



MODULE 2

Growing Generation Gaps in Homeownership and Racial Disparities

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Abstract

This study takes a multi-decade view of generational progress in homeownership attainment, comparing California and Los Angeles to the United States as a whole. Generational attainments are measured within each of four broad ethnoracial groupings: white, Black, Hispanic/Latinx, and Asian and Pacific Islander. A different temporal pattern of achievement is found for each group, but the common denominator underscores that homeownership accumulates progressively as people grow older over their housing careers, and achievements in middle age and older years are built on the success at young ages. Generation gaps that have been growing threaten to erode the number of home buyers and total homeownership in California and the nation. Attention to the rising barriers blocking homeownership for young people thus has special importance to all.





INTRODUCTION

Homeownership has long been described as the American Dream, benefitting most households through wealth appreciation, stable residency, and the ability to remodel space to meet changing needs.¹ It certainly has been a cornerstone of the California Dream as well, with much stronger wealth appreciation in Los Angeles, for example, than in the U.S. as a whole,² even though California's homeownership rate (54.9% in 2019) has remained about 10 percentage points below the national average over the last three decades. In fact, the Federal Reserve has noted that homeownership is the most important path to wealth accumulation in the middle class.³ Growing worries are being expressed that the divide between homeowners and renters is a key driver of growing economic polarization. Breaking down that barrier is more important than ever.

Access to homeownership has been unusually volatile over the last three decades, with surges in the national and California homeownership rates from 1995 to 2005, peaking in the housing bubble, and followed by steep and prolonged declines after the financial crisis and Great Recession. Only after 2016 did the total homeownership rate begin to recover, but that still lies below its level in 2000, prior to the housing bubble. Not all groups have fared equally well in this long sweep of time: older generations that were already established as homeowners have been less vulnerable to rising prices and limited housing opportunities.

The urgent problem is that newer (younger) generations have fallen behind the homeownership success of longer-established generations. We find that African American and Hispanic/Latinx households have achieved much lower levels of homeownership than non-Hispanic white households. Asian Americans have achieved distinctly greater success than other groups, but their achievements on average also still fall well below the homeownership attainments of older, white households. What is especially different in California, is that the younger generation of white households is also falling far short of the homeownership success enjoyed by the older white generation.

The unique contribution of this research study is that it traces and compares generations across multiple decades, comparing homeownership achievement in California to that in the United States as a whole. Here we are reaching beyond standard practice that compares groups only at a snapshot in time or traces selected individuals across several years.

Instead, through our cohort methods, we are able to trace and compare the aggregate trajectories of whole groups as they travel through their housing careers, growing older from decade to decade.⁴ Tracing these arcs of homeownership accumulation through time, we compare achievements of different generations and racial subgroups when they were the same age in different decades and assess how rapidly they gain homeownership as they pass from age to age in different decades.

¹ Goodman, Laurie S., and Christopher Mayer (2018) "Homeownership and the American Dream," *Journal of Economic Perspectives*, 32 (Winter): 31–58.

² Goodman and Mayer, table 5.

³ Bhutta, Neil, Andrew C. Chang, Lisa J Detting, and Joanne W. Hsu (2020) "Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances." *Fed Notes*. Board of Governors of the Federal Reserve System.

The racial disparities of homeownership rates are of keen policy concern, yet each group exhibits a distinct history and set of generational dynamics. As will be demonstrated, the achievement histories of Black and Hispanic households are distinctly different and their homeownership remains lower than the others. African Americans have suffered a more than 20 percentage point decline across the generations. While Hispanics initially were able to avoid declines, beginning with Generation X and then the Millennials, their homeownership has been set back by the post-2007 housing crisis and the lingering economic recovery. Younger households of white generations also have fallen progressively further short than the much more advantaged older generations of whites. In contrast, Asian Americans exhibit substantial progress relative to their older generations.⁵

A commonality across the ethnoracial groups is that all cohorts build higher homeownership achievement between their young and middle age range, continuing upward to a peak attainment rate near age 70. Gaps that open up in younger years are sustained and widen into middle age. This suggests that our attention should focus on assisting younger adults to launch successful homeownership trajectories to carry through their life cycle. Success of each of the four broad ethnoracial groups will be described through the achievements of their generational subgroups, including Millennials and Generation X compared to the Baby Boomers or older groups. As we will find, homeownership disparities start with the young and they build up over time. Now that the most advantaged homeownership generations are beginning to age out, the lower achievements of the younger generations will begin to pull down the nation's average homeownership rate.⁶

Overview of Ownership Rates and Racial Disparities for California and the U.S.

An overview of homeownership rates and disparities at the 2019 peak of the post-Great Recession expansion, prior to the pandemic recession, is offered in Exhibit 1. In California, the highest homeownership rate among all ages combined is reported for white households, 63.2%. The rate for African Americans is substantially lower, a gap of -26.2%. The Hispanic gap is -19.2%, while the race gap between white and the broad group of Asian households is only -3.2%.

In the United States as a whole, by contrast, the race gaps are all wider, by 3 to 5 percentage points for Black and Hispanic households, but 8 percentage points wider for Asian households (lower panel of Exhibit 1). It would seem to be good news that California's homeownership has smaller gaps between whites and other households. Yet, evidence in the table suggests that the smaller gap in California than the nation may stem from greater weakness in homeownership among white households in California. White homeownership is 9 percentage points lower in California than in the U.S., while Black homeownership is 6 points lower in California, Hispanics 4 points lower, and Asian Americans half a point lower. Thus, the traditional measurement of racial gaps in homeownership is skewed by greater weakness among whites.

