities. In housing markets grappling with a legacy of disinvestment or lack of housing demand, concentrated foreclosure activity can result in vacancies, declining home values, and challenges attracting investment.

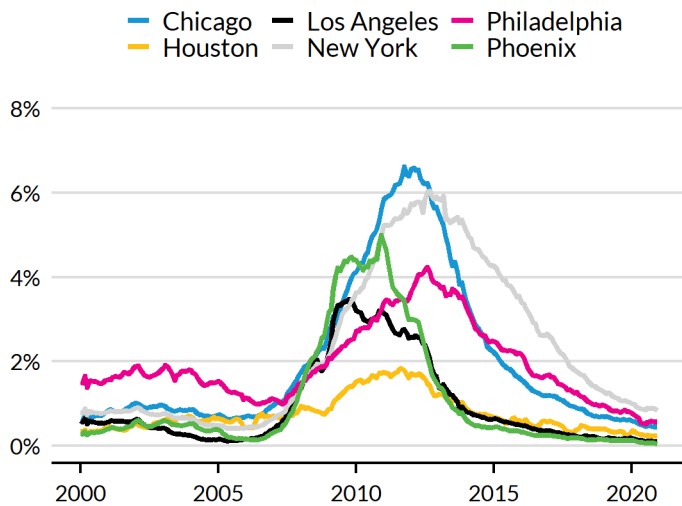
Historical Foreclosure Rates in Chicago and Local Comparison Areas



Sources: CoreLogic and Urban Institute calculations.

Notes: Foreclosure rates refer to homes actively in the foreclosure process. Data as of the first quarter of 2021.

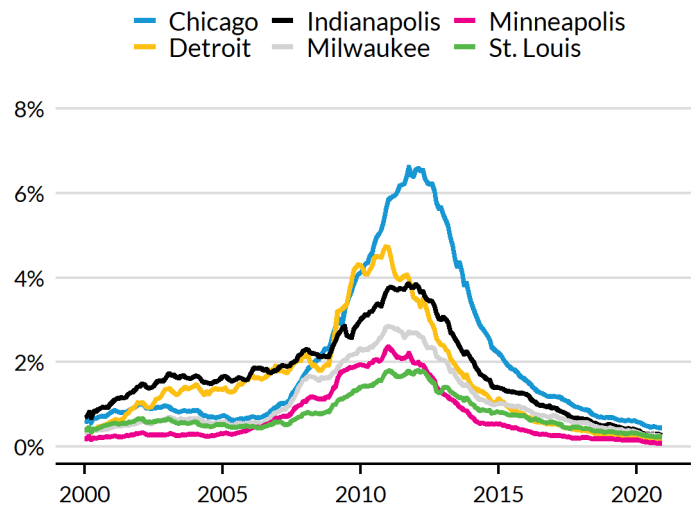
Foreclosure Rates in “Super” Cities



Sources: CoreLogic and Urban Institute calculations.

Notes: Foreclosure rates refer to homes actively in the foreclosure process. Data as of the first quarter of 2021.

Foreclosure Rates in Midwestern Cities



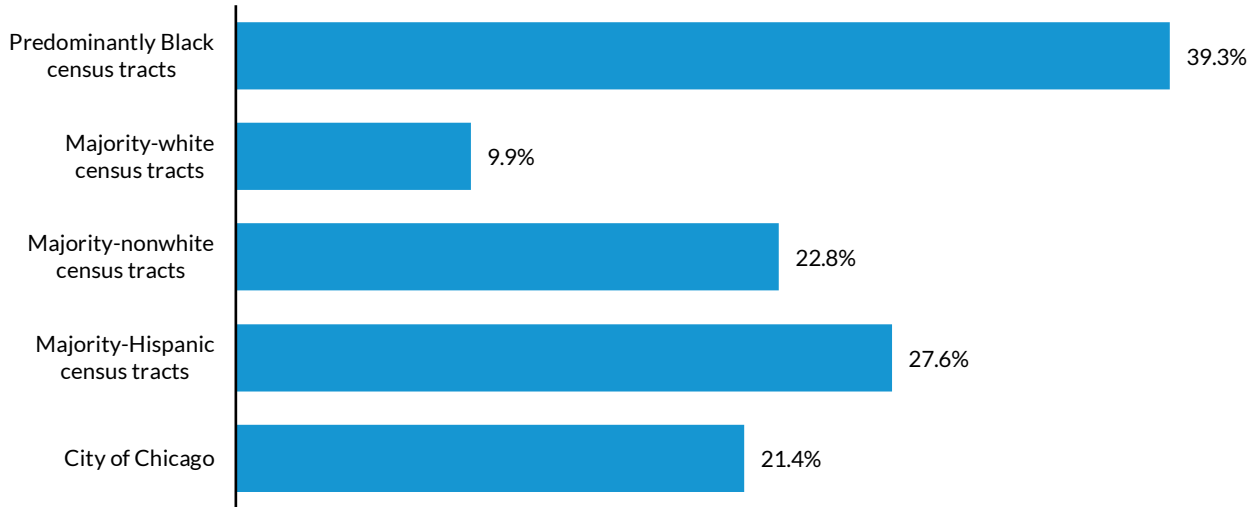
Sources: CoreLogic and Urban Institute calculations.

Notes: Foreclosure rates refer to homes actively in the foreclosure process. Data as of the first quarter of 2021.

Cumulative Foreclosure Activity, by Neighborhood Typology

The legacy of the foreclosure crisis remains a key issue in Chicago's communities of color that saw elevated rates of foreclosure filings, particularly in predominantly Black communities. Communities of color have been disproportionately affected by concentrated foreclosure activity. Since 2005, roughly 21 percent of residential properties in Chicago were associated with at least one foreclosure filing. Foreclosure activity is highly concentrated in predominantly Black census tracts, where nearly 40 percent of residential properties experienced foreclosure—nearly double the citywide rate. Foreclosure activity is also elevated in Chicago's majority-Hispanic census tracts, where nearly 28 percent of residential properties were associated with at least one foreclosure filing. In comparison, roughly 10 percent of residential properties in majority-white communities were associated with a foreclosure filing.

Cumulative Residential Foreclosure Activity, by Neighborhood Racial or Ethnic Typology, 2020



Source: American Community Survey five-year estimates from the Institute for Housing Studies Data Clearinghouse.

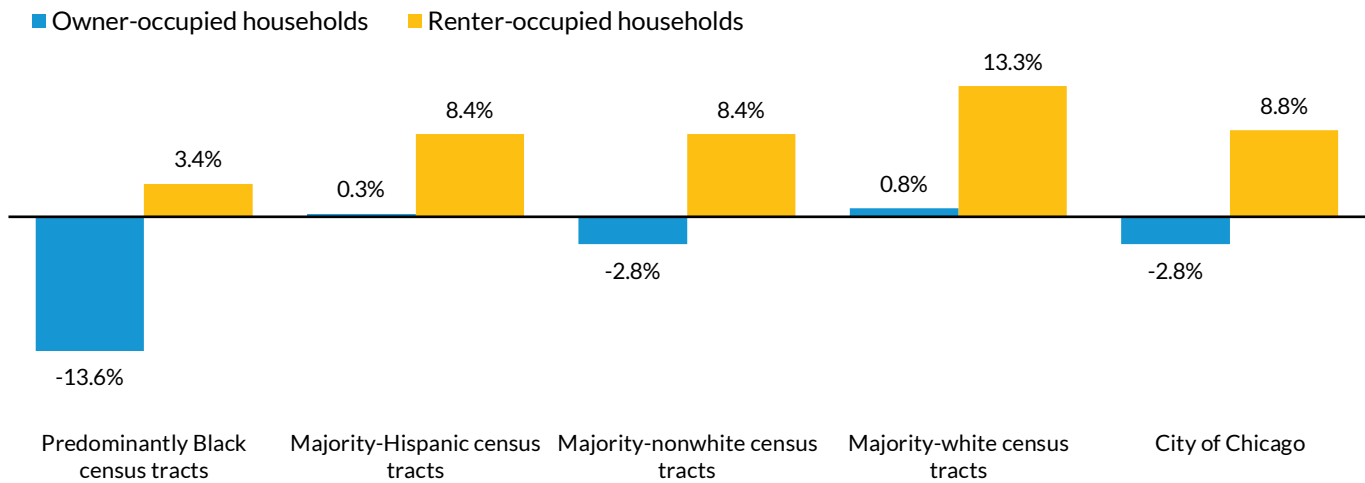
Note: Predominantly Black census tracts are at least 80 percent Black.

Tenure Shift

Predominantly Black communities have experienced large losses of homeowner households since 2010. The impacts of concentrated foreclosure activity have implications for future investment and homeownership opportunities in Chicago’s predominantly Black communities. Between 2010 and 2019, Chicago saw a modest decline in homeowner households. But predominantly Black census tracts saw a 13.6 percent decline in owner households, a loss surpassing any other neighborhood type and nearly five times the citywide rate.

