



The Research Bureau

Achieving the American Dream: Disparities in Worcester Homeownership

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Research in the Public Interest

Worcester Regional Research Bureau, Inc.

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Introduction

The American Dream is a nebulous concept—success looks like different things to different people. But one relative constant is the concept of homeownership. Owning one's place of residence is a long-term goal for many Americans, especially those who have experienced high or rising rents. Homeowners have more stable housing situations, and build equity in an asset they can use to ensure financial safety late in life. Cities and towns also prize homeownership, as those with a monetary investment in their community are generally more civically involved than transient members of the population.

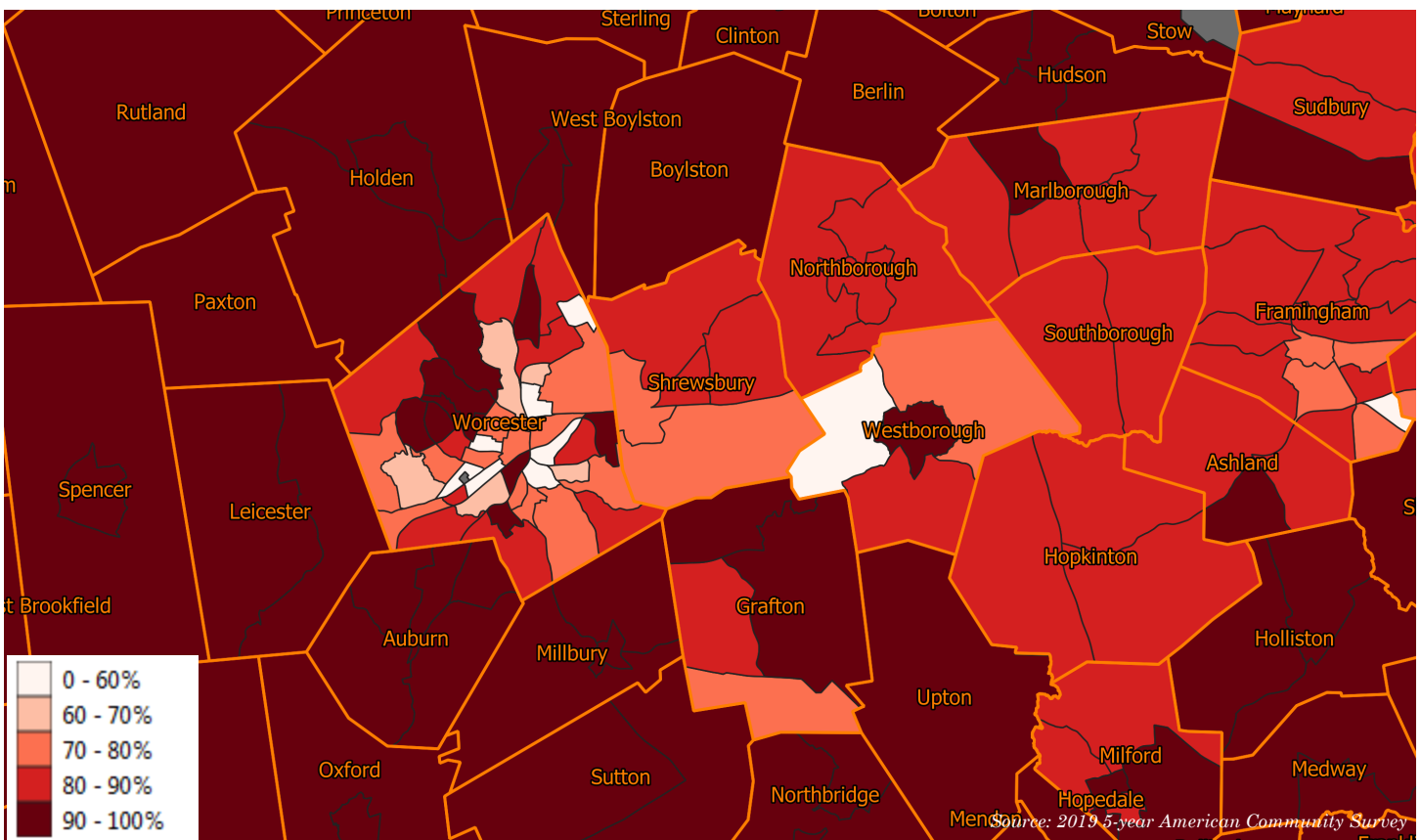
But not everyone succeeds in reaching a life stage where owning their own home is an option. While it is a more financially sound decision over time, homeownership requires a large upfront investment that many individuals and families cannot afford. Disparities across racial and ethnic lines persist, shutting diverse communities out of homeownership opportunities. People of color

have less success procuring mortgages—the main means by which Americans purchase homes—than wealthier white residents.

These disparities have an effect geographically. Larger cities often attract more diverse populations, leading to larger concentrations of homeowners of color. However, neighborhood-by-neighborhood differences can lead to, effectively, segregated communities. Often, overwhelmingly white parts of town are that way not through chance or personal preference, but due to long-standing disparities in housing availability. Neighborhoods also differ in health, income and education metrics, all of which can be reflected in homeownership statistics.