Clues about why the white homeownership rate is more depressed in California are found in the achievements of younger age groups. Exhibit 1 reports the age gap between white households age 35 to 44 and those age 65 to 74. The younger age group (members of Generation X in 2019) has an age gap of -29.2%, compared to only a 15.6% gap in 2019 in the U.S. The age gap for whites is also wider than for all other race groups in California. Clearly the age gaps bear more attention than they are often given. These can be better understood when we look in more detail, using cohort longitudinal methods from housing demography to trace trajectories into homeownership as cohorts advance through their career over time.⁷

⁴ Myers, Dowell, "Cohort Longitudinal Estimation of Housing Careers," *Housing Studies* 14 (4,1999): 473-90.

⁵ It should be noted that the broad Asian and Pacific Islander group includes a diverse array of ancestries. Although the larger subgroups that collectively make up over three-quarters of this broad racial category have high homeownership rates in 2019 (Chinese, 63.0, Vietnamese, 66.9, Filipino, 62.2, Japanese, 65.9, Indian, 56.1, Korean 50.7), many of the small subgroups have much lower incomes and accordingly lower homeownership rates (Hmong, 51.1, Malaysian, 44.1, Burmese, 42.3, Mongolian, 30.9, Samoan, 31.4). Source: Alexandra Lee, 2021, "Rapid Growth of Asian-Headed Households Hides Significant Inequality," Zillow. <https://www.zillow.com/research/asian-american-homeownership-2021-29536/>

⁶ Myers, Dowell and Hyojung Lee. 2016. "Cohort Momentum and Future Homeownership: The Outlook to 2050," *Cityscape: A Journal of Policy Development and Research*, vol. 18 (March): 131-143.

⁷ Myers, Dowell, "Cohort Longitudinal Estimation of Housing Careers," *Housing Studies* 14 (4,1999): 473-90.

Exhibit 1. Disparities of Homeownership Rates by Race and Age, California and United States 2019

CALIFORNIA					
	BLACK, NH	HISPANIC	ASIAN, NH	WHITE, NH	ALL RACES
ALL AGES	36.8	44.1	59.8	63.2	54.9
RACE GAP	-26.4	-19.2	-3.5	0.0	
SELECTED AGES					
35-44	27.5	36.6	60.5	50.2	45.3
65-74	48.7	63.2	73.2	79.4	73.3
AGE GAP	-21.3	-26.7	-12.7	-29.2	-28.1
UNITED STATES					
	BLACK, NH	HISPANIC	ASIAN, NH	WHITE, NH	ALL RACES
ALL AGES	42.3	48.1	60.3	72.2	64.2
RACE GAP	-29.9	-24.1	-11.9	0.0	
SELECTED AGES					
35-44	34.6	44.7	60.8	68.4	58.3
65-74	59.4	64.9	75.1	84.0	79.3
AGE GAP	-24.7	-20.3	-14.4	-15.6	-21.0

Source: Module_3B__072321/Summary

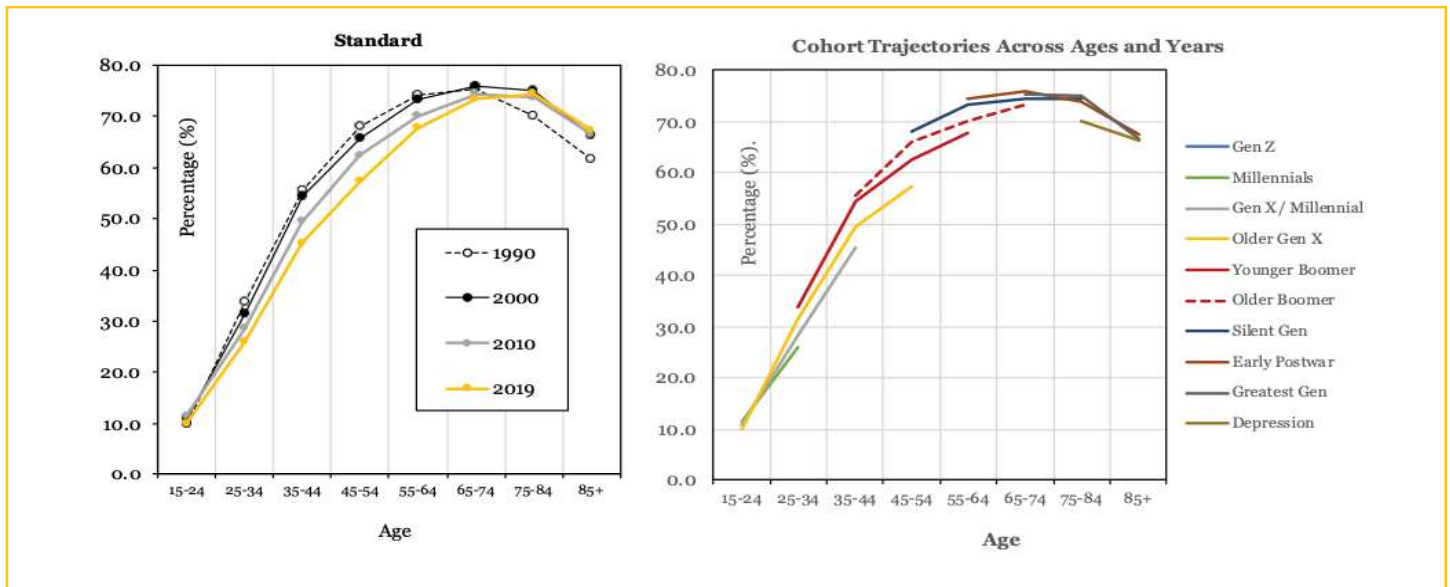
Homeownership Rates by Age, 1990 to 2019

After 2000, homeownership rates of younger adults in California began to sag below the previous norm, plunging at the end of the decade, during the Great Recession, and then continuing to fall by an equal amount after the supposed recovery from the recession. This is evident in a graph of the age-specific homeownership rates reported in the census for four decades (Exhibit 2, left panel).⁸ The largest age group decline is found at age 45 to 54 because two full decades of recently reduced homebuying have accumulated by the time people reached middle age.