The long-term impacts of concentrated foreclosures can foster and amplify disinvestment that decreases housing demand. In predominantly Black tracts, the number of renter households increased at a slower rate than in majority-white, majority-Hispanic, and majority-nonwhite tracts, which grew on par with or exceeded the city’s growth in rental demand. Whereas the number of renter households increased 8.8 percent in the city between 2010 and 2019, the number of renter households increased just 3.4 percent in predominantly Black neighborhoods.

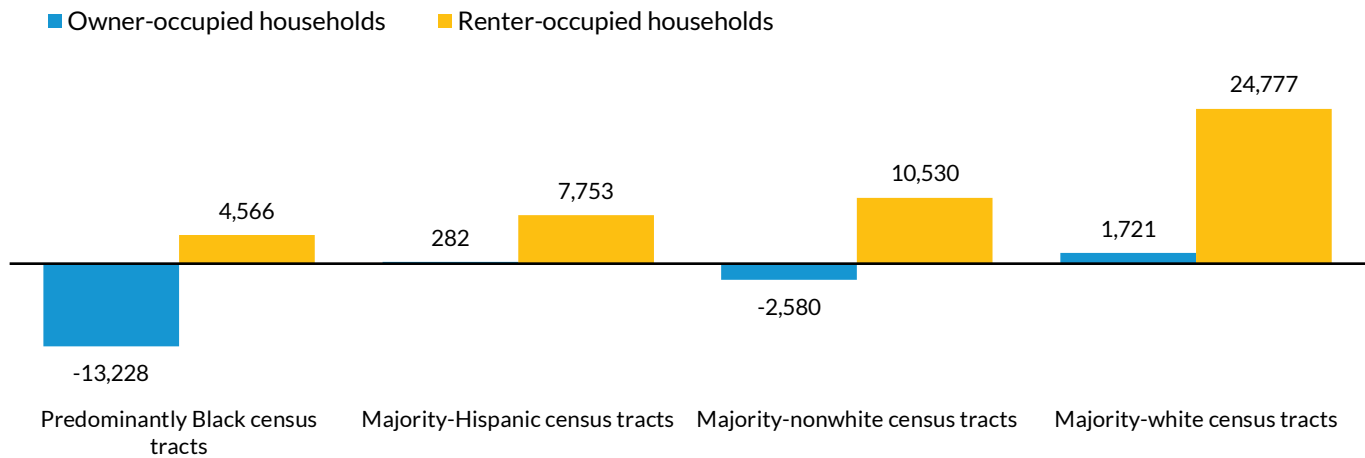
Percentage Change in the Number of Households, by Tenure and Neighborhood Racial or Ethnic Typology, from 2010 to 2019



Source: American Community Survey five-year estimates from the Institute for Housing Studies Data Clearinghouse.

Note: Predominantly Black census tracts are at least 80 percent Black.

Net Change in the Number of Households, by Tenure and Neighborhood Racial or Ethnic Typology, from 2010 to 2019



Source: American Community Survey five-year estimates from the Institute for Housing Studies Data Clearinghouse.

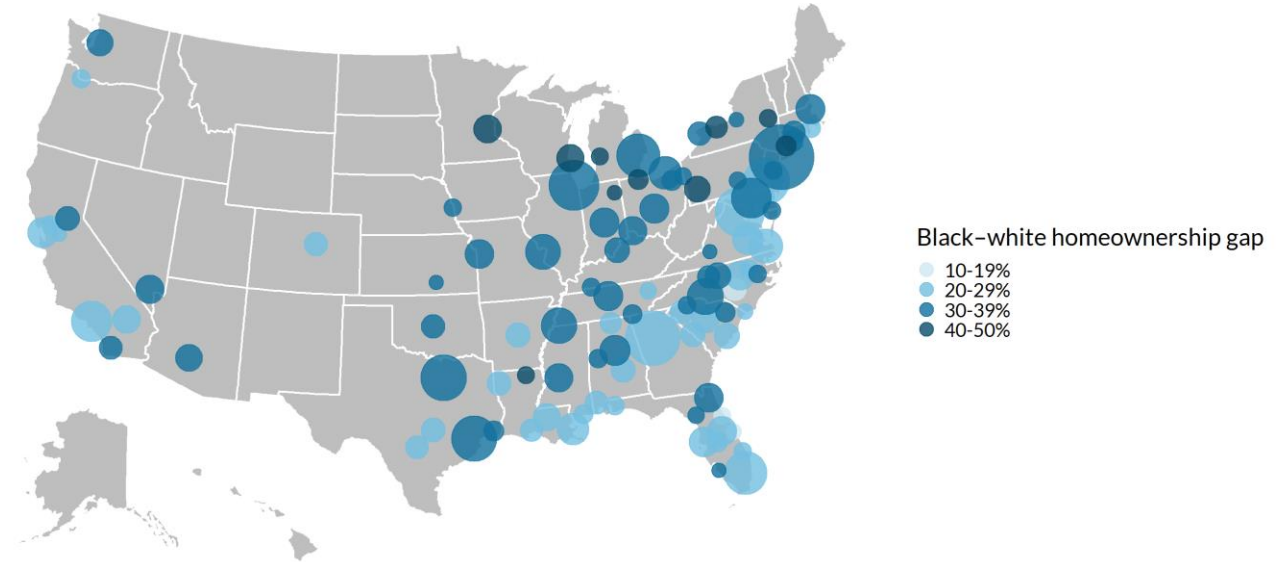
Note: Predominantly Black census tracts are at least 80 percent Black.

The Racial and Ethnic Homeownership Gap

As of 2019, the share of Black households that were owner-occupied stood 35 percentage points below that of white households in the Chicago metropolitan area. Compared with the 100 metropolitan areas with the largest Black and Hispanic populations, Chicago had the 31st- and 72nd-largest gaps, respectively.

A peer Midwest city, Minneapolis, had the largest Black-white homeownership gap (49 percentage points). Among metropolitan areas with large Hispanic populations, two border towns, Laredo and El Paso, Texas, have closed the Hispanic-white gap, while Springfield, Massachusetts, had the largest (51 percentage points). In 2019, the Chicago metropolitan area was home to the 3rd-largest number of Black households and the 5th-largest number of Hispanic households (indicated in the maps below by the size of the bubble).

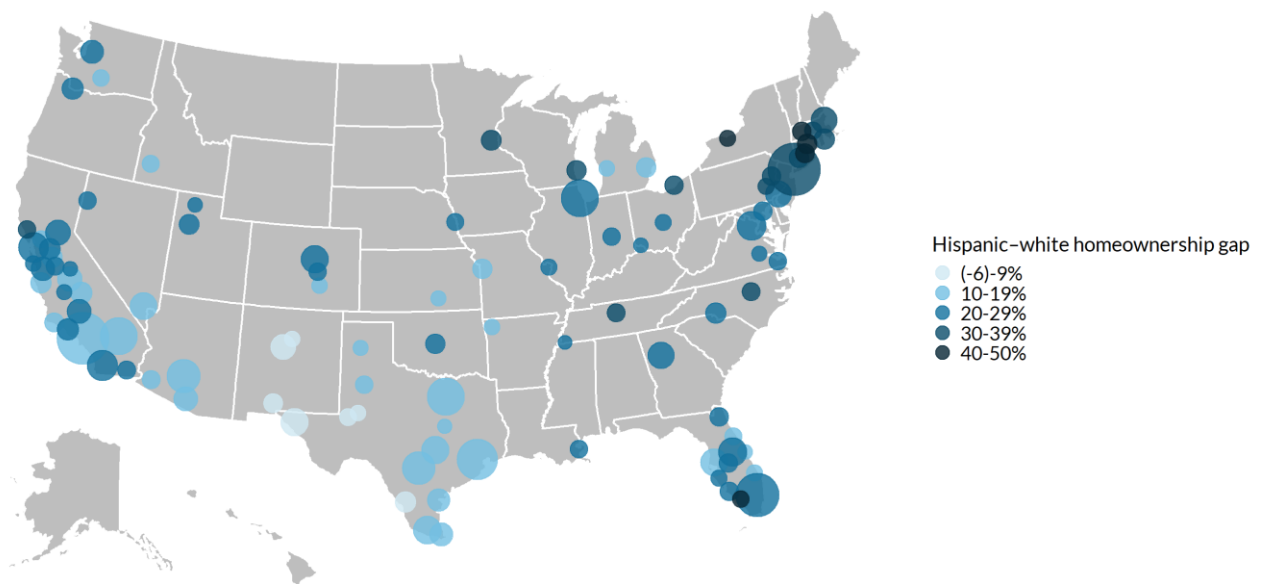
Black-White Homeownership Gaps in the 100 Metropolitan Areas with the Largest Black Populations



Source: 2019 American Community Survey.

Notes: Bubble size indicates number of Black households. Data cover the Chicago metropolitan statistical area.

