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# Is Limited English Proficiency a Barrier to Homeownership?

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# Is Limited English Proficiency a Barrier to Homeownership?

## **Abstract**

Nearly 5.3 million US heads of household have limited or no ability to speak English. The connections between race or ethnicity and homeownership have been documented, but there has been little work to explain the relationship between the ability to speak English and homeownership. As homeownership is a primary tool for wealth building and financial stability, it is useful to understand the challenges this population faces in accessing homeownership.

This brief first defines and identifies the limited English proficient (LEP) population in the United States. Using descriptive analysis and regression models, we find that at the zip code level, higher rates of limited English proficiency are associated with lower homeownership rates. If we control for other factors that influence homeownership (e.g., income, age, and race or ethnicity), zip codes with the highest concentrations of LEP residents have homeownership rates 5 percentage points lower than zip codes with the median concentration of LEP residents. In other words, limited English proficiency is a barrier to homeownership.

# Is Limited English Proficiency a Barrier to Homeownership?

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# The Urban Institute Sloan ADRF Database

[adrf.urban.org](http://adrf.urban.org)

- **Problem:** publicly available government data is messy and can be hard to link across geographies. Collaboration between researchers is limited.
- **Solution:** create a relational database across geographies by crosswalking data.

The Housing Finance Policy Center and the Technology and Data Science team at the Urban Institute created a database of American Community Survey (ACS) and Home Mortgage Disclosure Act (HMDA) data.

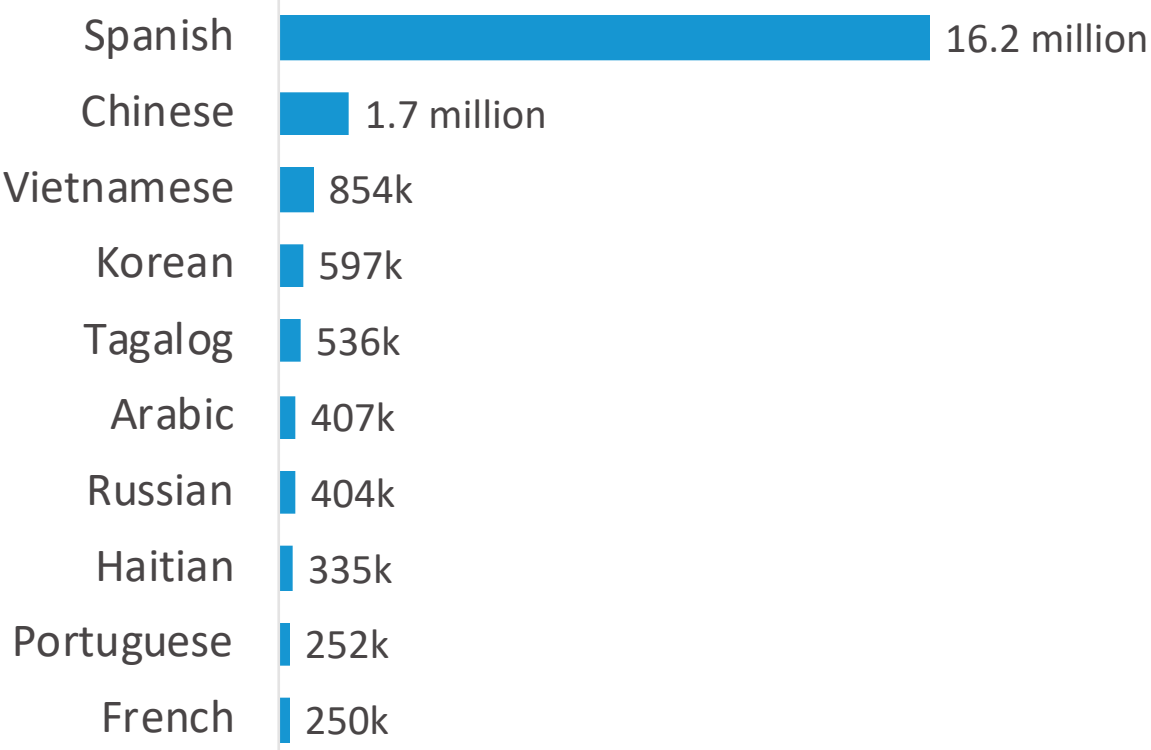
# Applying the ADRF database to housing finance research

- In late 2017, the Federal Housing Finance Agency announced that they would add a preferred language question to the Uniform Residential Loan Application.
- The focus on this question raises an important question: do households with limited understanding of English share the same opportunities for homeownership as their English-proficient counterparts?
- The ADRF database gave us a simple, efficient way to start to answer this question, and to pave the way for future research in this area.

# Limited English Proficiency in the United States

- In 2016, nearly 5.3 million heads of household were LEP- or 4.5 percent of US households.
- Of the 10 most spoken languages in the US, there are the most LEP Spanish speakers, followed by Chinese and Vietnamese.