The concept of cohort trajectories captures this essential connection between successive age groups over time (Exhibit 2, right panel). The trajectory graph plots the identical data points as in the standard age group graph but connects the dots for cohorts and generations that are aging across the decades. Popular terms are used to distinguish these generations, with Gen Z the newest—the shortest trajectory thus far—preceded by the Millennials, Gen X, and earlier generations that were progressively older by the time they are observed first in 1990. Noteworthy is how the trajectories appear to track on relatively parallel lines. Only small deviations occur after particularly favorable or unfavorable decades. By age 35 to 44, cohorts are fairly established in their housing careers. The Millennials are only age 25 to 34 in 2019, so the bulk of their future home buying still lies ahead. As highlighted in Module Report 1, the Millennials in 2019 are currently poised at the age when home buying increases most steeply.

⁸ Note that the 2019 data are collected in the American Community Survey and reported for a time period approximately 9 months prior to the decennial census. These data may be preferred to the actual census results or 2020 ACS data, when eventually released, because of pandemic disruption of data collection in 2020.

Exhibit 2. California Homeownership Rates by Age and Year
(Percent of Households that are Homeowners)



Trajectories of Homeownership Attainment, by Race Group

Trajectories in this report are estimated separately for each ethnoracial group, defining and comparing the four traditional broad groupings (subtracting all Hispanic/Latinx households out of other categories). We can better assess what is distinctive about California if we first compare trajectories for the United States as a whole. In addition, if we add Los Angeles County for separate analysis, we gain insight into how much a high-priced coastal area may differ from the state of California as a whole. The data cover 1990 to 2019.

The three geographic areas are ordered from larger to smaller subsets, i.e., U.S. on top, then California, followed by Los Angeles. For clarity, we first compare the trajectories of white and Black households (Exhibit 3), then the trajectories for Asian and Hispanic households (Exhibit 4). All the graphs show a maximum 90% homeownership on the vertical axis, so that comparisons are enabled across all the plots.

White Homeownership

White households have the highest trajectories into homeownership, highest of all for the U.S., followed by California, and then Los Angeles (Exhibit 3). Peak cohorts approximate 85% homeownership in the U.S., 80% in California, and 75% in Los Angeles. However, over the decades, the newer cohorts in each geography lie progressively lower. In the U.S., the cohorts overlap one another, showing that the trajectories are tracing relatively the same path for each generation. Only the oldest cohorts are much differentiated, reflecting how the oldest cohorts had lower careers of homeownership that began before the benefits of FHA programs and the general postwar prosperity. The cohorts with highest ultimate homeownership attainment were in their 20s in the early post-WWII or Silent Generation eras. Thereafter, homeownership attainments began to slowly decrease, declining even between the older (born 1945 to 1954) and younger (born 1955 to 1964) halves of the Baby Boomers.

Looking down the chart at the white trajectories for California, it is apparent that the slippage between successive cohorts is more substantial than in the U.S., even more so when the focus is on Los Angeles. The younger Boomers are falling 10 percentage points short of earlier peak white attainments of homeownership, and this slippage increases in Los Angeles, not the U.S., for the older Millennials and Gen X. This record of declining white attainment provides a benchmark of growing difficulties in accessing homeownership, economic difficulties in California that stemmed from faster growth in demand than supply, with the result that prices rose much faster than incomes. The exceptional rise in house prices in California was a boon to established homeowners in older generations, but it posed a growing barrier to entry for the newest generation. Whereas the older generations faced very favorable conditions in their early housing careers, creating a lifetime advantage, the growing disparities imposed on younger generations pose a threat of being carried forward for the rest of their housing careers.

Black Homeownership

Black homeownership rates were already lower in the postwar era than for white households (38% compared to 64% in 1960), but by 1980 Black homeownership had reached a high point of 45%, narrowing the gap with whites to 22 percentage points.⁹ The 1990s proved to be more difficult for Black homeowners, their gap swelling to 26 percentage points. The Great Recession proved even more calamitous, so that by 2019 Black homeownership had fallen back to 42% and their gap with white homeownership had ballooned to 30.5 percentage points.¹⁰ Richard Rothstein's *Color of Law* details the history of federal government enforced discrimination in many different programs, even in the San Francisco Bay Area, against Black homeowners in 1940 and during the early postwar era.¹¹ Investments denied in homeownership in this early period prevented an early generational investment that could have made homeownership more equal then and in the next generations.

When we look at the Black trajectories into homeownership after 1990, we find far greater slippage between generations in the U.S., beginning with the older Boomers, than was visible for white households. It is not certain what national trends could have instigated such an abrupt break in homeownership access. Older Boomers would have been age 30 around 1980, a time of extremely high interest rates. It is possible that this credit barrier might have impacted Black households more severely than white households. This also coincided with the period of deindustrialization, the beginnings of the "rustbelt," the decline of union jobs, and other factors that disproportionately would impact African Americans and make mortgage qualification more difficult.

