



REINVESTMENT ALERT

Woodstock Institute

April 1998

Number 13

Low-Income Home Buying on the Rise in Chicago Area But Access to Suburban Areas Still Constrained

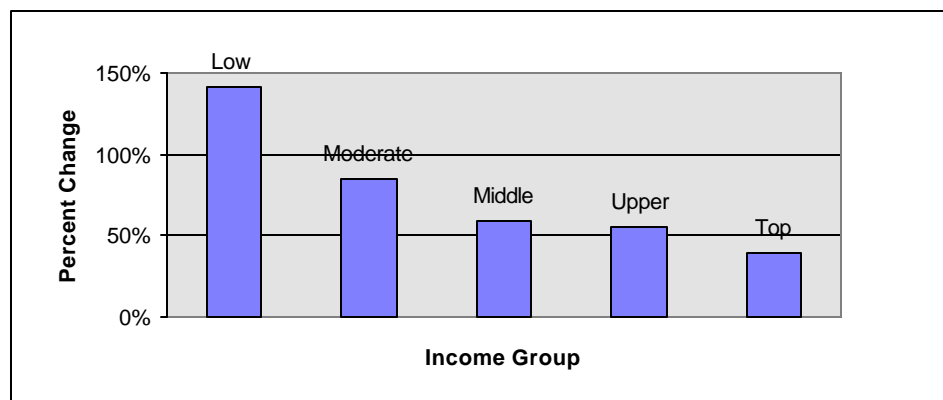
Between 1990 and 1996 there was a large increase in the number of lower-income home buyers in the Chicago region. This good news is tempered by the facts of where these households were able to purchase homes. Most of them bought in Chicago and suburban Cook County. Unless lower-income buyers have a choice of homes throughout the six-county region, they will not gain the full benefits of homeownership.

More Lower-income Families are Buying Homes

Twenty years after the Community Reinvestment Act (CRA) first passed, there is evidence of significant increases in homeownership by lower-income families. These changes, which reflect the work of community activists, the enforcement of the CRA and Fair Housing Laws, a vibrant economy, and the creativity of financial institutions are quite large.

From 1990 to 1996, increases in home purchase loans to low- and moderate-income people have outpaced increases in loans to other income groups. Figure I shows the percent increase in the number of home purchase loans to different income groups in the Chicago six-county area from 1990 to 1996.¹

Figure I
Percent Change in Number of Home Purchase Loans
to Different Income Groups in the 6-County Area, 1990-1996



In 1990, Chicago area low- and moderate-income borrowers received only 15,930 home purchase loans; by

¹ Income groups are defined as: low <50 percent median income, moderate between 50 percent and 79 percent median-income, middle between 80 percent and 119 percent median-income, upper between 120 percent and 199 percent median-income, top 200 percent median-income or above. Loans were categorized for this analysis according to income of the borrower and income of the census tract where the home was purchased for each year from 1990 to 1996. Tract income categories were held constant and based on the income levels reported in the 1990 census. Income levels of borrowers were adjusted every year. The adjustments were made by using the median-income reported in the 1990 census and increasing it yearly by the consumer price index (CPI-U) reported by the U.S. Department of Labor. .

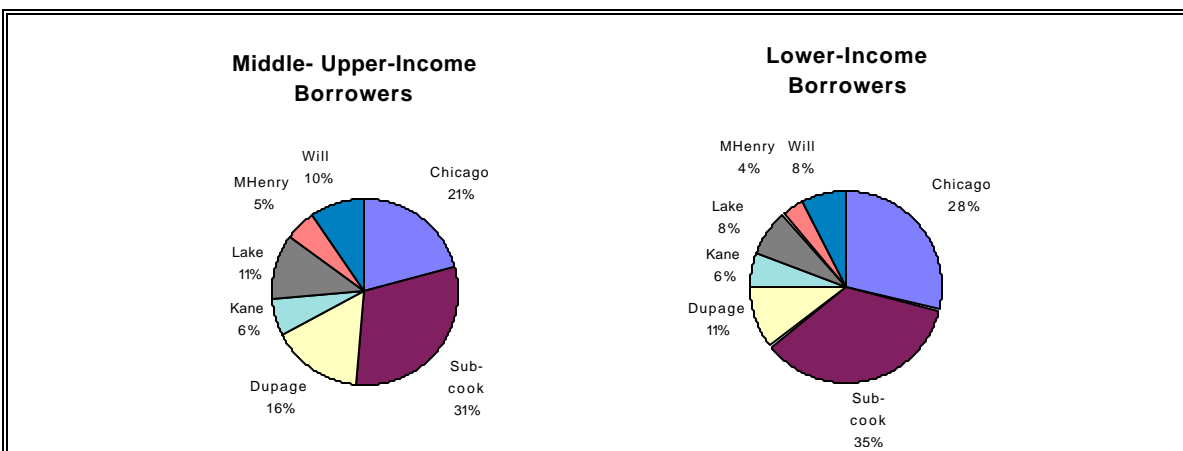
1996 that number had almost doubled to 30,953. As the number of loans doubled, this income group's share of the entire market went from 24 percent to 29 percent.