This report uses Home Mortgage Disclosure Act (HMDA) data in combination with U.S. Census Bureau statistics and other sources to paint a picture of Worcester and other Central Massachusetts communities through the lens of homeownership.

Map 1: Race of Householder for Owner-Occupied Units—Percent White



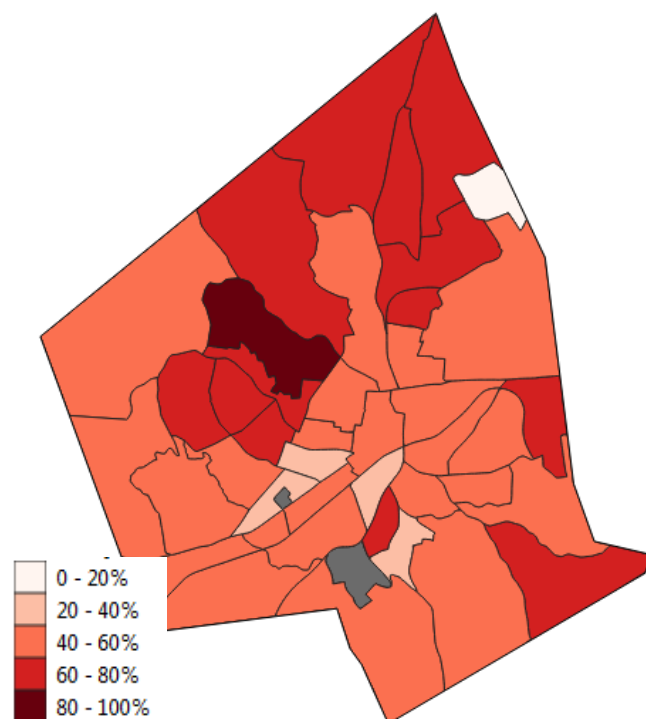
Worcester

The City of Worcester contains more than 78,000 housing units, according to the U.S. Census Bureau. Nearly 71,600 are classified as “occupied.” Worcester has a vacancy rate of 8.6 percent, below the Massachusetts rate of 9.4 percent (calculated from the 2.07 million housing units statewide). Worcester’s homeowner vacancy rate is 1.6 percent and its rental vacancy rate is 3.4 percent.

Around 68 percent of owner-occupied units in Worcester have a mortgage, per Census data, while 32 percent do not.

Various quality of life metrics follow racial lines, especially when it comes to owning versus renting. The top 10 Worcester census tracts by income—which average 112 percent of the median income for the wider metropolitan statistical area (MSA)—have head of household populations that are, on average, 88 percent white, and homeowner populations that are 90 percent white. The bottom 10 tracts—which average 33 percent of the MSA’s median income—are 64 percent white, on average, with homeowner populations that are 65 percent white, on average. Renter populations are slightly more diverse—the top 10 tracts have an average of 83 percent white renters, while the bottom 10 average 64 percent.

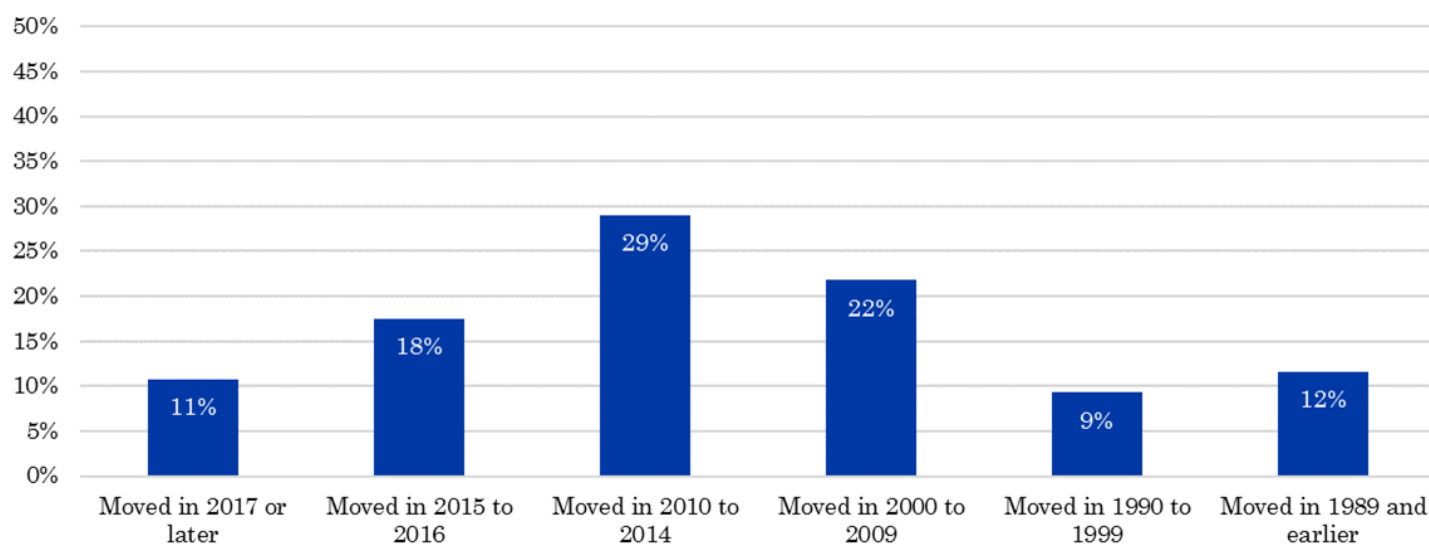
Map 2: Percent of Originated Mortgages Going to White Homeowners, 2019



Source: HMDA Data

Education level follows similar patterns. In the top 10 tracts by income, nearly half of household heads have a bachelor’s degree or higher. In the bottom 10 tracts, that rate is 18 percent.