In California, this pattern of Black slippage was even deeper, with the older Boomers (dashed line) falling even further behind their predecessors. This same generational separation occurs in Los Angeles, roughly to the same degree as in the state. Although trends in the price environment were roughly the same as for whites, incomes of Black households were lower and even less supportive of purchases in a rising environment. We also know that institutional rules supporting credit access were generally less supportive. However, the trends for younger generations in Exhibit 3 indicate that Black trajectories into homeownership held up better in California than the U.S., at least in comparison to the extreme downward slippage for white households. This is consistent also with annual data collected from the American Community Survey that show a stronger 3-year uptick in homeownership at the end of the decade for Black homeowners in California than the U.S.¹² This recent rebound holds out hope that the recent rebound prior to the pandemic indicates a readiness to seize housing opportunities if available.

The eye-catching uptick in homeownership late in life for African American households also deserves comment. What do these upturned trajectories indicate? Resembling a similar upturn found with respect to college education, this reflects a survivor bias. At the very oldest ages, better educated people who have led lives with higher incomes and homeownership, also have tended to live healthier lives. As a result, homeowners live longer and become a larger proportion of the elderly population late in their lives. Thus, as the cohort grows older, more of the homeowners remain in the data and the percent of the cohort who are homeowners rises in retirement ages. The rise in homeownership rates starting at age 55, especially in Los Angeles, also could reflect that Black households who are homeowners enjoy a more settled retirement, aging in place, while their peers living in rentals are more likely to give up their units to live with relatives, including migrating away to other counties or states.

Asian Homeownership

The record of cohort trajectories into homeownership for Asian households is distinctly different than the others (Exhibit 4). Prior to the older Baby Boomers (dashed line), the homeownership trajectories for older cohorts trended linearly downward, with steeper descent for California than the U.S. and for LA than California. This likely pertains to the living arrangements of older immigrants, who comprise the great majority of older Asians. U.S. born Asians do not reflect this pattern at all, because they have lived their entire housing career as heads of their own households, with growing homeownership, as reflected in the trajectories for Asian Americans who are now middle-aged.

⁹ Carr, James H., Michela Zonta, and William Spriggs, 2021 *State of Housing in Black America*, NAREB, exhibit 1.

¹⁰ Myers, Dowell, and JungHo Park, *End of Housing and Economic Recovery from the Great Recession: How Good Did It Get by 2019?* Population Dynamics Research Group, USC, 2020, exhibit 11a.

¹¹ Rothstein, Richard (2017) *The Color of Law: A Forgotten History of How Our Government Segregated America*, New York: W.W. Norton.

¹² Myers and Park, *End of Housing and Economic Recovery*, exhibit 11a.

At young ages, in the U.S., there is little difference found between recent and earlier generations. Only in Los Angeles is there slight evidence of the downward slippage that is so prominent among white and Black households. In fact, when compared with the downward trajectories of older cohorts, the strength of young Asian cohorts is so great that there could be actually an upturn in homeownership attainment between older and newer generations of Asians. This is unlike all other groups.

