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Housing Assistance and BIPOC Homeownership

The COVID-19 pandemic has caused numerous economic issues for everyday Americans, and Vermont is no exception. Between unemployment, business closures, struggles to afford rent, food, and issues accessing childcare, COVID has shed light on the challenges faced by lower income citizens across the country. In an era where one's home is not only as the home, but also the home office, and in many cases, the childcare care center, ensuring that people can afford to stay in their homes is paramount. The federal and state governments have made various attempts to address these concerns through policy, and funding through the CARES Act has enabled avenues of economic relief for those affected by COVID-19.

Rental Assistance

Since the late 1980s, Vermont has seen increasing income inequality as the middle class continues to shrink while the upper and lower classes continue to grow. In 2015, this trend has continued, and the COVID-19 pandemic has placed additional strain on Vermonters' financial stability. Due to COVID-19, Vermont received \$4.8 billion from the federal government, which was allocated as follows: \$1.3 billion for public services, \$1.5 billion for direct payments to individuals, and \$2 billion for business and employer relief. Of these sums, \$30 million has been allocated for emergency rental assistance in hopes of benefitting both tenants and property owners experiencing economic difficulties from COVID-19. At least 90% of this money must be used to aid eligible households, and to be eligible, the household income must not exceed 50% of the defined area's median income and one or more members of the household must be unemployed from the onset of the pandemic.²

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Low-income Vermonters who are having issues with paying their rent have been allocated increased funds due in part to the federal CARES Act legislation passed in December of 2020. Vermont legislators made roughly \$100 million from these funds available for both landlords and tenants to help them navigate any financial burdens on housing that the pandemic has caused.

program were sent directly to the affected individuals and as of December 2020, New Hampshire's rental assistance programming has ended.

CARES Act and Mortgage Payments

Disclaimer: The extensions on the moratorium for evictions and mortgage payments mentioned in this report are frequently adapted, amended, and extended. Some depend on when the federal state of emergency is declared while others have set dates. The dates provided in this report are current at the time of writing but may be revised and renewed henceforth.

Roughly two thirds of mortgages in the US are federal loans, meaning that are sponsored by Fannie Mae, Freddie Mac, USDA and the VA. Per a statement made on February 25, 2021, all federal lending firms have extended their moratorium on foreclosures at least until 6/30/21. Multifamily property owners have been given forbearances that extend until at least 6/30/2021, with the intention of providing safety and security for property owners and tenants.¹⁰ Each federal lender program provides their own stipulations.

two increments. Additionally, the servicer must grant the borrower a request for forbearance,

rate is 38.5%. This means that the racial asset gap in terms of homeownership is

area respondents to fill in details about their racial identity. The census does stipulate that "Hispanic origins [are] not considered races. Hispanic origin can be viewed as the heritage, nationality, lineage, or country of birth of the person or their parents or ancestors before arriving in the United States. People who identify as Hispanic, Latino, or Spanish may be of any race."²⁵ As such, the US Census defines Hispanic origin as an ethnicity, rather than a racial category.

There are many culturally and socially salient nuances to the definitions of race and ethnicity in the United States due to the proliferation of racist and discriminatory practices. People from different ethnic and racial backgrounds have profoundly different lived experiences. It is important to note that the use of the term BIPOC is not to group all people of non-racial and ethnic backgrounds together, but to provide space and consideration to the experiences of the Black, Indigenous, and People of Color in the United States. For the purposes of this report, we will defer to the categories of race and ethnicity defined by the US Census, though there are several valid concerns about the definitions of race and ethnicity provided in the Census.

Analysis of Proposed Criteria

In the preliminary draft of the enhanced down payment assistance pilot program that Senator Clarkson sent to our team, to be eligible for advanced down payment assistance, an applicant must meet three of these five criteria:

- (1) The buyer has postsecondary education debt;
- (2) The buyer's household has four or more people
- (3) The buyer's household has a member with a disability
- (4) The buyer's household income, not including down payment assistance and income of non-occupant co-signors, has a front-end ratio of 28 percent or higher
- (5) The buyer is the sole head of household with at least one eligible dependent residing in the household.

In addition to the criteria suggested in the initial draft of the legislation provided by Senator Clarkson, Dr. Stephanie Squino, a UVM economics professor who has done extensive work on race and policing in Vermont, suggested multigenerational households as potential criteria as well.

finding criteria that apply disproportionately to BIPOC Vermonters is that demographically, the state is 94.2% white and has a population of just under 625,000, which means the actual number of BIPOC Vermonters is around 36,000 people. The data sets used in this report focus on Black, Asian, and Hispanic or Latino Vermonters, which are the three largest racial groups in the state after white Vermonters. Because statistical precision is more difficult as sample sizes decrease, many of the ACS data sets have high margins of error and thus make accurate conclusions difficult to reach. It is also important to note, when

2015 study found that [B]lack young adults report[ed] 40% more debt than whites after controlling for differences in postsecondary wealth [C]ollegegoing [B]lack young adults tend to have parents with significantly lower levels of education and income, are more likely to come from single parent families, and have substantially lower net worth compared to their white counterparts. These findings support not only the persistent effect of the racial wealth gap in America, but also that similar education levels may still result in larger amounts of postsecondary debt in BIPOC Vermonters.