Chart 1: Year Head of Household Moved Into Housing Unit, Worcester



Source: 2019 5-year American Community Survey

The U.S. Census Bureau uses a few metrics to measure the relative cost of housing for both renters and homeowners. For owners, the Census tracks Selected Monthly Owner Costs as a Percentage of Household Income, under the acronym SMOCAPI. This encompasses a variety of expenses related to homeownership, including any mortgage payments, real estate taxes, insurance, utilities and any condominium fees. SMOCAPI is measured separately for units with and without a mortgage. In Worcester, around one quarter of homeowners with a mortgage pay 35 percent or more of their income in SMOCAPI (above the “rule of thumb” for housing costs),

while 40 percent pay less than 20 percent of their income (see chart 5).

For renters, the Census tracks Gross Rent as a Percentage of Household Income, or GRAPI. Gross rent is defined as contract rent plus utilities, intended to smooth over differences caused by rent contracts differing in whether utilities are included. In Worcester, 44 percent of renters pay 35 percent or more of their income in housing costs, while 21 percent pay less than 20 percent (see chart 4).

Chart 2: Gross Rent as a Percentage of Household Income (GRAPI), Worcester

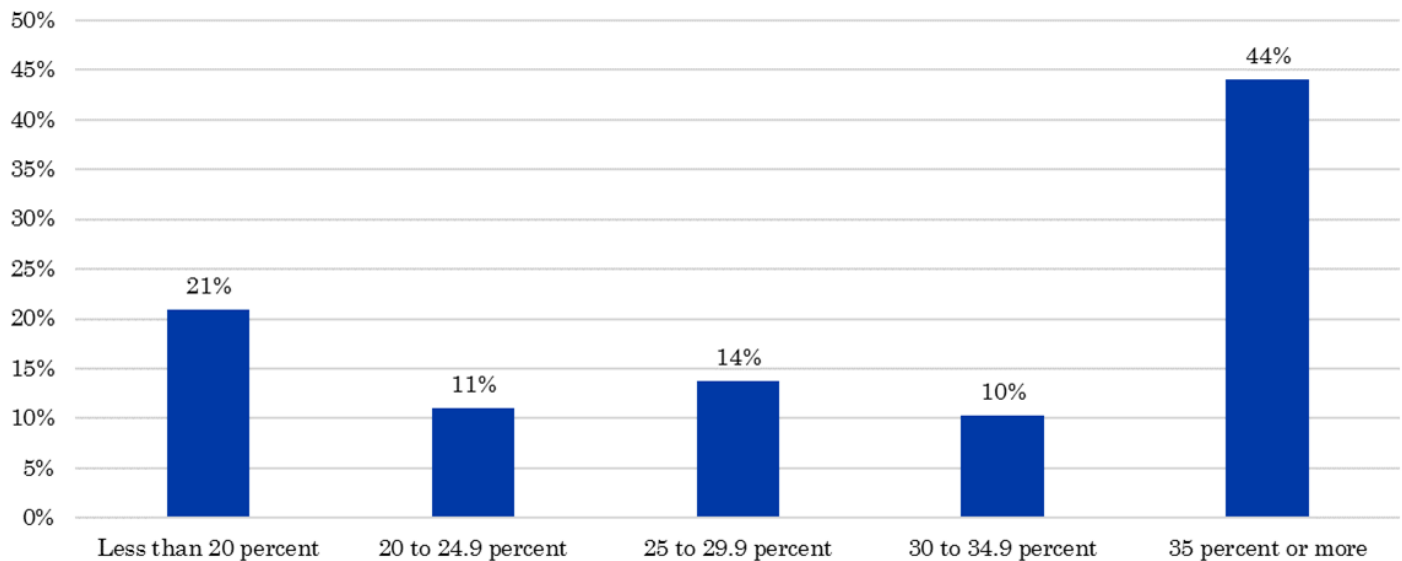
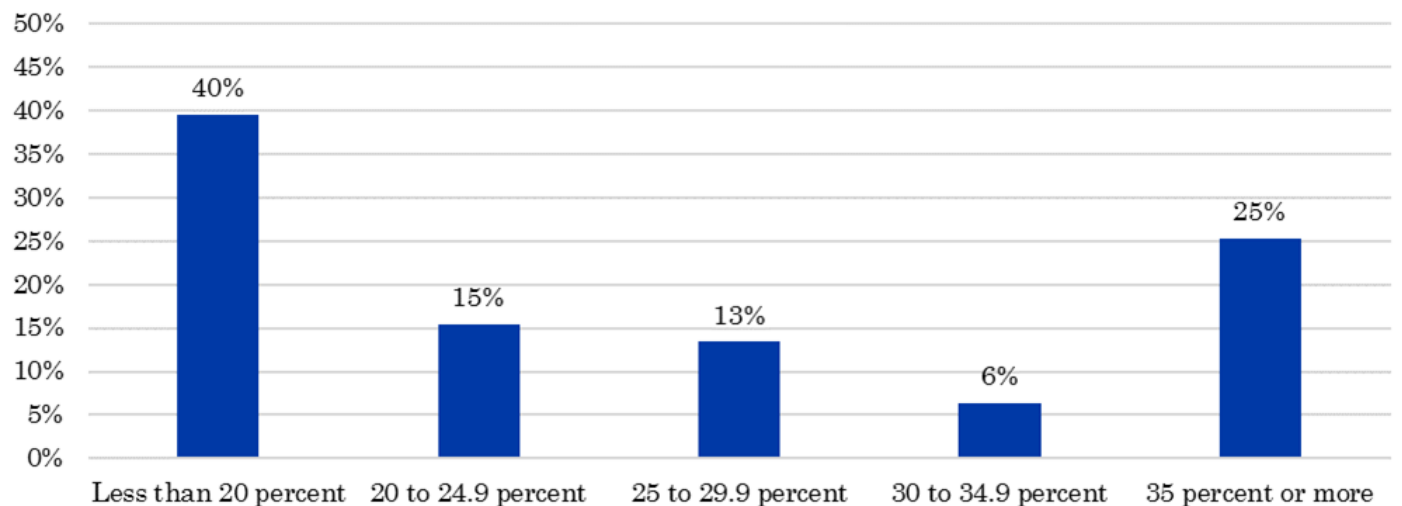


