Owner-Occupied Housing in Household Balance Sheets

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Owner-Occupied Housing in Household Balance Sheets

- Owner-occupied housing has become less important in some respects.
  - U.S. and St. Louis homeownership rates are falling.
  - On average, housing has declined as share of household assets.

- But housing still looms large in many families’ financial lives.
  - Mortgage debt remains historically high for many families.
  - Many economically vulnerable families’ balance sheets were/are dominated by tangible assets (housing) and debt (mortgages).

- The black and Hispanic middle classes were financially devastated by the housing boom and bust.
National Homeownership Rate At 30-Year Low and Falling Fast

United States Homeownership Rate

Percent, seasonally adjusted

Percent

Source: Census Bureau
Quarterly data through Q1.2015
St. Louis MSA Homeownership Rate Down From 74% to 71%
Housing and Homeowners‘ Equity Have Declined in the Average HH Balance Sheet

Housing and Homeowners' Equity in Households' Balance Sheets

Source: Federal Reserve Board, Financial Accounts of the United States

Annual data through 2014
But Housing Still Looms Large

- Mortgage debt remains historically high for many families.

- Many economically vulnerable families’ balance sheets were and are dominated by tangible assets—especially housing—and debt—especially mortgages.

- Large losses of homeowners’ equity contributed greatly to the financial devastation of black and Hispanic families.
Mortgage Debt Has Declined But Remains Large Relative to Income and Assets

Mortgage Debt Relative to Income and Value of Housing

Source: Federal Reserve Board, Financial Accounts of the United States
Annual data through 2014
Homeownership Rates Have Declined Most Among Blacks and Hispanics

Homeownership Rates in Q1.2015 (Census Bureau)

- Non-Hispanic white: 72.0%
- Hispanic: 44.1%
- Black: 41.9%

Source: Federal Reserve Board, Survey of Consumer Finances

Tri-ennial survey data, 1989-2013
About 90% of Adult Black and Hispanic Assets Are Housing and Durable Goods

Source: Federal Reserve Board, Survey of Consumer Finances

Triennial survey data, 1989-2013

Median Ratio of Tangible Assets to Total Assets:
Families Headed by Someone 40 or Older

- Hispanic of any race
- Non-Hispanic black
- Non-Hispanic white

Source: Federal Reserve Board, Survey of Consumer Finances

Triennial survey data, 1989-2013
About 70% of College-Grad Black and Hispanic Assets Are Tangible Assets

Source: Federal Reserve Board, Survey of Consumer Finances

Triennial survey data, 1989-2013
60-70% of Post-Graduate Black and Hispanic Assets Are Tangible Assets

Smoothed Median Ratio of Tangible Assets to Total Assets:
Families 40 or Older with Post-Graduate Degrees

Source: Federal Reserve Board, Survey of Consumer Finances
Triennial survey data, 1989-2013
Black and Hispanic Adult Families Had/Have High Debt Burdens

Median Ratio of Total Debt to Total Assets:
Families 40 or Older

Source: Federal Reserve Board, Survey of Consumer Finances
Triennial survey data, 1989-2013
College-Educated Black and Hispanic Families Have Very Large Debts

Median Ratio of Total Debt to Total Assets:
Families 40 or Older With 2- or 4-Year College

Source: Federal Reserve Board, Survey of Consumer Finances
Triennial survey data, 1989-2013
High Debt Burdens for Black and Hispanic Post-Graduate Families, Too

Median Ratio of Total Debt to Total Assets:
Families 40 or Older With Post-Graduate Degrees

Source: Federal Reserve Board, Survey of Consumer Finances
Triennial survey data, 1989-2013
Average Black and Hispanic Homeowners' Equity Losses Twice As Large As Whites

**Mean Homeowners' Equity: Families Headed by Someone 40-61**

- **Non-Hispanic white**
  - 1989: $252,530
  - 2007: $175,573
  - Percent change in mean HOE, 2007-13: -30.5%

- **Hispanic**
  - 2007: $164,562
  - Percent change in mean HOE, 2007-13: -65.5%

- **Black**
  - 2007: $88,500
  - Percent change in mean HOE, 2007-13: -52.5%

**Source:** Federal Reserve Board, Survey of Consumer Finances
**Triennial survey data, 1989-2013**
Median Middle-Aged Black and Hispanic Families No Longer Homeowners

<table>
<thead>
<tr>
<th>Families headed by someone 40-61</th>
<th>Percent change in median HOE, 2007-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Hispanic white</td>
<td>-45.8%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Black</td>
<td>-100.0%</td>
</tr>
</tbody>
</table>

Source: Federal Reserve Board, Survey of Consumer Finances
Triennial survey data, 1989-2013
Overall Wealth Losses Were Greatest Among Latinos and Blacks During 2007-13

Source: Federal Reserve Board, Survey of Consumer Finances

2013 dollars

Median Net Worth:
Families Headed by Someone 40-61

- Non-Hispanic white: $252,761 to $161,010 (-36.3%)
- Hispanic: $94,744 to $19,690 (-79.2%)
- Black: $48,595 to $14,304 (-70.6%)

Tri-ennial survey data, 1989-2013

Source: Federal Reserve Board, Survey of Consumer Finances
More Education Provided No Protection Against Housing Losses

Median Homeowners' Equity Among Black Families Headed by someone 40-61 of Education: Families Headed by

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Percent change in median HOE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-graduate (2004-13)</td>
<td>-95.4%</td>
</tr>
<tr>
<td>2- or 4-year college (2007-13)</td>
<td>-93.3%</td>
</tr>
<tr>
<td>High school (2004-13)</td>
<td>-100.0%</td>
</tr>
<tr>
<td>Less than HS</td>
<td>--</td>
</tr>
</tbody>
</table>

Source: Federal Reserve Board, Survey of Consumer Finances
Tri-ennial survey data, 1989-2013
In Sum: Housing Was the Dominant Factor in Huge Black and Hispanic Wealth Losses

- Housing as an asset class has declined in overall importance due to declining homeownership and housing values.

- But the legacies of the housing boom and bust loom large in many families’ financial lives, especially the most vulnerable.

- The black and Hispanic middle classes were financially devastated by high exposures to housing and high debt.
For More Information About the Demographics of Wealth

Center for Household Financial Stability
Federal Reserve Bank of St. Louis
www.stlouisfed.org/household-financial-stability

Community Development
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https://www.stlouisfed.org/community-development