South Carolina
Commission for Minority Affairs

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Unaffordable Housing:

Cost-Burdened Housing Estimates for South Carolina's Minority Population

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Summary

Minorities are more likely to reside in cost-burdened housing arrangements. One of the reasons for this is that minority households are more likely to be renters than their white peers. Renters, regardless of race/ethnicity, are significantly more likely than homeowners to reside in cost-burdened housing arrangements. Our research suggests that policies aimed at increasing minority homeownership rates could significantly diminish cost burdens experienced by the minority community in South Carolina.

The Unaffordability Paradox

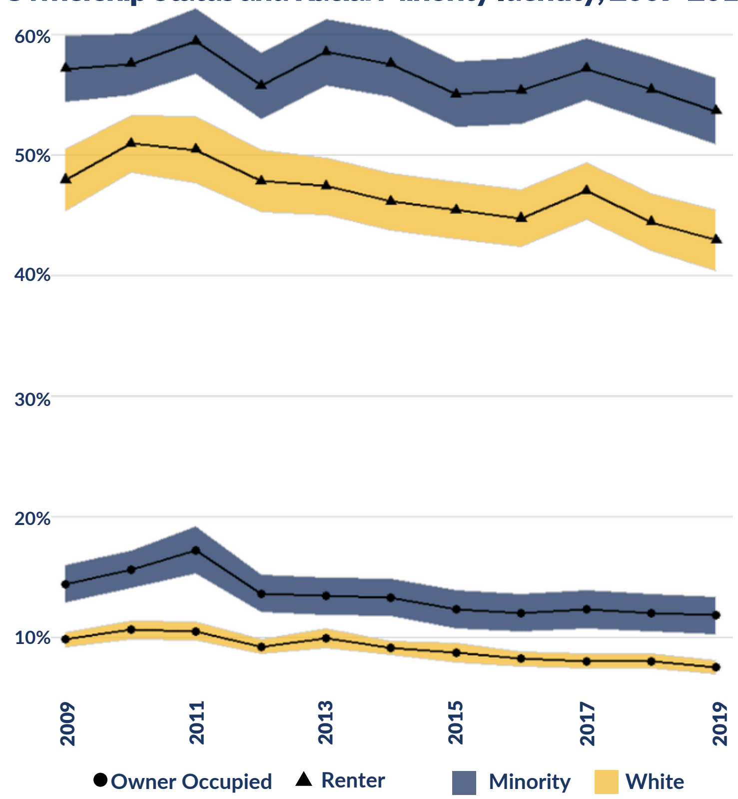
U.S. tax codes continue to be more favorable for homeowners, as opposed to renters. Alternatively, for many Americans, the home is often the only owned asset of importance appearing on net-worth statements. Historically, racially-motivated practices, such as "redlining," contributed extensively to the perpetuation and exacerbation of the racial wealth gap by making it harder for minorities to become eligible for home mortgage loans. African Americans, Native Americans, and Hispanics all tend to have lower credit scores than householders in the white majority, making homeownership even more difficult. This state of affairs ensures that not only are homeownership rates unequal between racial/ethnic groups, but also that the equity values of minority households are less than that of White householders (see: <u>*Research Brief 1:1*</u>).

Beyond debates on whether homeownership is preferable or how effective homeownership can be for generating household and intergenerational wealth, we must also interrogate whether or not homeownership provides the foundations for enhanced community stability while lowering the prevalence of cost-burdened households. Given the lack of political will for widespread rent price controls, one of our working assumptions is that more accessible homeownership is one of the only methods available for controlling long-term housing costs for households. Fixed-rate mortgage loans generally enable homeowners to "lock-in" 15, 20, and 30-year monthly mortgage payments at prices that gradually decline in real terms over the course of the loan term.

For decades, housing researchers have highlighted this paradox of unaffordability: those who would most benefit from affordable homeownership options are typically those least capable of achieving this outcome. The Department of Housing and Urban Development (HUD) stipulates that "affordable housing" is any housing unit whose cost is less than 30% of household income. This formula clearly defines it opposite: unaffordable housing consists of a domicile wherein the household dedicates more than 30% of its income to secure. Researchers may include additional variables, such as monthly electric bills and cooking fuel into the equation, which would increase our cost-burdened figures. In what follows, however, we stick primarily with household income and monthly mortgage or rent payments to generate our estimates.

From 2009 to 2019, the number of cost-burdened households in South Carolina hovered from around 380,114 (22% of all households) to 383,030 (19.4% of all households). During this decade, the white share of cost-burdened households declined from 54.1% in 2009, to 49.3% in 2019, despite white householders making up around 67.4% of the total population. In contrast, the minority share of cost-burdened households grew over the decade from 45.9% to 50.6% in 2019. This is despite the fact that minority household heads only made up 32.6% of the total in 2019. In other words, minority-headed households were 2.14 times more likely to be considered cost burdened than white-headed households.

Share of Householders that Are Cost Burdened by Ownership Status and Racial Minority Identity, 2009-2019



Sources: U.S. Census Bureau: 2009-2019 American Community Survey Public Use Microdata Samples. Ribbon provides Margin of Error at 95% Confidence interval .