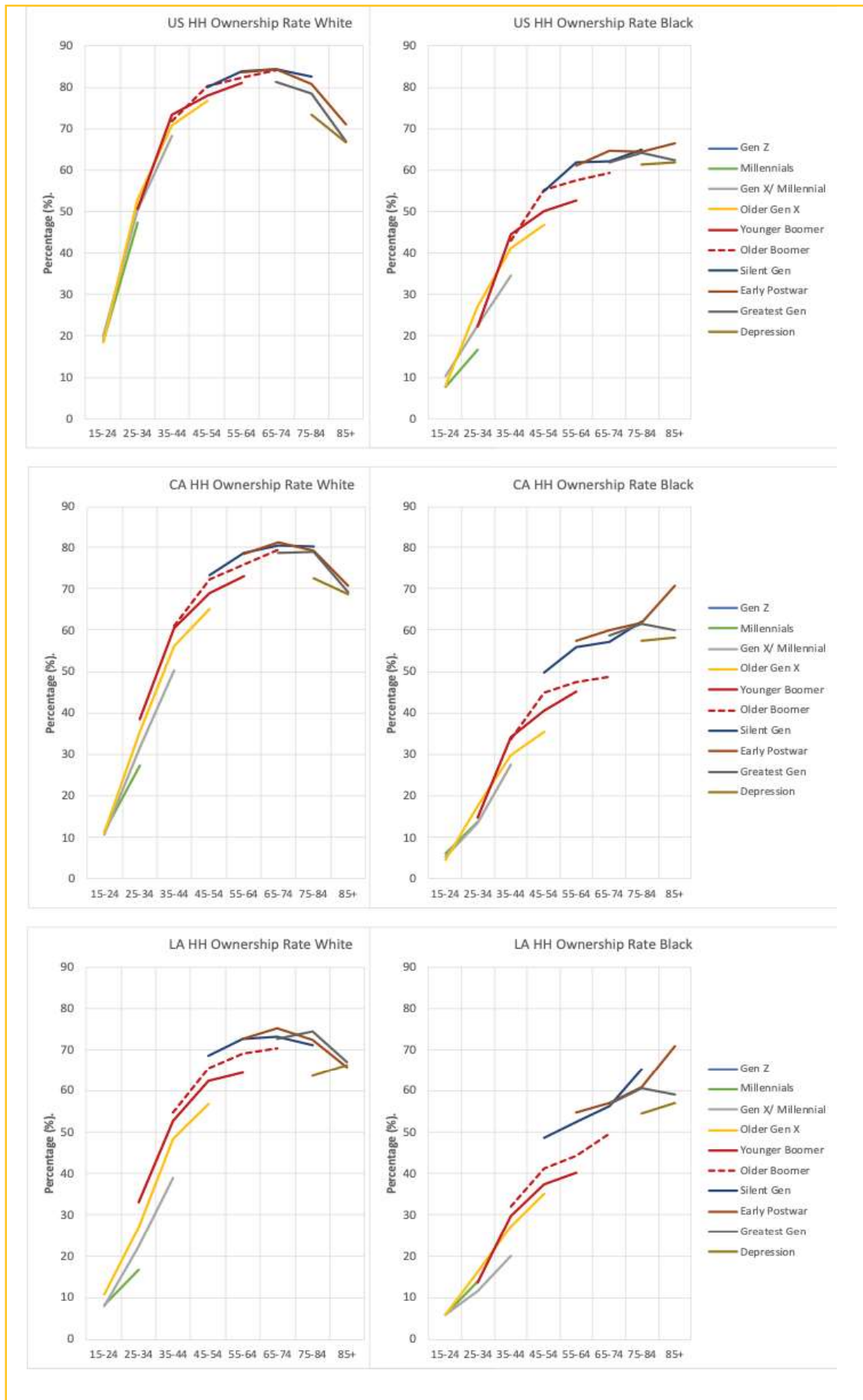
Hispanic/Latinx Homeownership

Homeownership trajectories for Hispanic or Latinx households rise to a lower peak than for white or Asian homeownership. However, there is less downturn in old age and the younger cohorts overlap one another so much that no sign appears of generational slippage. The most distinctive feature of the Hispanic cohort trajectories is that the most recent cohort segment, observed from 2010 to 2019, sticks out visually in its downward slippage in California, and especially Los Angeles, although not in the U.S. Three cohorts exhibit this, from the older Gen X down to young Millennials, each of whom has fallen off between 4 and 8 percentage points since 2010 from the upward trajectory of their immediate successor. Reasons for this sudden underperformance are not clear cut but we can offer some reasoned speculation.

What makes the Hispanic pattern most unusual is that, unlike other ethnoracial groups, there is no hint of this slippage prior to 2010. Nor is it an accident of random variability, given that all three of the youngest cohorts exhibit the same shortfall in homeownership attainment. Changes in immigration are an unlikely cause, because the post-2008 slowdown in Hispanic migration would have been revealed largely in the youngest cohorts and, if anything, this would be expected to increase the U.S.-born share of those cohorts and enhance their homebuying prospects, not decrease them. It is also significant that, unlike California and Los Angeles, no sign of young generational slippage among Hispanic households is evident for the U.S. as a whole. Perhaps, then, the unusually sluggish recovery of homeownership in California following the Great Recession is a factor dampening the normally strong rise in homeownership among young Hispanic cohorts. The puzzle is why this post-2010 slowdown has occurred only for Hispanics or, alternatively, why Hispanic cohort trajectories were so strong from 2000 to 2010. Any explanation likely must take account of the greater foreclosures that plagued Hispanics, in particular, after the financial crisis. Their aggressive entry into homeownership both elevated their homeownership gains for the 2000's decade and left them vulnerable to predatory lending that led to eventual foreclosures spilling into early years of the new decade. Many of the home losses were recorded after 2010, and damage to credit reports has lingering effects. Even those who escaped direct financial losses observed the harsh setbacks of friends and relatives beginning in the sharp plunge in the housing market after 2007. This is suspected to have left fears about risks of homeownership that discouraged home buying early in the decade (2011 to 2014) when homes were most affordable. Missing out on home buying in those early years would have been much more damaging to homeownership accumulation for the decade in high-cost California, especially Los Angeles, than elsewhere in the United States. All of these mechanisms are possible explanations for why Hispanic homeownership exhibited downward generational slippage only after 2010, contrary to the evidence shown for whites, Blacks and Asians.