Hispanic-White Homeownership Gaps in the 100 Metropolitan Areas with the Largest Hispanic Populations



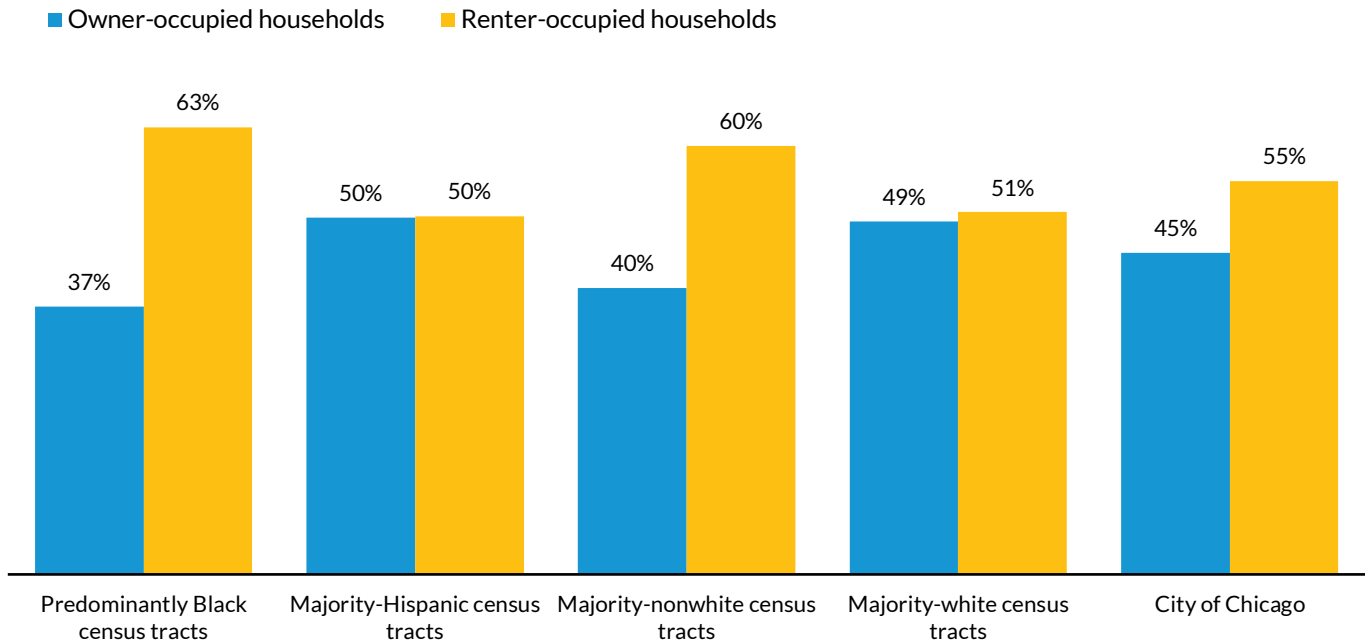
Source: 2019 American Community Survey.

Notes: Bubble size indicates number of Hispanic households. Data cover the Chicago metropolitan statistical area.

The Racial and Ethnic Homeownership Gap (continued)

Although a wide Black-white homeownership gap exists in Chicago at the metropolitan area level, this disparity manifests geographically by neighborhood type within Chicago. Predominantly Black census tracts have a lower share of owner-occupants (37 percent in 2019) than the homeownership rate citywide (45 percent). Majority-Hispanic and majority-white census tracts include a higher share of homeowners than observed citywide, and renters and owner-occupants represent a nearly equal share of households in these communities.

Tenure, by Neighborhood Racial or Ethnic Typology, 2019



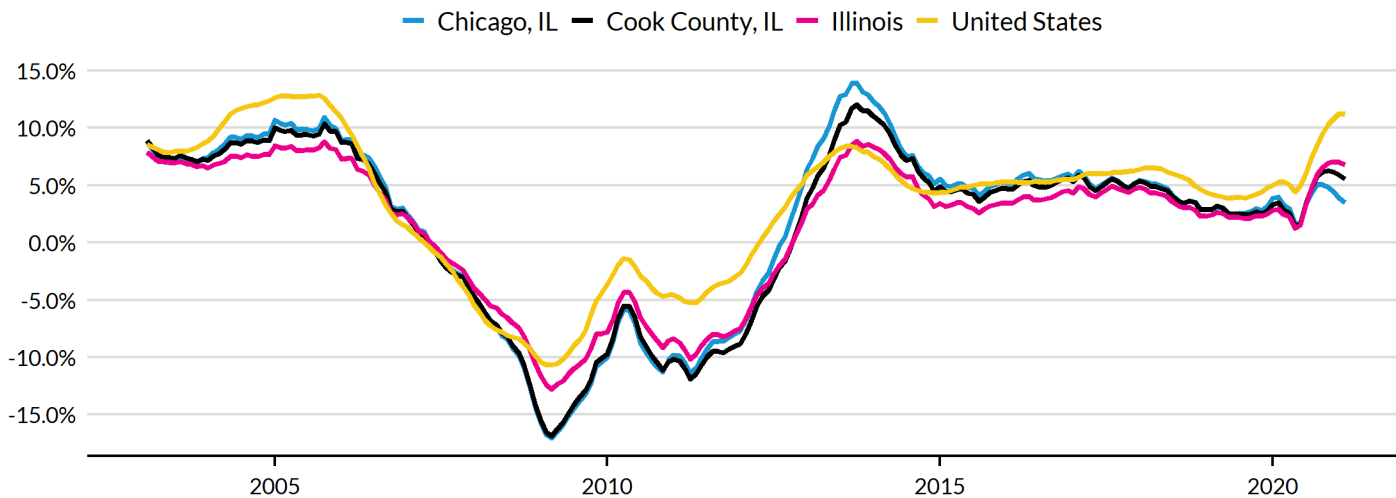
Source: American Community Survey five-year estimates from the Institute for Housing Studies Data Clearinghouse.

Notes: Data cover the City of Chicago. Predominantly Black census tracts are at least 80 percent Black.

Home Price Trends

Chicago housing prices were hit hard in the wake of the 2008 housing bust, losing a higher percentage of their value than both Illinois as a whole and the entire US market. In March 2009, the value of an average Chicago home had declined 17.0 percent compared with the year prior, the city's largest year-over-year decline. In the worst month for the US market as a whole, home values nationally lost 10.7 percent of their value from the year prior. In total, from the precrisis peak to the trough, Chicago home prices fell 40.6 percent, 15 percentage points more than the national decline but less severe than the hardest-hit markets, such as Detroit and Phoenix.

Year-over-Year Home Price Changes in Chicago, Local Comparison Areas, and Nationally

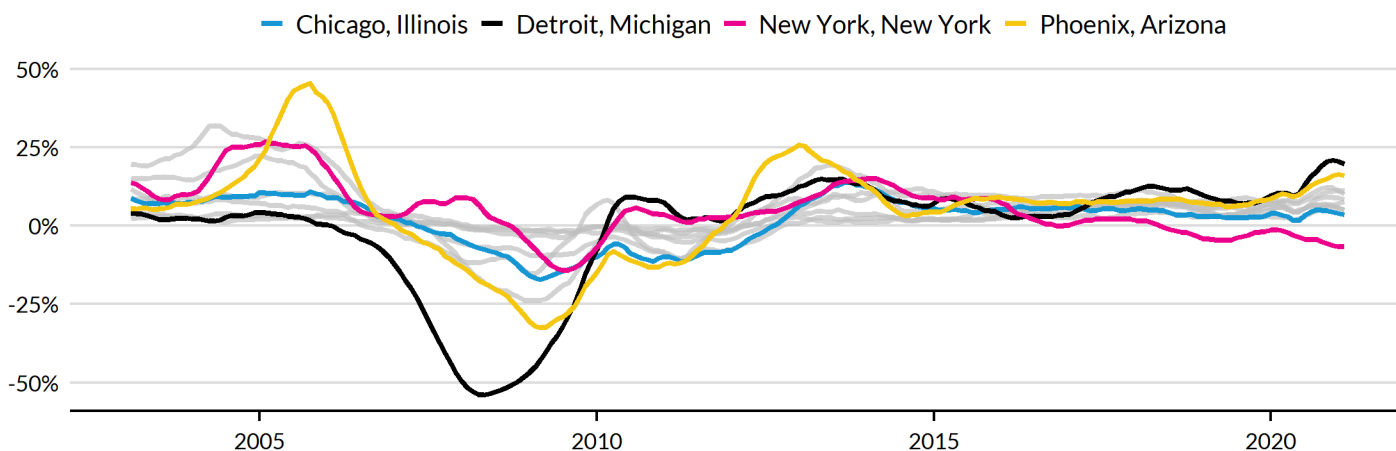


Source: Black Knight Home Price Index.

Note: Data as of February 2021.

Among comparable cities, the Chicago housing market was one of the hardest hit by the housing bust, with its largest year-over-year decline being surpassed only by Los Angeles, California; Phoenix, Arizona; and Detroit, Michigan—all markets that have since outperformed Chicago during the recovery. Nationally, home prices are 29.2 percent above where they were during the prior peak, but home prices in Chicago and Illinois remain below peak value (down 2.1 percent and 3.0 percent, respectively).