Chart 3: Selected Monthly Owner Costs as a Percentage of Household Income (SMOCAPI), Worcester



SMOCAPI for mortgage holders only. Source: 2019 5-year American Community Survey

Homeowners generally pay a lower cost, as a percentage of their income, than renters (see charts 4 and 5). This holds true regardless of income level. In the top 10 tracts by income, an average of 40 percent of householders have a GRAPI of at least 35 percent, while in the bottom 10 tracts, 48 percent do. The top 10 tracts have an average SMOCAPI of at least 35 percent at a 19 percent rate, while in the bottom 10, the average is 28 percent above that threshold.

White mortgage applicants in Worcester are approved and granted mortgages at higher rates, and denied for mortgages at lower rates, than nonwhite applicants. In 2019, out of more than 4,000 mortgage actions taken for white applicants, 59 percent were approved and 18 percent were denied. For the 1,400 nonwhite applications, 49 percent were approved and 23 percent were denied (some applications do not report race or ethnicity).

Statistics for Select Central Massachusetts Cities

Chart 4: Percent of Housing Units Owner and Renter Occupied

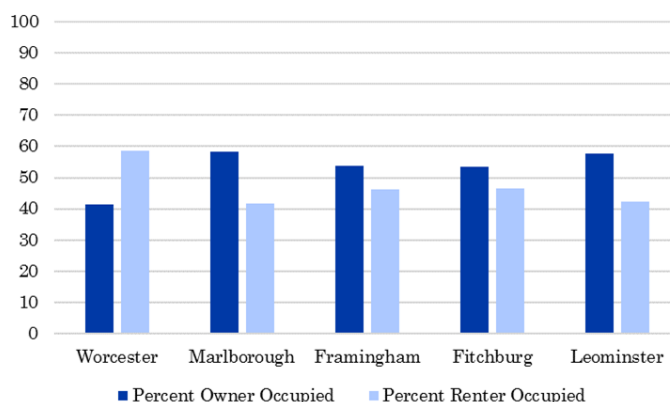


Chart 5: Median Owner-Occupied Unit Value

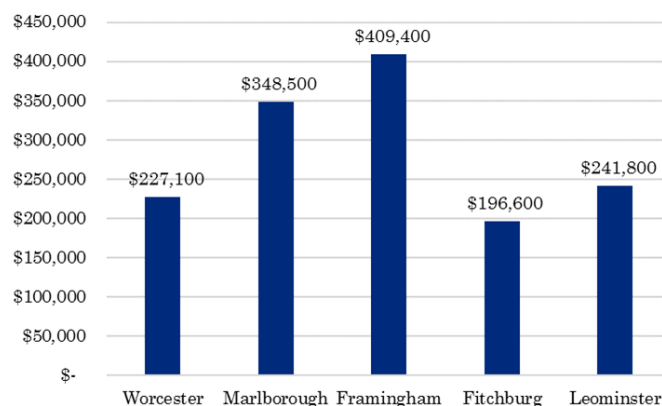


Chart 7: Median Gross Rent

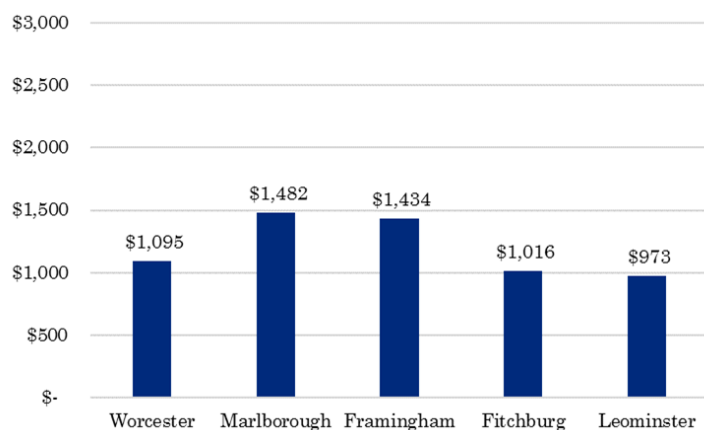
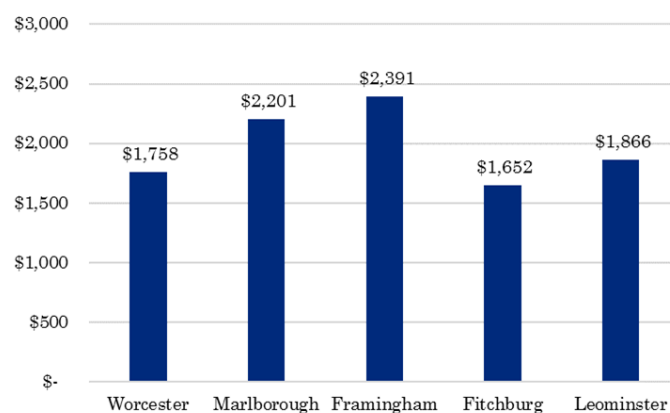


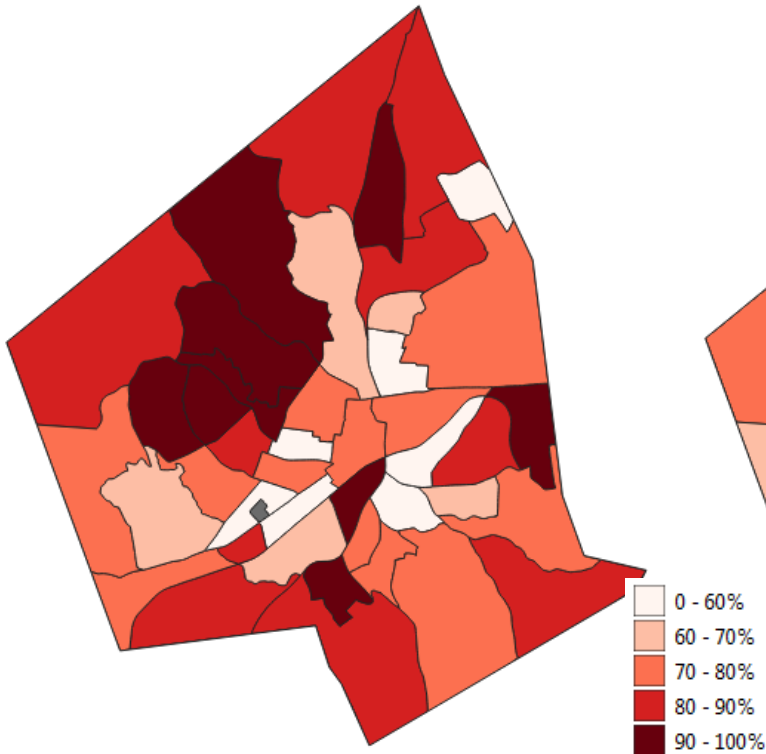
Chart 6: Median Selected Monthly Owner Costs



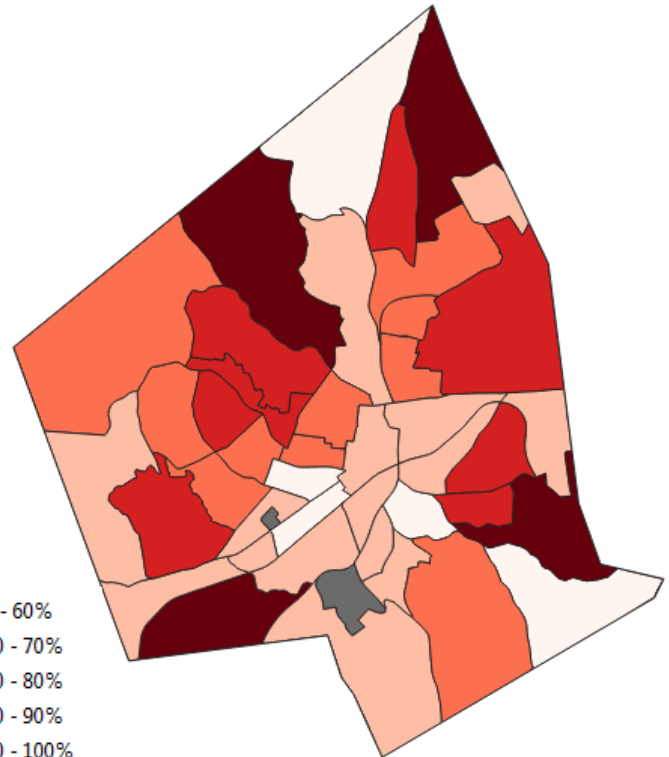
Source: 2019 5-year American Community Survey