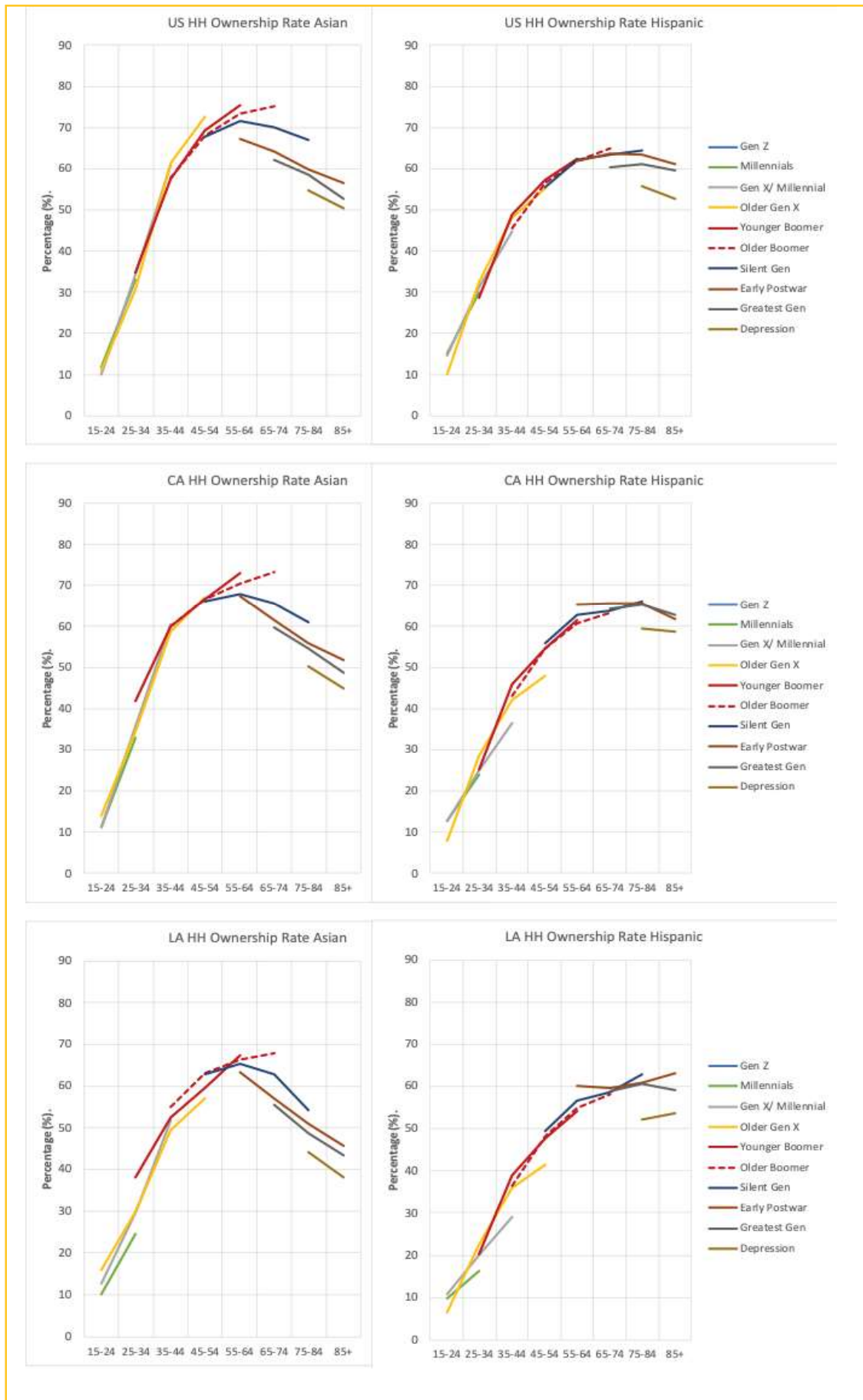
¹³Rugh, Jacob S. 2015. "Double Jeopardy: Why Latinos Were Hit Hardest by the U.S. Foreclosure Crisis," *Social Forces* 93 (3): 1139–1184. doi: 10.1093/sf/sou107

Exhibit 3. Cohort Homeownership, White and Black, U.S., California, and LA



Source: Intergenerational Gaps...../Comparisons_Arranged

Exhibit 4. Cohort Homeownership, Asian and Hispanic, U.S., California, and LA



Source: Intergenerational Gaps...../Comparisons_Arranged

Summarizing and Estimating Decline Across the Generations

In general, we have identified growing generation gaps that are greater in California than the U.S. as a whole, but each of the four major ethnoracial groups have exhibited a distinctly different pattern of adjustment. Our evidence is contained in visual displays that are rich in detail, but it would be useful if we could summarize quantitatively what is the overall degree of generational slippage in homeownership attainment for each major group in the United States, California and Los Angeles.

The method we propose stitches together an overall assessment from the mosaic of temporal segments observed for older and younger generations at different ages. We adopt age 55 to 64 as an appropriate common age when generations can be compared to one another. Some of the cohorts already have attained this age in different decades. Taking as an example the white households in Los Angeles (bottom of Exhibit 3), four generations can be directly compared at age 55 to 64, declining from 73% homeowners among the Early Postwar and Silent generations to 64% homeowners among the younger Baby Boomers. The next cohort, Generation X, is 10 years younger but can be assumed to follow the slope of preceding cohorts passing into age 55 to 64. Cohorts even younger also could be assumed to continue following this trajectory into age 55 to 64, each paralleling the immediately preceding cohort. Lacking other information about the future, the assumption of parallel trajectories expresses the most likely outcome for homeownership attainment when each generation arrives at age 55 to 64.

This simple and direct method offers a credible extrapolation of the lower attainments by younger generations, given the lower attainment trajectories they are already following. Of course, the youngest generation has 30 years to vary its path into homeownership by age 55 to 64 and its members face many unknowns. The younger Millennials are least well-established in lifestyle or economic prospects and face volatile policy and economic changes. Coming out of the current pandemic era, with unknown changes to follow in housing supply and policy assistance, they have the greatest potential to alter course, either accelerating or tamping down their future homeownership gains. However, the most probable, but not destined, outlook remains the *laissez-faire*, parallel extrapolation.