Year-over-Year Home Price Changes in Chicago and Comparison Cities



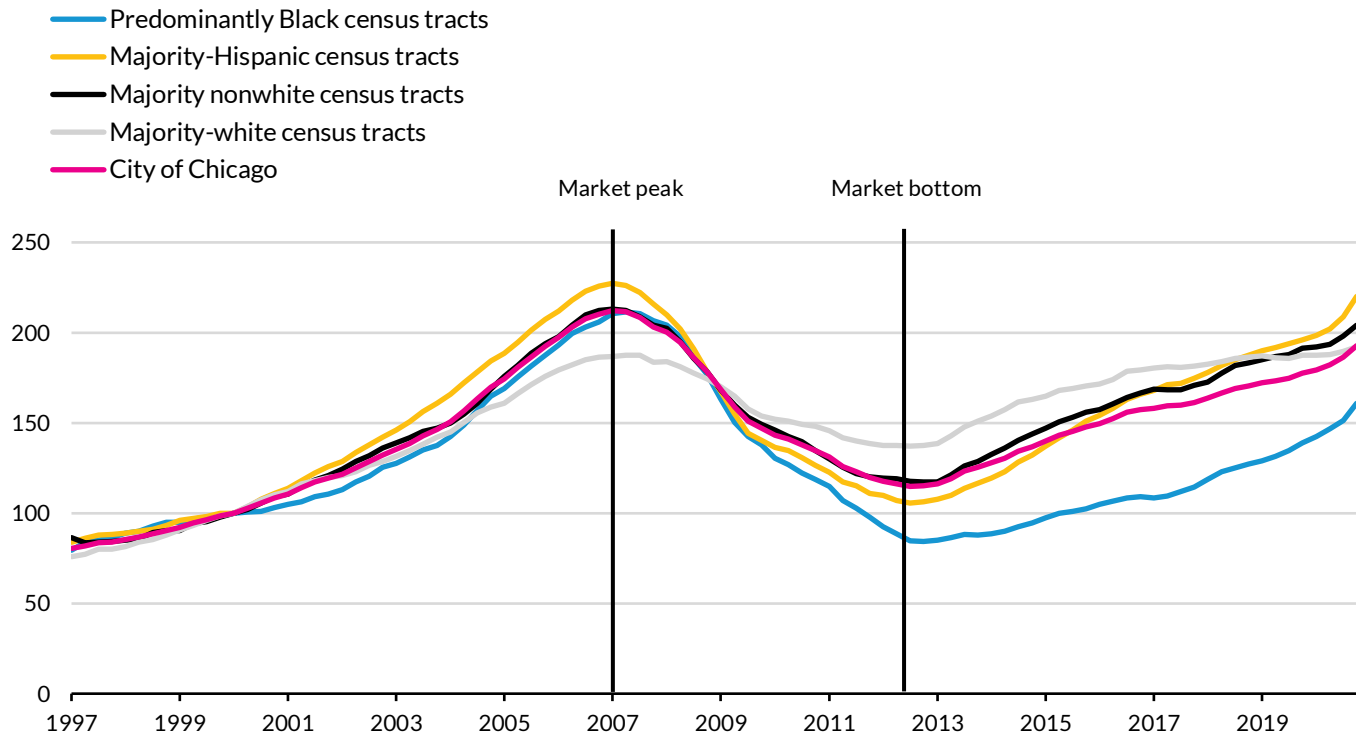
Source: Black Knight Home Price Index.

Notes: Data as of February 2021. The comparison cities in gray are Milwaukee, Wisconsin; Indianapolis, Indiana; Minneapolis, Minnesota; Houston, Texas; Philadelphia, Pennsylvania; and Los Angeles, California.

Home Price Trends (continued)

The variation in long-term single-family price trends across neighborhoods indicates differences in long-term wealth-building opportunities for Chicago homeowners. Long-term single-family price trends are an indicator of housing market stability and the ability of longtime owners to build wealth and housing equity through property value appreciation. In Chicago, these long-term price trends significantly vary by neighborhood type.

Price Trends for Single-Family Homes, by Neighborhood Racial or Ethnic Typology, from 1997 to 2020 (Index 2000)



Source: American Community Survey five-year estimates from the Institute for Housing Studies House Price Index for single-family homes.

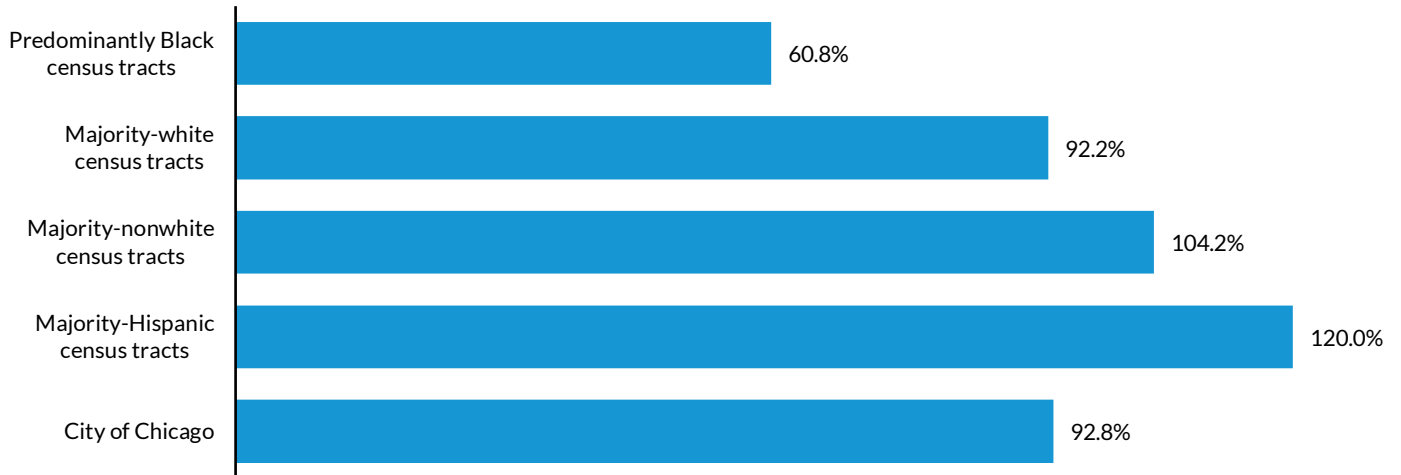
Note: Predominantly Black census tracts are at least 80 percent Black.

According to long-term single-family home prices in Chicago (indexed to 2000), homeowners in majority-Hispanic tracts have seen the most substantial price growth, with home prices increasing 120 percent compared with 104 percent in majority-nonwhite census tracts and 92.2 percent in majority-white tracts. The relatively strong long-term price growth in Chicago's majority-Hispanic areas is likely a product of both relatively affordable prices in 2000 and growing gentrification-related investment in the city's majority-Hispanic neighborhoods.

Owners of single-family homes in Chicago's predominantly Black communities have seen less long-term price appreciation, resulting in lower potential home equity growth for long-term owners. Indexed single-family house prices have increased 60 percent in predominantly Black census tracts compared with a 92 percent increase in majority-white census tracts and citywide. Today, a typical single-family homeowner in a predominantly Black census tract who bought their home in 2000 for the median sales price of \$75,000 would have gained an estimated \$45,600 in value by the end of 2020. In comparison, a buyer in a majority-white census tract who purchased their home in 2000 for the median price of \$237,000 would have seen their property's value appreciate by more than \$218,000.

Home Price Trends (continued)

Single-Family Home Price Changes since 2000, by Neighborhood Racial or Ethnic Typology

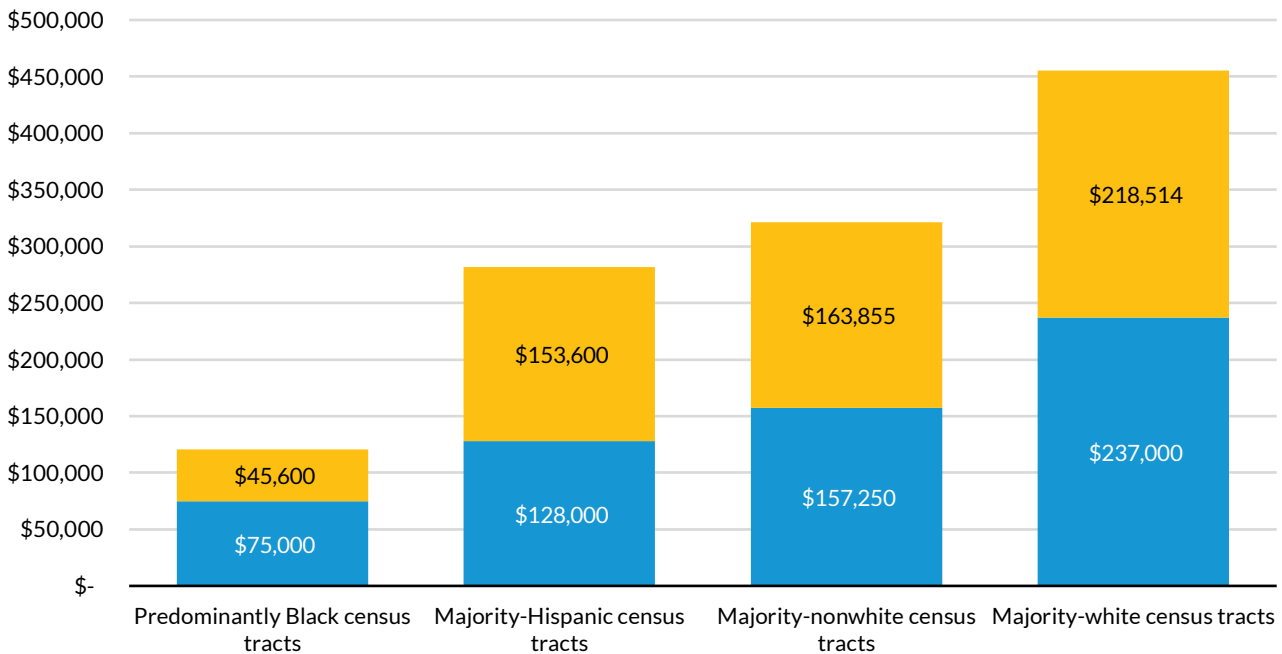


Source: American Community Survey five-year estimates from the Institute for Housing Studies House Price Index for single-family homes.