Worcester

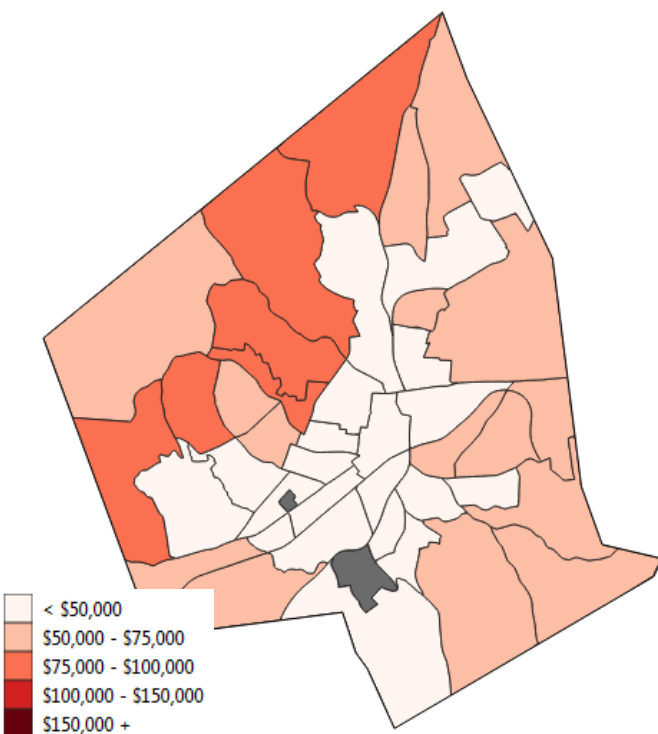
Map 3: Race of Householder for Owner-Occupied Units—Percent White



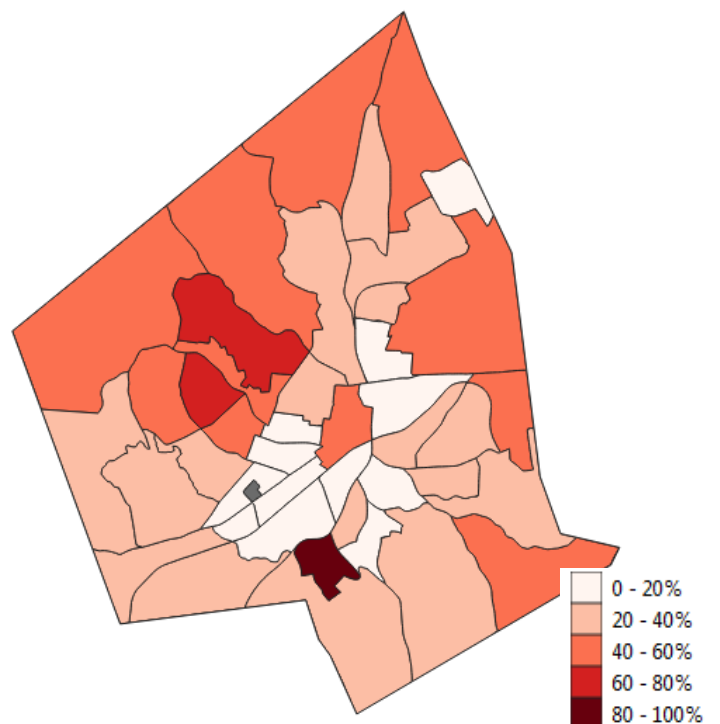
Map 4: Race of Householder for Renter-Occupied Units—Percent White



Map 5: Median Household Income



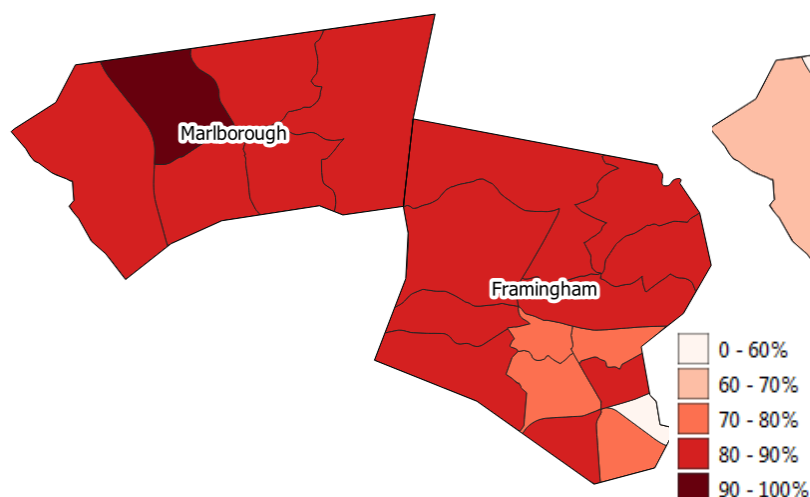
Map 6: Percent of Householders with Bachelor's Degree or Higher