Homeownership, ideally, gives lower-income families one of the keys to financial asset building; steadily increasing home-equity. Home-equity is the key resource for people starting small-businesses, for paying college and other educational bills, and for helping families through financial hard times. But the fact of buying a home is just one piece of the puzzle. Where a family can buy a home will determine how much the home appreciates, and whether a family can raise its children in a resource- and job-rich mixed-income community or a poor community whose residents struggle with less than adequate schools, poorer public infrastructure and other problems.

Most Lower-income Buyers Purchase Homes in Chicago and Suburban Cook County

Where are Chicago area lower-income home buyers purchasing their homes? The data show several important patterns. In absolute numbers, most of these households are buying homes in Chicago and suburban Cook county. Almost 20,000 of the 31,000 lower-income² home buyers in 1996 bought homes in Cook county. Only 11,000 bought homes in the five collar counties³. More homes will, of course, be bought in counties which are more populous and have more houses, but middle- and upper-income borrowers⁴ are buying in the five collar counties at a greater rate than lower-income borrowers. The pie charts in Figure II tell the same story a different way. In 1996, middle- and upper-income borrowers were almost evenly divided between those buying homes in Chicago and suburban Cook county and those buying homes in the collar-counties. In the same year, 63 percent of lower-income buyers purchased their homes in Cook County.

Figure II
Distribution of Loans to Middle-upper-income Groups
and Lower-income Groups by County in 1996



The reasons for these differences are not primarily where financial institutions are prepared to make home loans. The loan patterns are the result of home prices, zoning regulations, housing discrimination, and other forces. In fact, a recent survey of housing developers conducted by the Metropolitan Planning Council found that some of the municipalities in Lake, DuPage, and Northwest Cook Counties which are

² "Lower-income" refers to the low- and moderate-income categories.

³ "Collar counties" refers to Lake, DuPage, Will, Kane, and McHenry counties.

⁴ "Middle- and upper-income" refers to the middle-, upper-, and top-income categories.

experiencing rapid growth also have high regulatory barriers to developing more housing options for average families.⁵ These forces work to perpetuate housing segregation.

Changes in the Patterns of Lower-Income Home Buying

The 1996 data are a clear indication that the majority of lower-income homebuyers in the region buy in Chicago and suburban Cook County. But a more detailed look at the data shows that the *trends* in home buying are beginning to change. Table I shows the changes in the absolute number of loans and the percentage change between 1990 and 1996 in Cook and the combined collar counties.

Table I
Increase in The Number of Loans
to Cook and the Five Collar Counties by Income of Borrower, 1990-1996

| Income of Borrower | Cook County | | | | Five Collar Counties | | | |
|--------------------|----------------------|----------------------|-----------------|------------------|----------------------|----------------------|-----------------|------------------|
| | Number Loans in 1990 | Number Loans in 1996 | Increase Change | Percent Increase | Number Loans in 1990 | Number Loans in 1996 | Increase Change | Percent Increase |
| Low | 1,834 | 4,241 | 2,407 | 131% | 700 | 1,872 | 1,172 | 167% |
| Moderate | 9,240 | 15,742 | 6,502 | 70% | 4,156 | 9,098 | 4,942 | 119% |
| Middle | 13,151 | 18,948 | 5,797 | 44% | 8,480 | 15,515 | 7,035 | 83% |
| Upper | 11,286 | 14,450 | 3,164 | 28% | 9,833 | 16,008 | 6,175 | 63% |
| Top | 5,176 | 6,665 | 1,489 | 29% | 4,134 | 6,181 | 2,047 | 50% |

While the number of home mortgages taken out by low- and moderate-income people in Cook county increased by 131 and 70 percent respectively, the number of low- and moderate-income buyers in the five collar counties increased by 167 and 119 percent respectively. We should point out, however, that these numbers are not equivalent to changes in the composition of lower-income homeowners in these geographies, merely the change in *new* homebuyers.⁶

An analysis of changes in home mortgages at the county level may hide very significant patterns of home buying in smaller geographic areas. A county might, for example, see a large increase in lower-income home buyers, but that increase might be concentrated in lower-income areas. In such a case, income segregation by county might be decreasing while increasing at the neighborhood level. Table II shows in what kind of census tracts lower-income and middle- and upper-income buyers are purchasing homes for each of the region's counties. In Chicago and suburban Cook County, loans to lower-income people are increasing by a higher percentage in upper-income tracts. However, in the collar counties the rates of change are different among low- and moderate-income people. Low-income people have experienced a higher percentage increase in home buying in *low-income tracts* (207 percent vs. 162 percent) while moderate-income people have higher percentage increases in middle- and upper-income tracts (127 percent vs. 44 percent.) These trends are mixed news: for low- and moderate-income people as a group the trend in home buying is towards somewhat more mixed-

⁵ Metro Chicago Information Center, *Residents at Their Limit: A Call for Planning the Region's Growth*, April, 1998, p. 3.