Note: Predominantly Black census tracts are at least 80 percent Black.

Equity Estimates, by Neighborhood Racial or Ethnic Typology, from 2000 to 2020

■ Median single-family home price in 2000 ■ Estimated value appreciation



Source: American Community Survey five-year estimates from the Institute for Housing Studies House Price Index for single-family homes.

Note: Predominantly Black census tracts are at least 80 percent Black.

Recovery Drivers and Postrecession Forces



Photo by James Andrews1/Shutterstock.com

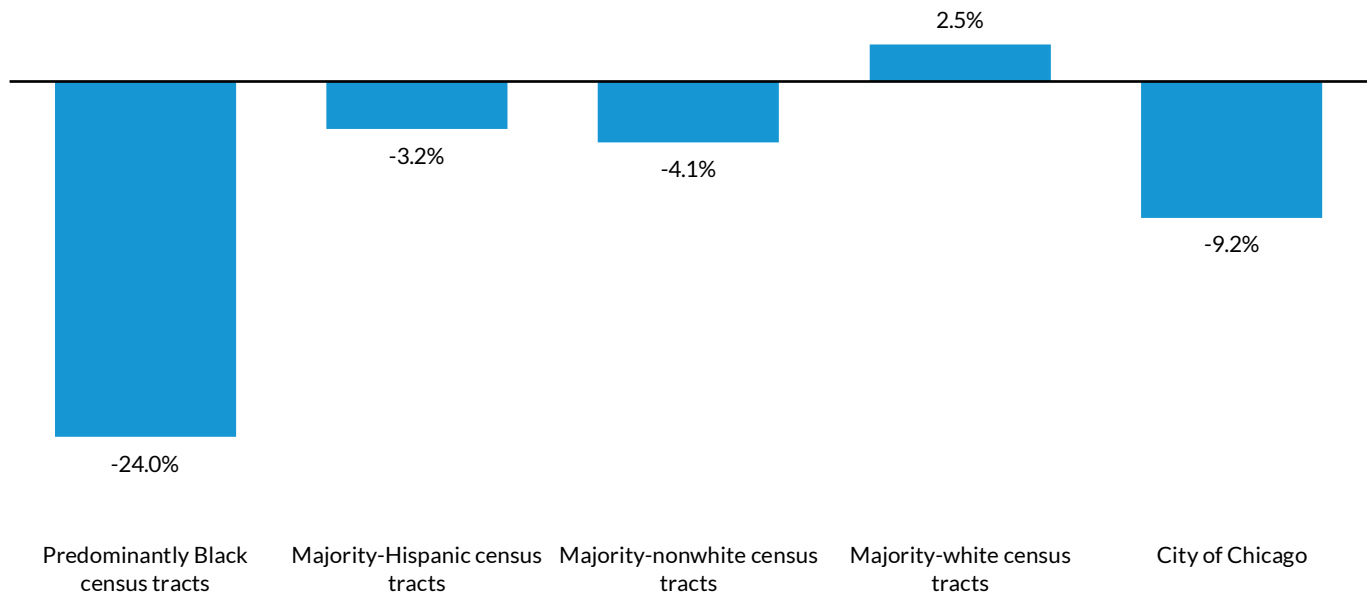
Housing Recovery Metrics

Despite home price recovery from the foreclosure crisis, home price growth remains uneven across neighborhoods.

Chicago's communities of color experienced rapid growth during the price bubble and equally dramatic declines. As prices continue to recover today, the drivers of housing demand in each neighborhood type vary and have different wealth-building implications for homeowners.

The variation in home price recovery can be used to estimate levels of potential home equity gained and lost by households and neighborhoods since the Great Recession and during the recovery period. As of the fourth quarter of 2020 (Q4 2020), prices in predominantly Black census tracts remain the furthest from their peaks, an indicator that these communities may still have large numbers of underwater homeowners who have yet to rebuild equity lost during the housing crisis. Price levels were 24 percent lower than their peak levels in predominantly Black census tracts while price levels were 3.2 and 4.1 percent below peak levels in majority-Hispanic and majority-nonwhite census tracts, respectively. On the other hand, majority-white census tracts are the only neighborhood type where price levels as of Q4 2020 exceeded peak prices seen during the height of the housing bubble.

Single-Family House Prices in the Fourth Quarter of 2020 Relative to Their Housing Bubble Peaks, by Neighborhood Racial or Ethnic Typology



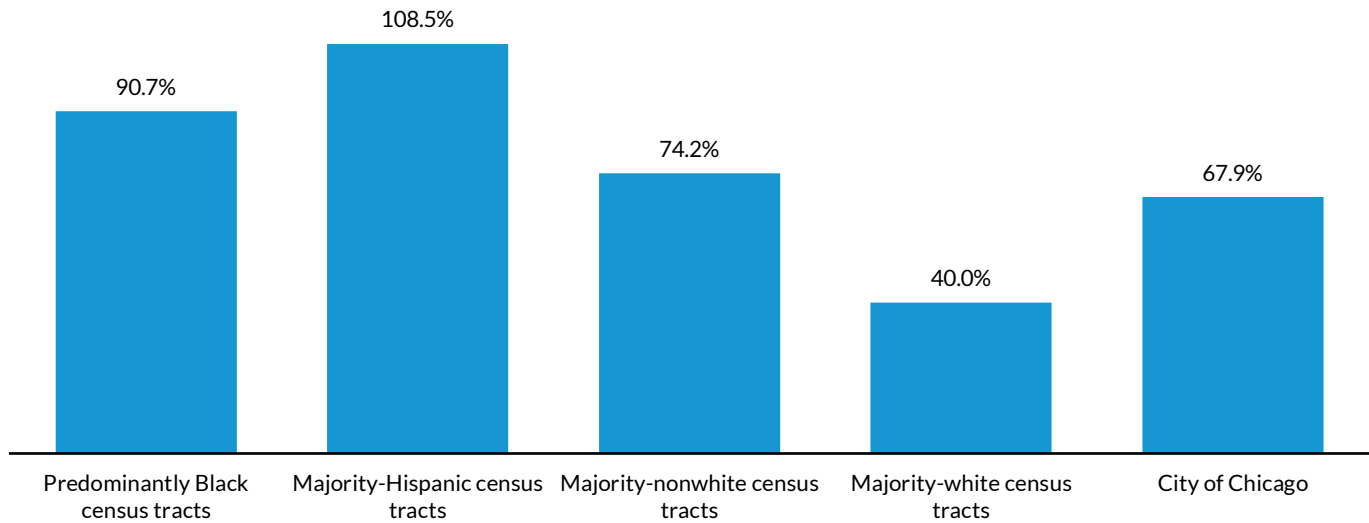
Source: American Community Survey five-year estimates from the Institute for Housing Studies House Price Index for single-family homes.

Note: Predominantly Black census tracts are at least 80 percent Black.

Housing Recovery Metrics (continued)

Home prices in Chicago's communities of color continue to recover from their lowest postrecession price levels, however. Predominantly Black and majority-Hispanic census tracts have recovered by 90.7 and 108.5 percent since the housing bust. Although majority-white census tracts did not tend to experience dramatic price declines during the Great Recession, these communities have experienced more modest price growth compared with their price lows. Despite recent gains, median sales prices in communities of color remain below levels observed in majority-white neighborhoods.