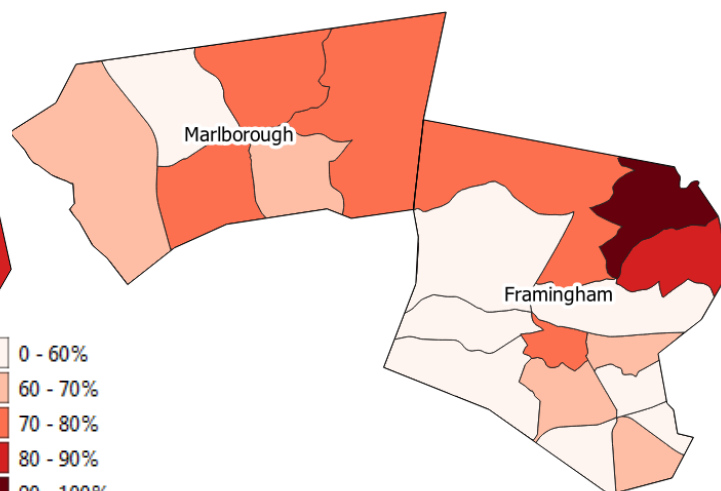
Marlborough + Framingham

While the primary focus of this report is the City of Worcester, the Bureau is regional in scope, so for contrast and context the following charts provide some parallel insights into Marlborough, Framingham, Fitchburg, and Leominster.

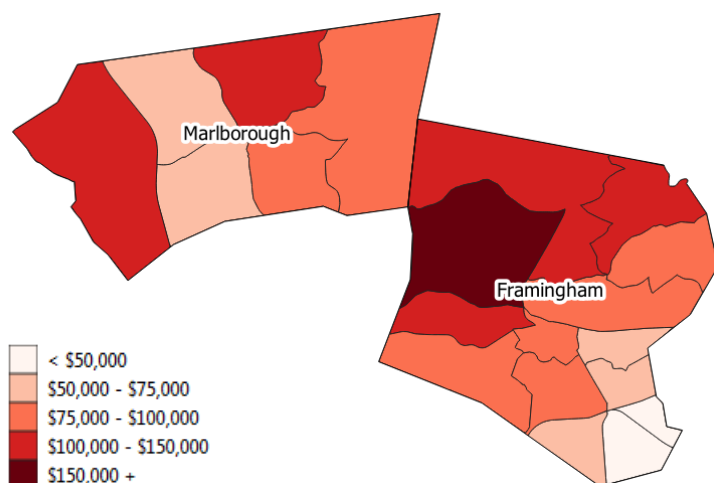
Map 7: Race of Householder for Owner-Occupied Units—Percent White



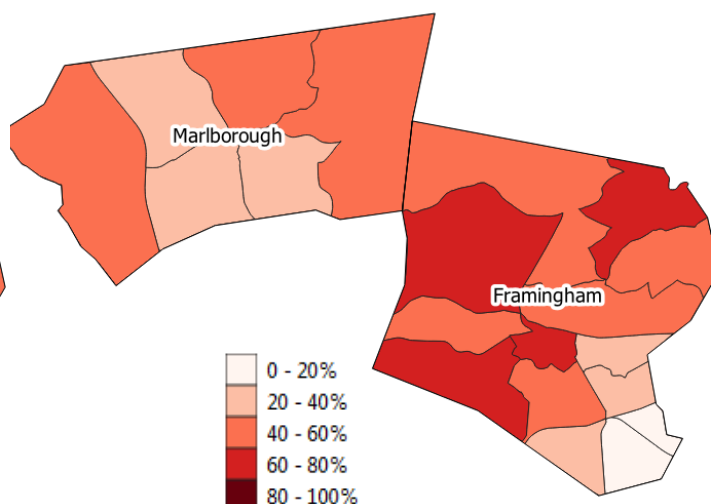
Map 8: Race of Householder for Renter-Occupied Units—Percent White