⁶ The net change in homeownership depends on the characteristics of the seller as well as the buyer. And the percent change should be interpreted in the light of the number of buyers in 1990. In McHenry County, for example, only 96 lower-income families purchased homes in 1990.

income neighborhoods, but there is some indication of income resegregation for low-income home buyers in the collar counties. At the same time, lower-income home buying is still quite concentrated in small parts of the collar counties.

Table II
Changes in Number of Loans to Different Income Groups
By Income and County of Home Purchase, 1990-1996

| | | Cook County | | Five Collar Counties | | Total | | |
|-----------------------------------|-------------------------------|--------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|----------------------------|------------|
| Homes Purchased by | Numbers And Percents of Loans | Low and Moderate-Income Tracts | Middle-Upper Income Tracts | Low and Moderate-Income Tracts | Middle-Upper Income Tracts | Low and Moderate-Income Tracts | Middle-Upper Income Tracts | All Tracts |
| Low-Income People | Number of Loans in 1990 | 641 | 1,193 | 81 | 619 | 722 | 1812 | 2534 |
| | Number of Loans in 1996 | 1,361 | 2,880 | 249 | 1,623 | 1,610 | 4,503 | 6,113 |
| | Percent Change | 112% | 141% | 207% | 162% | 123% | 149% | 141% |
| Moderate-Income People | Number of Loans in 1990 | 2,747 | 6,493 | 400 | 3,756 | 3,147 | 10,249 | 13,396 |
| | Number of Loans in 1996 | 3,468 | 12,274 | 575 | 8,523 | 4,043 | 20,797 | 24,840 |
| | Percent Change | 26% | 89% | 44% | 127% | 28% | 103% | 85% |
| Middle-Upper-Income People | Number of Loans in 1990 | 4,196 | 25,417 | 447 | 22,239 | 4,643 | 47,656 | 52,299 |
| | Number of Loans in 1996 | 5,513 | 34,550 | 474 | 37,675 | 5,987 | 72,225 | 78,212 |
| | Percent Change | 31% | 36% | 6% | 69% | 29% | 52% | 50% |

These findings about the increasing rate of lower-income home buying should be further tempered by a number of considerations: 1) These data refer to changes in patterns of homeowners, not to all lower-income residents. Most lower-income households rent. The lack of rental housing in many suburban areas continues to be a major impediment to access to residential those areas. This limited access can work to restrict families' job and other opportunities. 2) This analysis does not account for the race of the lower-income purchasers and there is evidence that historical patterns of racial segregation are being replayed in the collar counties.⁷ Lower-income minority families face far greater hurdles in acquiring homes in the collar counties than lower-income white families. 3) Some of the changes in lower-income home buying are symptomatic of sprawl. There is some increase, for example, in low-income home buying in low-density areas in McHenry and Lake Counties.

⁷ Danielle Gordon, "'White Flight' Taking off in Chicago Suburbs" *Chicago Reporter*, December, 1997, 26:8 pp. 1-8; Mike Leachman, Phil Nyden, Bill Peterman, and Darnell Coleman *Black, White and Shades of Brown: Fair Housing and Economic Opportunity in the Chicago Region*, February, 1998, for the Leadership Council for Metropolitan Open Communities.

An Agenda for Increasing Access to Housing Opportunities for Lower-Income Families

Lower-income home buyers should have access to housing throughout the Chicago region. While more lower-income families are buying homes, their choice of where to buy is clearly restricted. There are signs of a trend toward some increased access to suburban areas but there is clearly a long way to go. In particular, suburban access to low-income (as opposed to moderate-income) households is relatively restricted to lower-income neighborhoods.

The vigorous implementation of the Community Reinvestment Act and Fair Housing Laws have been major factors in opening up homeownership to lower-income families. Their increased enforcement is vital to the expansion of this trend. Zoning laws and other restrictive practices that inhibit access in large parts of the collar counties create a divided society that has immediate negative consequences for families locked out of housing opportunities and long-term negative consequences for everyone. Zoning rules and housing industry practices that violate Fair Housing Laws should be vigorously prosecuted. The state and federal governments and county boards should develop new incentives to encourage municipalities to welcome all homeowners to their communities. Moreover, these incentives should promote the development of affordable housing throughout the suburbs, including middle- and upper-income areas.

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