Single-Family House Prices in the Fourth Quarter of 2020 Relative to Their Housing Bust Lows, by Neighborhood Racial or Ethnic Typology



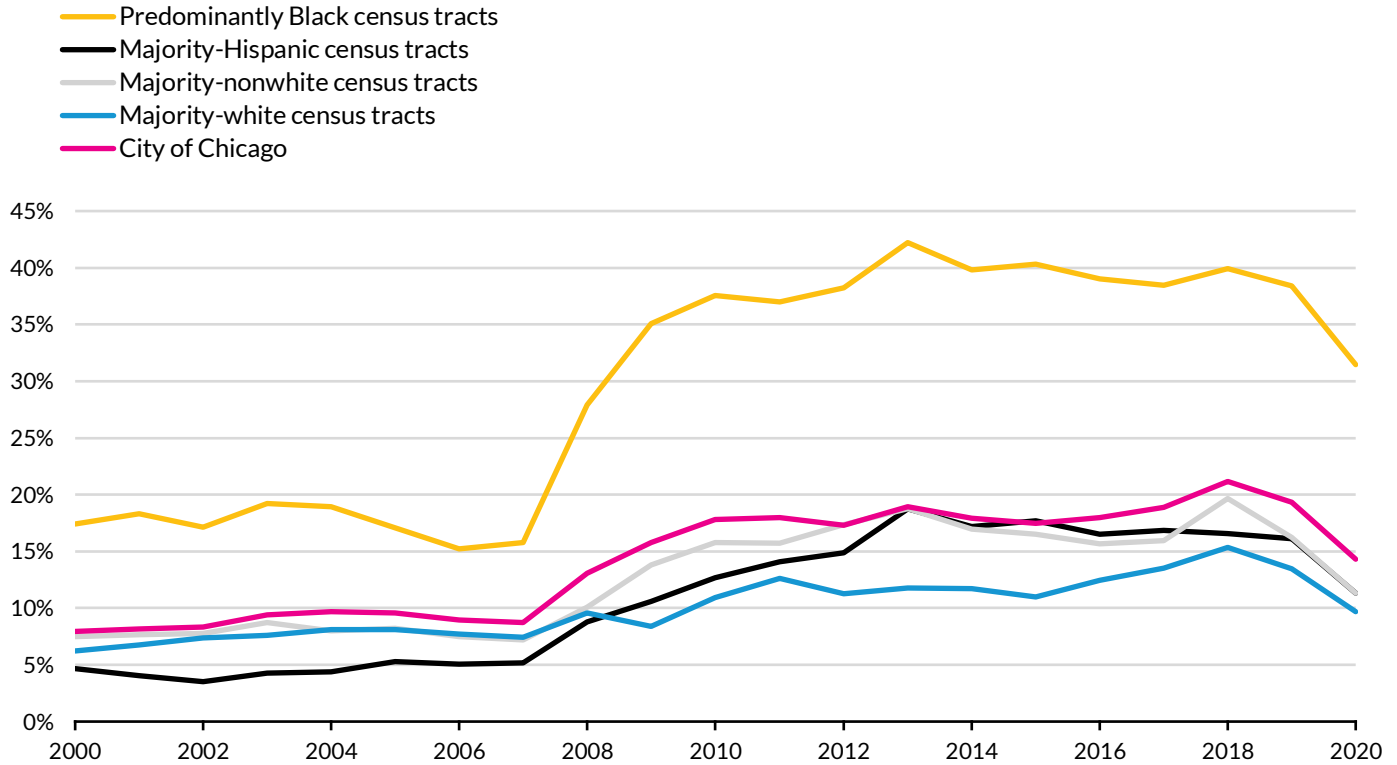
Source: American Community Survey five-year estimates from the Institute for Housing Studies House Price Index for single-family homes.

Notes: Housing bust dates are different for each race or ethnicity. Predominantly Black census tracts are at least 80 percent Black.

Investor Activity

Investors have played an outsized role in housing markets in Chicago's communities of color. Although investor purchases in Chicago's predominantly Black communities have historically been higher than in other neighborhood types, their presence in these communities' housing markets grew rapidly during the foreclosure crisis and remains elevated today. As a result, investors are likely to be the primary beneficiaries of recent house price recovery in communities of color instead of owner-occupants. After 2018, investor purchase activity began to slow in Chicago neighborhoods as prices began to stabilize and foreclosure inventory began to disappear. Despite recent declines, predominantly Black census tracts continued to have substantially elevated business buyer activity. In 2020, the share of property sales purchased by investors in predominantly Black census tracts was three times greater than in majority-white tracts and two times greater than the citywide rate.

Share of Home Sales Purchased by Business Buyers, by Neighborhood Racial or Ethnic Typology, from 2000 to 2020



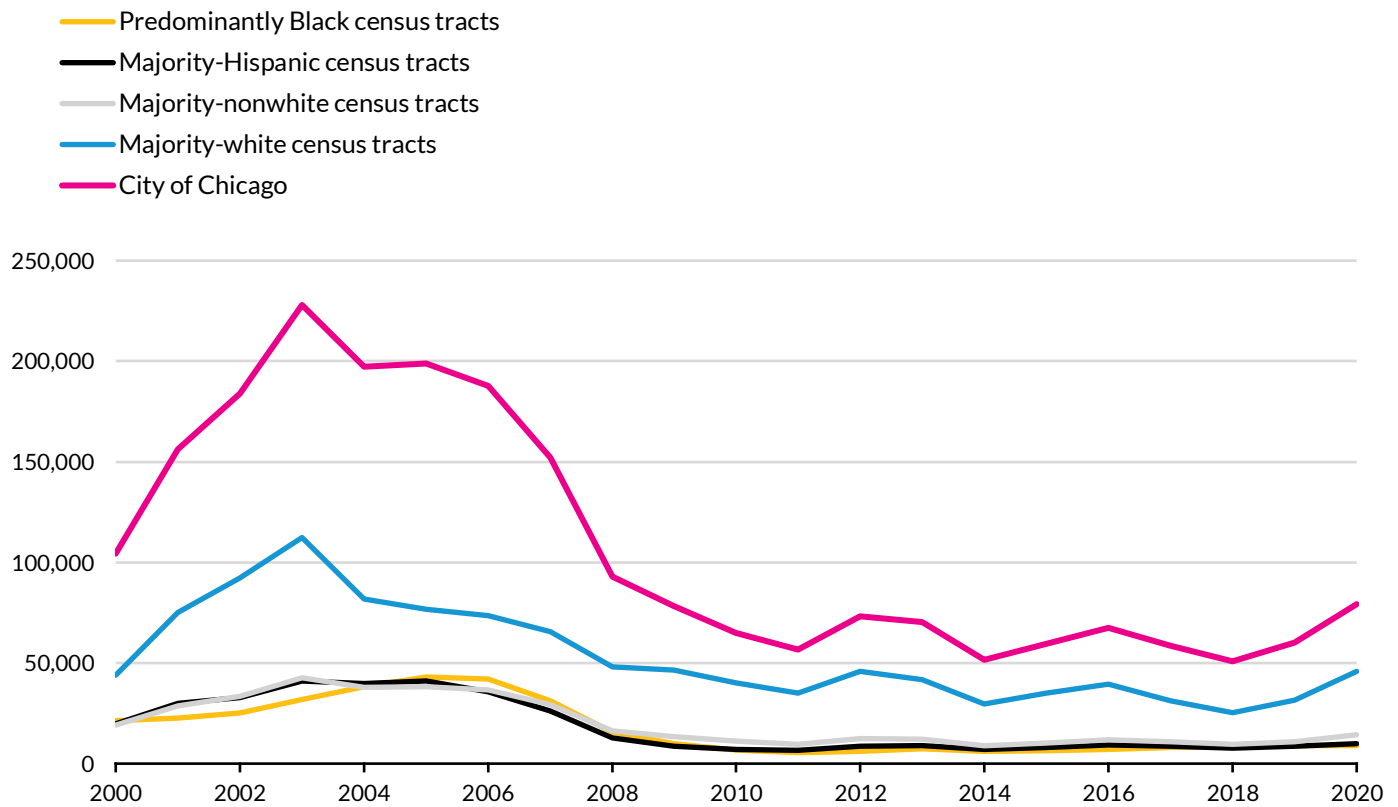
Source: Institute for Housing Studies Data Clearinghouse.

Notes: Predominantly Black census tracts are at least 80 percent Black. Business buyers are entities purchasing properties as limited liability companies, trusts, or some other type of business, nonprofit, or government entity. This represents a range of potential buyer types from small mom-and-pop investors to large Wall Street-traded equity funds to local community development corporations. Individuals, rather than corporations, sometimes do purchase properties for investment purposes, but the data we used for this analysis do not allow us to identify those buyers.

Access to Credit

Disparities in mortgage credit are pervasive between Chicago's communities of color and majority-white communities. Limited access to mortgage credit in Chicago's communities of color contributes to declining shares of homeowner households and has implications for home values and recovery after the Great Recession. All neighborhood types saw expanded mortgage lending during the lead-up of the housing bubble, followed by a gradual plateau in activity, but majority-white communities have historically experienced substantially higher levels of mortgage credit availability than Chicago's communities of color. In 2020, predominantly Black and majority-Hispanic census tracts totaled 11.4 percent and 12.6 percent of Chicago's total new mortgage originations. Majority-white census tracts composed 58 percent of new mortgage originations, five times and four times the rate of mortgage lending in predominantly Black and majority-Hispanic census tracts, respectively. In 2020, dramatically increased levels of mortgage lending in Chicago's majority-white census tracts are likely an indicator of increased refinance lending by homeowners taking advantage of historically low interest rates. Smaller increases seen in Chicago's majority-nonwhite census tracts is an indicator that homeowners in these tracts were less able to refinance to reduce monthly mortgage payments.

Number of Households Participating in Residential Mortgage Activity, by Neighborhood Racial or Ethnic Typology, from 2000 to 2010



Source: Institute for Housing Studies Data Clearinghouse.