Map 9: Median Household Income

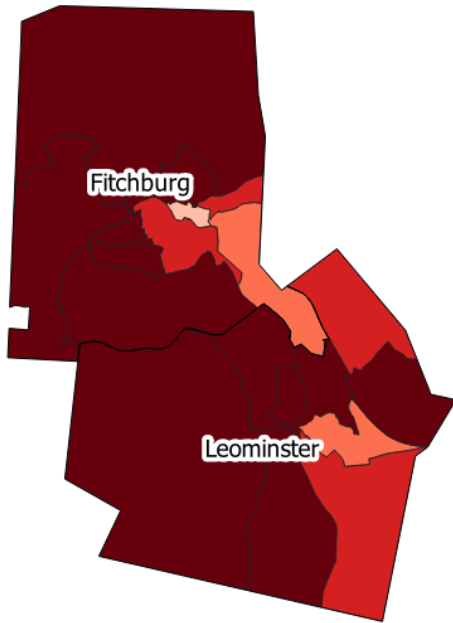


Map 10: Percent of Householders with Bachelor's Degree or Higher

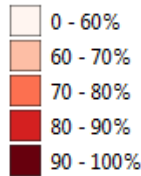
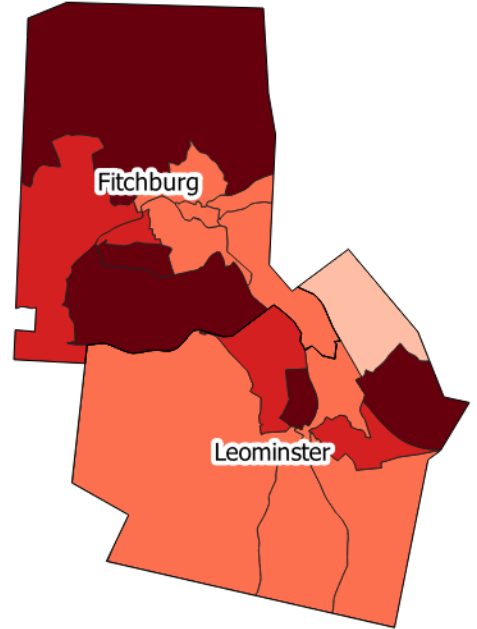


Fitchburg + Leominster

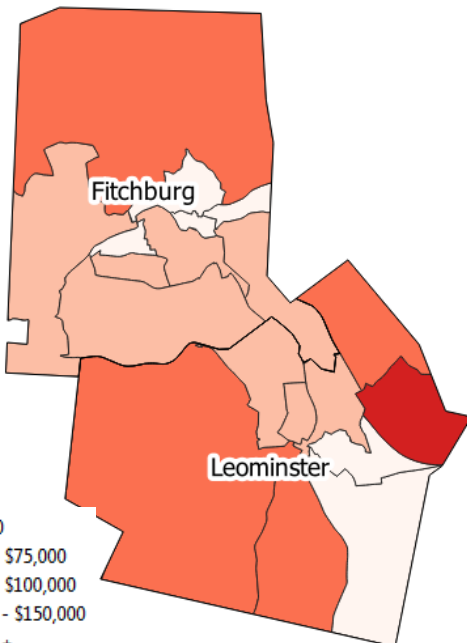
Map 11: Race of Householder for Owner-Occupied Units—Percent White



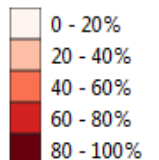
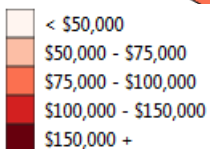
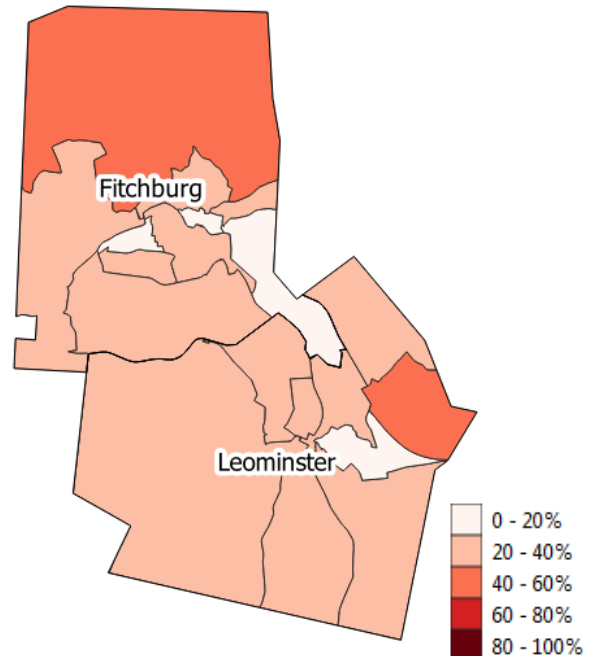
Map 12: Race of Householder for Renter-Occupied Units—Percent White



Map 13: Median Household Income



Map 14: Percent of Householders with Bachelor's Degree or Higher



Conclusion

A home purchase is often the culmination of a variety of factors in someone's life. Once someone has a high enough income, a sizable down payment and a stable enough personal life, they can invest in an asset that can shield them from an unpredictable rental market with rising costs and anchor them more tightly to the community in which they live.

Homeownership can also be seen as the beginning of a troubling pattern city-wide, though. As those with the means to purchase land look for property to purchase, they often group together in the same few neighborhoods, leaving others with higher rental populations. These disparities are evident not just in metrics like income level or educational attainment, but also in household race. Worcester and other central Massachusetts communities are not immune from the national conversation about race, as people of color are often locked out of homeownership opportunities, and are thus also locked out of certain neighborhoods—often the ones with the best quality of life metrics.

Homeownership patterns have a long-lasting impact, as homeowners move less easily than renters and can even pass property down to family members through generations. Correcting imbalances in the central Massachusetts housing market would be a massive undertaking, partly because of the complexity of any issue involving inequality and racial disparities, and partly because of the large amounts of money at stake and invested by current residents.

As our housing market is evolving, a deeper understanding of these issues is essential. This analysis is intended to raise awareness of these disparities locally and help guide government, the private sector, and community organizations in their responses.

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