Criterion #2: The Buyer's Household Four or More People

This criterion applies to households with a minimum of four full time residents at the time of purchase. In response to the second criterion defined by Senator Clarkson and Senator Segura, there is no data available from the ACS on household size by race in Vermont, but nationwide data that includes race and age can be found through the 2016 American Families and Living Arrangements data sets. Though we cannot determine how these data map onto Vermont exactly, we used age cohorts as a proxy for household size in America. The American Families and Living Arrangements: 2016 shows that the average household size in the country is 2.37 for white Americans, 2.48 for Black Americans, 2.88 for Asian Americans, and 3.33 for Hispanic or Latino Americans. Although nationally, BIPOC Americans tend to have larger household sizes than white Americans, when applying this to Vermont, age needs to be taken into consideration. The chart below shows household size by age cohort nationally; we added blue markers denoting the median age by race and ethnicity in Vermont.

ACS data show that the median monthly housing cost is \$1,134. Thus, the monthly income required to stay under the accepted rate of 28% to qualify for a mortgage would be \$4,050 or a yearly income of \$48,600 without taking into account the higher housing cost may occur in the identified Designated Downtown or Neighborhood Development Areas. This means that most Black and Hispanic or Latino Vermonters have household incomes that would qualify them as above a 28% threshold if they were paying at or above the median monthly housing cost.

Criterion #5 Head of the Household

To better understand this criterion, we must first realize that many types of relationships that fall into this category include single grandparents with dependent grandchildren, single family members taking care of a disabled adult relative, or single adult siblings who are the main legal caretaker of a minor sibling. Within these categories, the largest group is single parents who have a minor child. There was no available ACS data to match this criterion, so our findings are as follows.

The Pew Research Center's 2018 study on single parenthood is a good reference for national data on the matter. According to the study, nationally 42% of single parents are white, 28% are Black, 24% are Hispanic, and 3% are Asian.

Criterion #4 Multigenerational households

The data set from the American Communities Survey that most closely approximates having multigenerational home is the data set on grandparents living in the same house as their grandchildren, by race. Data from the ACS show that 93.9% of grandparents who live in the same household as their grandchildren are white, which matches up with the overall demographic composition of Vermont being 94.2% white, meaning multigenerational households is not likely to function as a proxy of race in Vermont.

Minnesota Committee on Racial Justice

In July of 2020, the House of Representatives in Minnesota passed a resolution declaring racism a public health crisis and established the House Select Committee on Racial Justice to create a list of recommended policy changes.⁵⁴ The racial divide in homeownership is very prominent in Minnesota. In Minnesota, 39% of BIPOC households are homeowners, compared to 75% of white households.⁵⁵ In addition to these disparities, there is also a cost burden which is essentially when a household spends more than 30% of its income on housing each month. This figure is also skewed towards BIPOC households, with 40% of BIPOC households burdened.⁵⁶ In Vermont, cost burden is also an area of concern; 48% of renters in Vermont are cost burdened, which means that making the jump to homeownership may prove difficult.⁵⁷ Housing equity makes up about two thirds of all wealth for a typical household.⁵⁸ Thus, the racial wealth gap is largely dependent on a housing gap, but there are other critical factors that should also warrant consideration.

As part of their recommendations, the Minnesota House Select Committee suggested focusing resources on creating homeownership opportunities as well as focusing on community development as whole to remedy more systemic issues. The community-based areas that were identified were:

- Disparities in State Procurement

⁵³U.S. Census Bureau, Grandparent 2010-2019, S1002, accessed April 2023, <https://data.census.gov/cedsci/table?q=vet+Families%20and%20Living%20Arrangements&tid=ACST1Y2019.S1002&hidePreview=false>

⁵⁴Minnesota House HR 1: A House Resolution Declaring Racism a Public Health Crisis, accessed April 28, 2021, https://www.revisor.mn.gov/bills/text.php?number=HR1&type=resolution&version=0&session=ls91&session_year=2020&session_number=2

⁵⁵Minnesota House Select Committee on Racial Justice, House Select Committee on Racial Justice Report to the Legislature, December 22, 2020, accessed April 28, 2021, https://www.house.leg.state.mn.us/comm/docs/AtTt0OzOWO_OkfoBjUfMQrw.pdf

⁵⁶Minnesota House Select Committee on Racial Justice, House Select Committee on Racial Justice Report to the Legislature, .

⁵⁷ Housing Needs Vermont Affordable Housing Coalition, accessed April 28, 2021, <https://www.vtaffordablehousing.org/resources/housing-need/#:~:text=48%25%20of%20renters%20in%20Vermont,highest%20percentage%20in%20the%20nation>

⁵⁸Matteo Iacoviello, Housing and Wealth Con3f Housing Coalition, a

- Education Disparities
- Health and Human Services Inequities
- Maternal Child Mortality and Morbidity
- Tobacco Disparities
- Dental Disparities
- COVID Hospitalization and Mortality Rates
- Public Safety

that an invaluable step towards creating a more equitable playing field for BIPOC community would be enhancing the education system. Professor Eagar advised that addressing and mitigating education disparities is paramount when attempting to spur homeownership in areas where education may not be desirable for these families.

Conclusion

This research has highlighted both the housing assistance available from legislation in response to the COVID-19 pandemic and the inequities experienced by BIPOC Vermonters in various contexts related to potential homeownership. Based on our evaluation, some, but not all, of the factors suggested by Senator Clarkson would provide criteria to promote BIPOC homeownership in the state. Both authors would like to thank the Vermont Housing