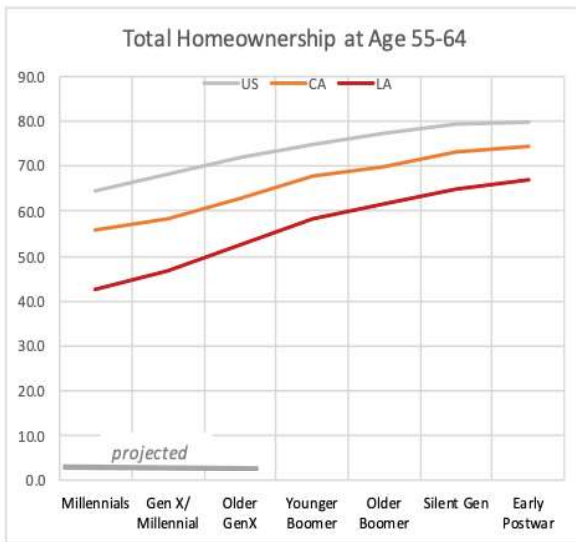
Findings under this method are presented in Exhibit 5. For ease of comparison, we have graphed the estimates, with the youngest (newest) generations on the left and the oldest generations on the right. A separate trend is identified for the U.S. as a whole, for California, and for Los Angeles County. These are repeated first for all residents, regardless of race, and then for each of the four major groups.

The portrait drawn is one of declining generational fortunes in homeownership, with the spread between California and the United States gradually widening. The dominant case in the nation is the white population, which is not only the largest group but also experiences the greatest decline in California (-19 percentage points) relative to decline in the U.S. as a whole (-9 percentage points). Asian homeownership has actually been experiencing an increase of about 5 percentage points across successive generations in both the U.S. and California.

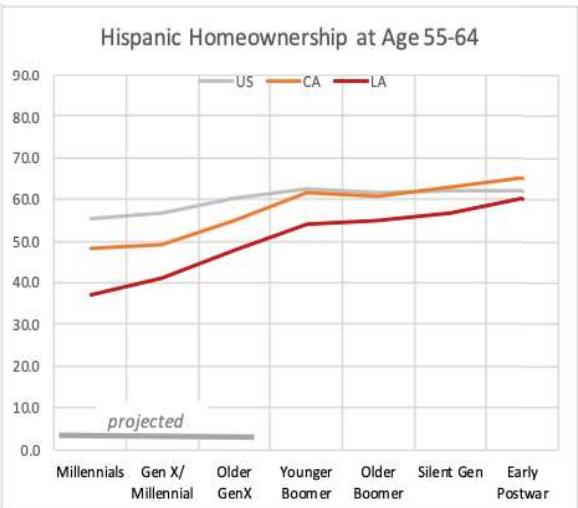
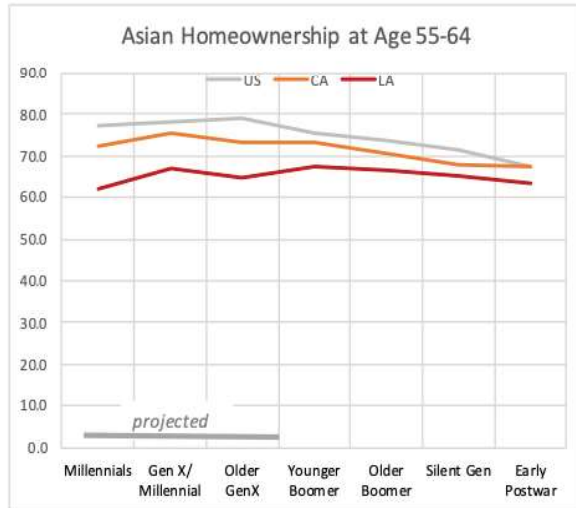
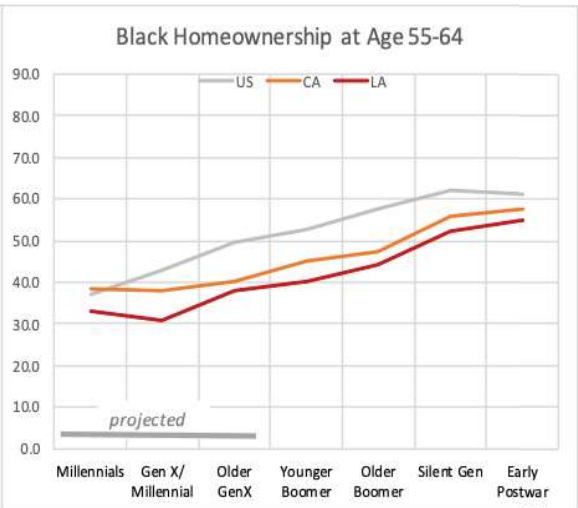
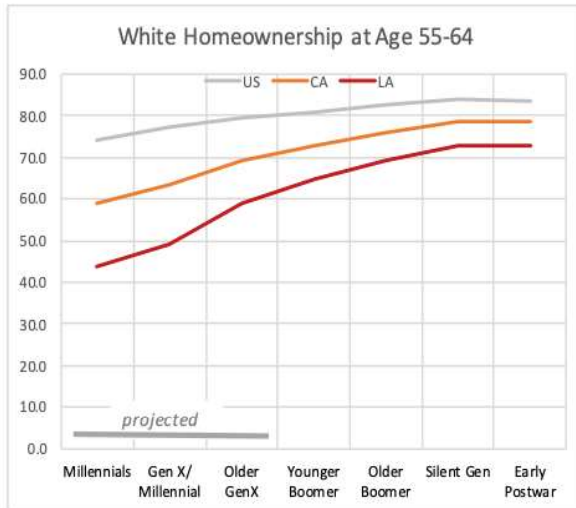
The trend assessment for Black and Hispanic homeownership is in between these extremes and more complex. Among Black households, the evidence for the U.S. indicates a steep decline in homeownership across the generations, a loss of more than 20 percentage points from a substantial base of achievement (61%) set earlier by the Silent and Early Postwar generations when they were ages 55 to 64. However, contrary to other trends observed for California, African-American homeownership in Los Angeles and California has fared better in recent generations than in the nation as a whole. There are signs of resisting further downturn among the younger generations, unlike the case in the U.S. Yet generational prospects for Black homeownership by ages 55 to 64 still remain just below 40% in California, 32% in Los Angeles.