LEP population by language spoken

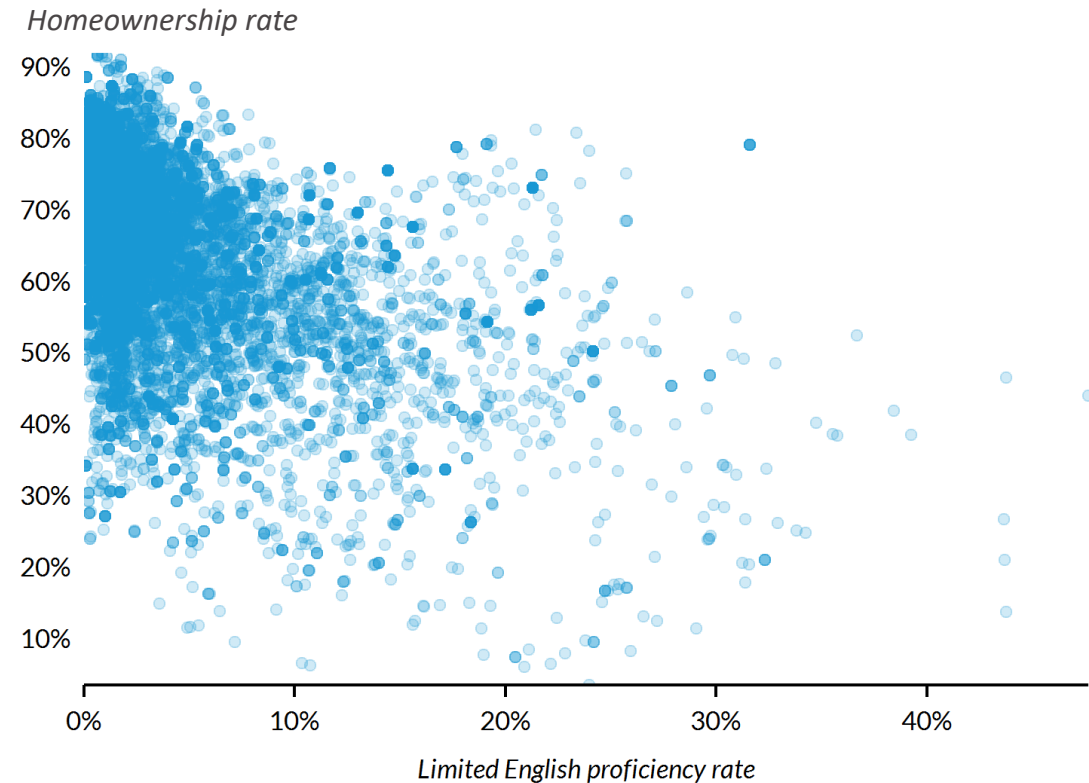


Source: American Community Survey.  
Note: Chinese includes Mandarin and Cantonese. Tagalog includes Filipino. French includes Cajun.

# Descriptive Statistics

- For zip codes in the bottom fifth in terms of limited English proficiency share, the median homeownership rate was **73.45 percent**. For zip codes with the highest concentrations of LEP residents the homeownership rate was **63.45 percent**.
- **There is a 10 percentage-point difference** in the homeownership rate between areas with the highest concentration of LEP heads of household and areas with the lowest concentration.

## Homeownership Rates and LEP Concentration in ZIP Codes



**Source:** American Community Survey, retrieved from the Urban Institute Sloan ADRF database.

# Regression Results

Regression results indicate that after controlling for other factors, neighborhoods with the highest concentrations of LEP residents have homeownership rates 5 percentage points lower than rates in neighborhoods with the median concentration of LEP residents.

	No controls	With controls	Without limited English proficiency
Limited English proficiency (%)	-1.382*** (0.025)	-1.102*** (0.024)	
Household income (natural log)		-0.007*** (0.002)	0.001 (0.002)
Black (%)		-0.082*** (0.004)	-0.100*** (0.004)
Hispanic (%)		0.047*** (0.006)	-0.204*** (0.006)
Other race (%)		-0.180*** (0.008)	-0.267*** (0.010)
Married (%)		0.676*** (0.011)	0.667*** (0.012)
No children (%)		-0.397*** (0.009)	-0.408*** (0.010)
Constant	0.718*** (0.001)	0.035 (0.082)	0.226*** (0.089)
Observations	29,299	29,299	29,299
R-squared	0.254	0.798	0.755
Age controls	No	Yes	Yes

Source: American Community Survey 2015, retrieved from the Urban Institute Sloan Administrative Data Research Facility database.

Notes: Robust standard errors in parentheses. \*\*\*  $p < 0.01$ ; \*\*  $p < 0.05$ ; \*  $p < 0.1$ .



# Implications

- There may be an opportunity to expand homeownership by better serving the LEP community.
- 60% of the LEP population speaks Spanish, and the LEP population is generally higher in zip codes with a high share of Hispanic residents.
  - Lenders can expand the availability and knowledge of culturally accessible Spanish-language materials. Other solutions that could enhance homeownership opportunities include employing more Spanish-speaking loan officers
- These communities could also benefit from general policies that expand credit, such as the use of alternative data (e.g., bank statements, rental payment history, and telecommunications bills) in automated underwriting systems, less stringent rules for including income, and improvements in the small-loan market.