Note: Predominantly Black census tracts are at least 80 percent Black.

Impact of the COVID-19 Pandemic

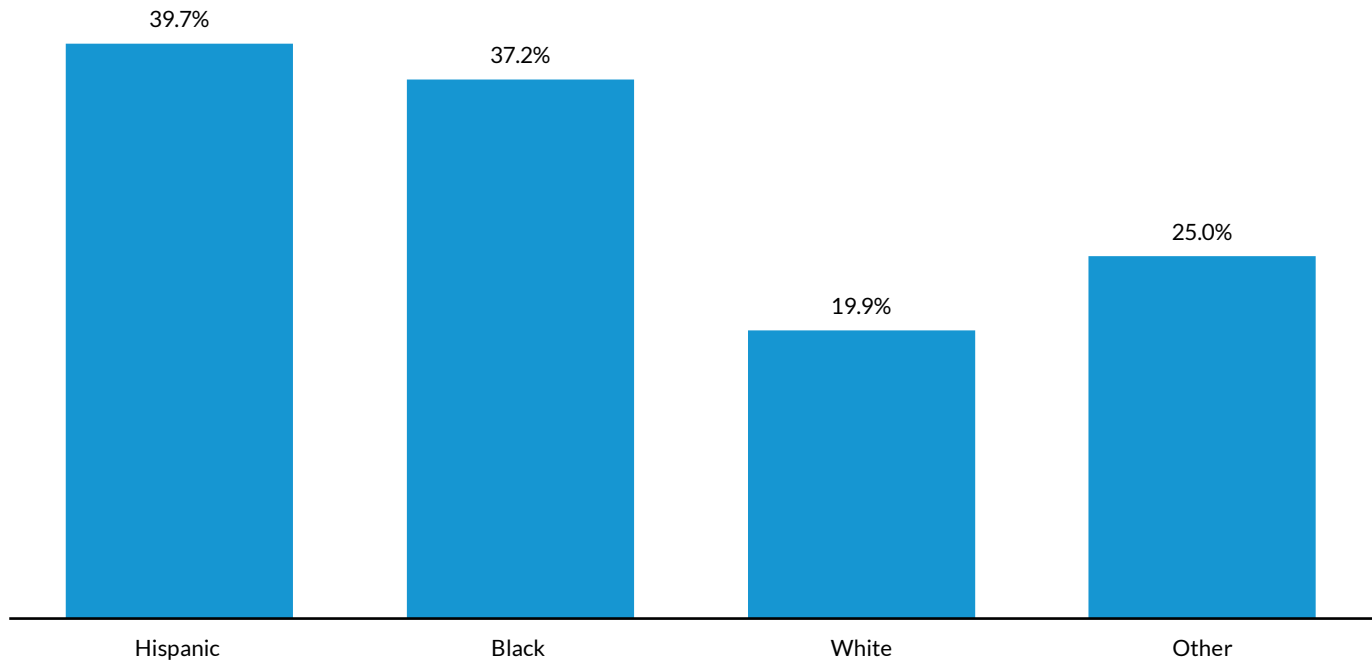


Photo by Monkey Business Images/Shutterstock.com

COVID-19 Vulnerability and Price Trends

Although individuals and households affected by the COVID-19-related economic downturn are found in every Chicago neighborhood, the disproportionate economic impacts on the city's Black and Hispanic workers risk exacerbating inequities. Citywide, Black and Hispanic workers are more likely to experience economic hardship as a result of the COVID-19 recession. Nearly 40 percent of Hispanic workers and roughly 37 percent of Black workers are employed in an occupation vulnerable to COVID-19-related layoffs compared with 20 percent of white workers. Because of Chicago's geographic patterns of racial and ethnic segregation, residents at higher risk of experiencing unemployment and difficulties making their mortgage payments are concentrated in the city's communities of color.

Share of Workers Employed in a Vulnerable Occupation, by Race or Ethnicity, 2018



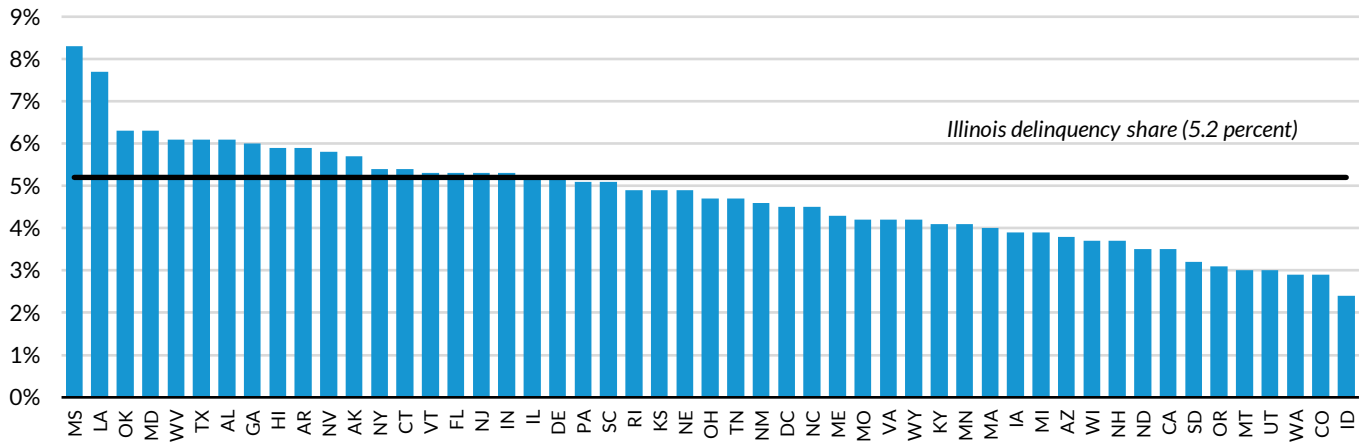
Sources: 2018 American Community Survey microdata, IPUMS USA, and Institute for Housing Studies (IHS) calculations based on code developed by the New York University (NYU) Furman Center.

Notes: Data include individual workers in at-risk occupations, such as cashiers, retail salespersons, janitors and building cleaners, cooks, waiters and waitresses, security guards and gaming surveillance officers, personal care aides, office clerks, construction laborers, and maids and housekeeping cleaners. IHS used the [classifications](#) created by the NYU Furman Center and did not adjust classifications based on Illinois stay-at-home orders, as the impacts of these orders on individual industries are difficult to isolate in the data.

Delinquency Rates during the Pandemic

The economic instability and record unemployment caused by COVID-19 left many homeowners unable to make their mortgage payments. Federal intervention eased the burden on homeowners by introducing forbearance options for those unable to make payments and established a moratorium on foreclosures. The top figure shows each state's share of total mortgage holders that are at least one month delinquent, which includes borrowers in forbearance who have not made payments. As of June 2021, Illinois had the 19th-largest share of delinquent mortgage holders (5.2 percent). Missouri and Louisiana held the highest shares (8.3 and 7.7 percent, respectively). As federal housing interventions began to expire, borrowers behind on their payments who continue to face economic hardship face an increasing risk of foreclosure.

Mortgage Delinquency Rates, by State

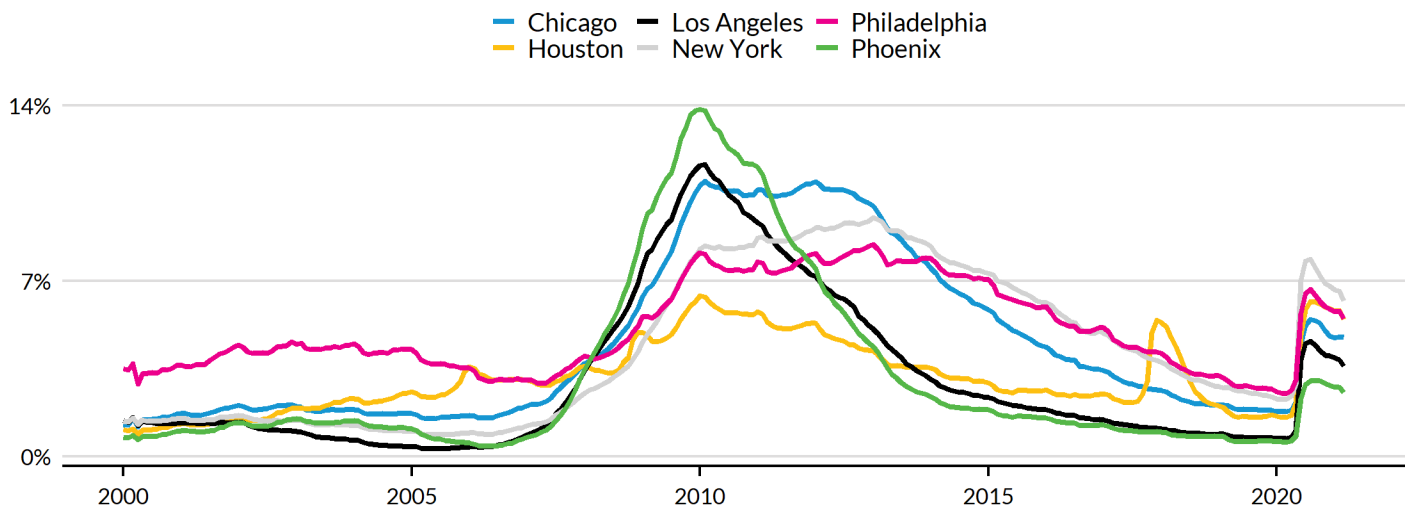


Source: Black Knight.