In California, the largest group is now the Hispanic/Latinx population and its success in the housing market carries special importance. Generational homeownership among Hispanic households remained remarkably steady from the Early Postwar to the Young Baby Boomer generations, measuring just above 60% in both the U.S. and California. However, the newer generations are suffering substantial setbacks, estimated here to be about 5 percentage points in the U.S., 12 in California and 16 in Los Angeles. Reasons for these setbacks after 2010 were discussed above. It is always possible that some of these generational losses could be restored before the cohorts reach the benchmark age of 55 to 64.

Exhibit 5. Growing Gaps in Generational Achievement of Homeownership by Age 55-64, Comparing Race Groups in the U.S., California, and LA



Note: Younger generations are projected for comparison at age 55-64 by extending their cohort trajectories currently revealed. Increments achieved by preceding cohorts in later age spans are assumed to be gained by younger cohorts when they reach that age.



Source: Intergenerational Gaps...../Comparisons_Arranged

CONCLUSIONS AND POLICY IMPLICATIONS

Long-term decline in homeownership has numerous negative consequences. As stated at the outset, homeownership has been the largest source of generational wealth in the nation and California. Longstanding homeowners accumulate substantial gains in home equity, particularly in California with its history of rapid price gains. That in turn fosters the ability of “the Bank of Mom and Dad” to assist the homebuying of their children.¹⁴ The unfortunate consequence of family assistance is that inequality becomes more deeply entrenched between families with differential resources and between members of racial groups that have stronger legacies of homeownership than others. Indeed, research shows that the gap in parental wealth and homeownership between Black and white parents can explain 12 percent of the subsequent homeownership gap between their young adult children.¹⁵

Rather than rely solely on private, family assistance for homebuying in the younger generation, public solutions are needed that facilitate more equitable access to homeownership, regardless of the wealth of parents. Government assistance may be warranted today also as a partial correction for past restrictions imposed by government on the homebuying of African Americans and other non-white groups, as legal scholar Richard Rothstein documents for the 20th century.¹⁶ Policy solutions recommended by the National Association of Real Estate Brokers (NAREB) include major down-payment assistance as a step toward restorative justice and a reduction in credit penalties resulting from student loan debt (which would apply to loan applicants of all races).¹⁷ Many other observers have underscored the growing drag that rising student loan debt imposes on the Millennial generation when trying to qualify for home purchase loans. Another problem has been penalties in mortgage qualifying for income earned in the 1099 “gig economy,” when Millennials have much less access to W-2 wage earner positions than was common in earlier decades.

The Urban Institute has taken leadership in emphasizing the need to reform the entire mortgage credit scoring process so as to enable millions of credit-worthy Black and Hispanic renters to advance into homeownership. Specific suggestions include granting credit for a history of on-time rental payments and including multiple income sources in multigenerational home purchase applications. More broadly, affecting all potential home buyers, Laurie Goodman offers convincing evidence that credit restrictions were overly tightened in the aftermath of the Great Recession and should be returned to the underwriting standards that prevailed in 2000 prior to the onset of loose scoring and the housing bubble.¹⁸

Our opinion is that such an overhaul of the access to credit, if accompanied by an expanded supply of units for sale, would go a long way toward restoring the normal upward trajectories into homeownership. This could help introduce greater equity of access to homebuying across racial groups, and if accompanied by greater down payment assistance, it would begin to reduce the large generation gaps that have widened especially within white and Black communities. The data presented in the present study provide vital insight into these generation gaps. This is not just an act of fairness to help the younger generation. The foundation laid in early adult years underpins successful future trajectories into homeownership and will form the heart of a strong housing market. Successful homeownership futures in California and the United States will depend on expediting more equitable homebuying for all groups today.

¹⁴ Lee, Hyojung, Dowell Myers, Gary Painter, Johanna Thunell and Julie Zissimopoulos, (2020) “The Role of Parental Financial Assistance in the Transition to Homeownership by Young Adults,” *Journal of Housing Economics* <https://doi.org/10.1016/j.jhe.2018.08.002>

¹⁵ Choi, Jung Hyun, Jun Zhu, and Laurie Goodman. 2018. *Intergenerational Homeownership: The Impact of Parental Homeownership and Wealth on Young Adults' Tenure Choices*. Washington, DC: Urban Institute.

¹⁶ Rothstein, Richard (2017) *The Color of Law: A Forgotten History of How Our Government Segregated America*, New York: W.W. Norton.

¹⁷ Carr, James H., Michela Zonta, and William Spriggs, 2021 *State of Housing in Black America*, NAREB.

¹⁸ Goodman, Laurie et al. (2021) “Housing Credit Availability Index,” page 13 in *Housing Finance at a Glance* <https://www.urban.org/research/publication/housing-finance-glance-monthly-chartbook-december-2021/>



EXHIBIT LIST

- Exhibit 1 Table of Ownership Rates and Racial Disparities for California and the U.S.
- Exhibit 2 Graph Comparing Age and Cohort Trajectories for California
- Exhibit 3 Graph of Cohort Trajectories, White and Black, U.S., California, and LA
- Exhibit 4 Graph of Cohort Trajectories, Asian and Hispanic, U.S., California, and LA
- Exhibit 5 Graph of Growing Gaps Between Generations Compared at Age 55-64

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