Notes: Data as of June 2021. Delinquent loans include those in forbearance that are not current.

In the Chicago metropolitan area, 4.8 percent of mortgage holders were seriously delinquent (90 or more days behind on a mortgage payment) in March 2021. Chicago's seriously delinquent share falls in the middle of the pack relative to comparable metropolitan areas. But while other cities have seen rates declining consistently since the peak in summer 2020, Chicago's seriously delinquent share has leveled off, with fewer new holders returning to current. Chicago's rate is now at 87 percent of its 2020 peak, higher than the average of the other five cities (82 percent).

Serious Delinquency Share, by Metropolitan Statistical Area



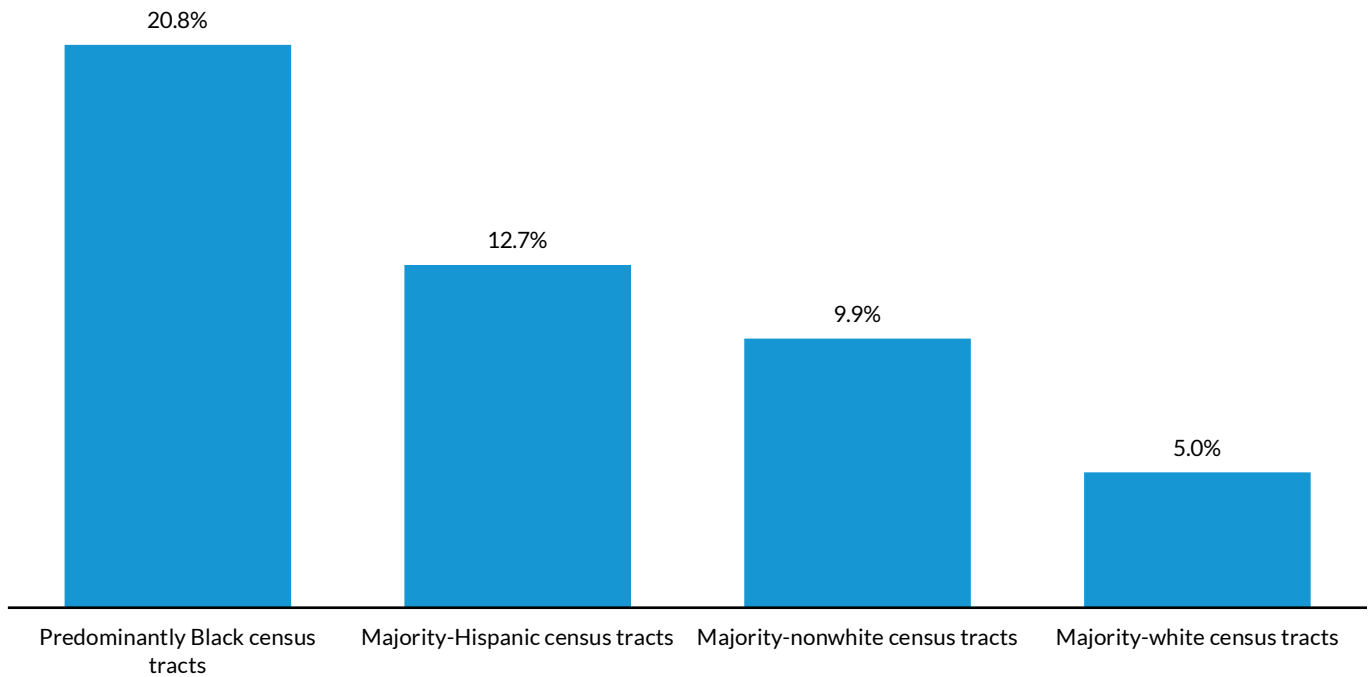
Sources: CoreLogic and Urban Institute calculations.

Notes: Data as of March 2021. Seriously delinquent = mortgages 90 or more days past due, including those in forbearance.

Home Price Changes during the Pandemic

Despite economic challenges, single-family house prices increased more substantially in Chicago's communities of color than in the city's majority-white neighborhoods during the pandemic. Comparing price levels in the first quarter of 2020 with price levels in the first quarter of 2021, home prices increased nearly 21 percent in predominantly Black neighborhoods and nearly 13 percent in majority-Hispanic areas compared with 5 percent in majority-white neighborhoods. This is a continuation of trends noted earlier, where Chicago's predominantly Black and majority-Hispanic neighborhoods saw stronger price appreciation during the postrecession recovery period than majority-white neighborhoods. This trend is a positive indicator, as price growth indicates housing demand that may mitigate potential foreclosure risk in these neighborhoods.

Year-over-Year Single-Family House Price Changes, by Neighborhood Racial or Ethnic Typology, from Q1 2020 to Q1 2021



Source: Institute for Housing Studies Data Clearinghouse.

Notes: Q1 = first quarter. Predominantly Black census tracts are at least 80 percent Black.

Conclusion and What Comes Next



Photo by Chris H_F/Shutterstock.com

Conclusion

The data and analyses in this chartbook are intended to be a tool for Chicago's housing actors, from mortgage lenders to foundations, providing reference points for building accessibility and racial equity into housing programs, practice, and policy.

Informed by this research and by the expertise and on-the-ground knowledge of the eight organizations in its funding cohort—Latin United Community Housing Association, the Chicago Area Fair Housing Alliance, the Lawndale Christian Development Corporation, the Brighton Park Neighborhood Council, Neighborhood Housing Services of Chicago, the Northwest Side Housing Center, Spanish Coalition for Housing, and Housing Action Illinois—the Chicago Community Trust decided on four areas for action:

- increasing access to safe and affordable financing for homebuyers to allow for wealth-building opportunities
- protecting and increasing the number of homeowners of color by preserving affordable housing stock and stabilizing current homeowners in rapidly changing communities
- supporting community-equity ownership models that provide co-ownership opportunities in their community to promote collective wealth building
- addressing complex structural issues by reforming systems to reduce bias and address the financing gap

According to the Chicago Community Trust, the learning experience with their grantee cohort has reinforced the importance of robust collaboration among many stakeholders, including community-based experts, residents, lenders, investors, and policymakers, for this work. In January 2021, the Chicago Community Trust issued a follow-up solicitation to support organizations that are part of and contributing to policy coalitions working to advance several policy priorities, including policies that protect homeowners of color from displacement in support of actions in these four focus areas. Grants were awarded in June 2021 to 12 organizations,⁴ including several from the previous year's cohort, who over the next year will convene to examine homeownership work in Chicago and nationwide, share best practices on the four strategic areas, and develop recommendations for philanthropic investments.

Two other implementation steps were influenced by this work at the state and city levels. One was the passage of the Illinois Community Reinvestment Act in January 2021 to regulate financial institutions that are not covered by federal regulations. This change could improve access to credit for communities of color in cities and rural areas. The second was the introduction in the Chicago City Council in June 2021 of a lending equity ordinance that would require banks to report their record of lending in majority-Black or majority-Hispanic neighborhoods compared with majority-white neighborhoods.

The Chicago Community Trust priorities found alignment with its mission, organizational strength, and relationships, but local leaders in philanthropy and other sectors can use the kind of data and information in this chartbook to forge their own approaches and strategies to promote homeownership and maintain affordability. This experience in Chicago could be replicated by similar actors in other cities to use an evidence-based approach to disaggregate all the available data and better understand these disparities to inform policy and practice solutions by various actors and stakeholders.

Notes

- ¹ Michael Neal and Caitlin Young, “Delinquent Homeowners in Neighborhoods of Color Are Less Likely to Be Protected by Forbearance,” *Urban Wire* (blog), Urban Institute, December 2, 2020, <https://www.urban.org/urban-wire/delinquent-homeowners-neighborhoods-color-are-less-likely-be-protected-forbearance>.
- ² In 2019, the Chicago Community Trust partnered with the Urban Institute to develop a data- and evidence-informed strategy to narrow the racial and ethnic wealth gap in Chicago. See Marcela Montes and Emily Bramhall, “Can Chicago and Other Localities Help Narrow the Racial Wealth Gap?” *Urban Wire* (blog), Urban Institute, December 12, 2019, <https://www.urban.org/urban-wire/can-chicago-and-other-localities-help-narrow-racial-wealth-gap>.
- ³ The tract categorization intends to identify census tracts where the majority of the population is represented by one racial or ethnic group. In analyzing the data for Chicago, we found a substantial number of tracts where at least 75 percent of the population was Black, and this justified its own category. There are not as many tracts where at least 75 percent of the population was white or Hispanic.
- ⁴ Shandra Richardson, “2021: Protecting and Advancing Equitable Homeownership,” Chicago Community Trust, June 29, 2021, <https://www.cct.org/2021/06/2021-protecting-advancing-equitable-homeownership/>.

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