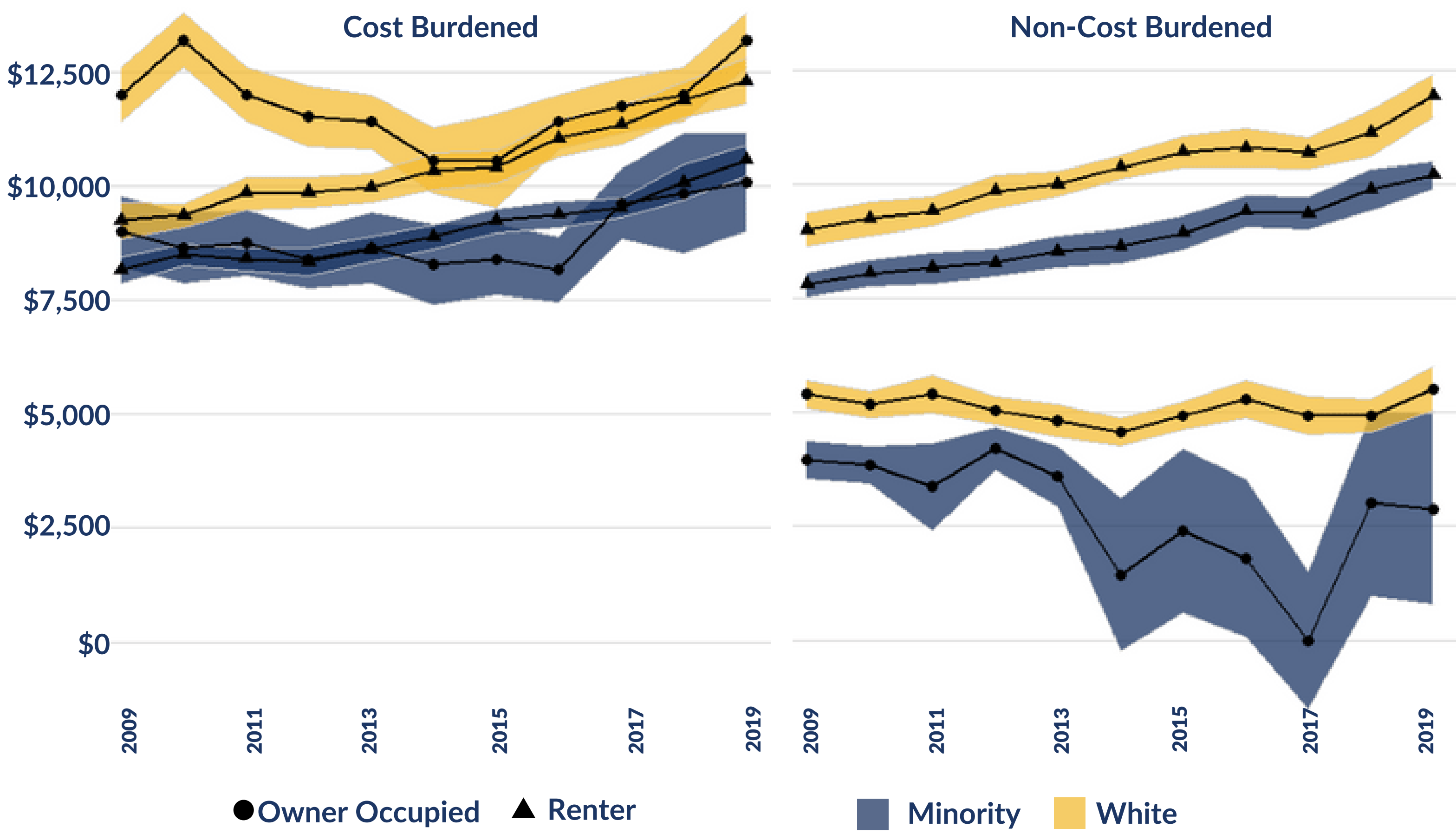
When breaking this data down by whether a household is defined as a rental unit or owner-occupied unit, these gaps are even more pronounced. For example, 258,437 (+/- 14,130) of the 383,030 cost-burdened households were occupied by renters, more than 67% of the total! More astonishing is that renter households are only 27% of all households in the state of South Carolina, but renters are 5.6 times more likely to be considered cost-burdened in comparison with owner-occupied households. More troubling is that minority-headed renter households accounted for more than 58.4% of all cost-burdened renter households, while comprising 52.7% of the entire renter household universe in 2019. Minority renter households, however, were only 1.25 times more likely than white renters to be considered cost burdened.

For owner-occupied units we find similar differences between whites and minorities, but lower overall rates. Although cost-burdened owner-occupied units comprised nearly 31.1% of all cost-burdened units, only around 8.6% of all owner-occupied units could be classified as cost burdened. Cost-burdened owner-occupied units headed by minorities stood at 11.8%, of all minority owner-occupied units, whereas that figure was 7.5% for whites. Interestingly enough, minority owners were nearly 1.57 times more likely than white owners to being classified as cost-burdened.

Household Income and the Cost-Burden

At its core, the issue concerning how affordable a secure living arrangement is comes down to two components:

Median Housing Costs by Minority and Homeownership Status for Cost Burdened and Non-Cost Burdened Households, 2009-2019



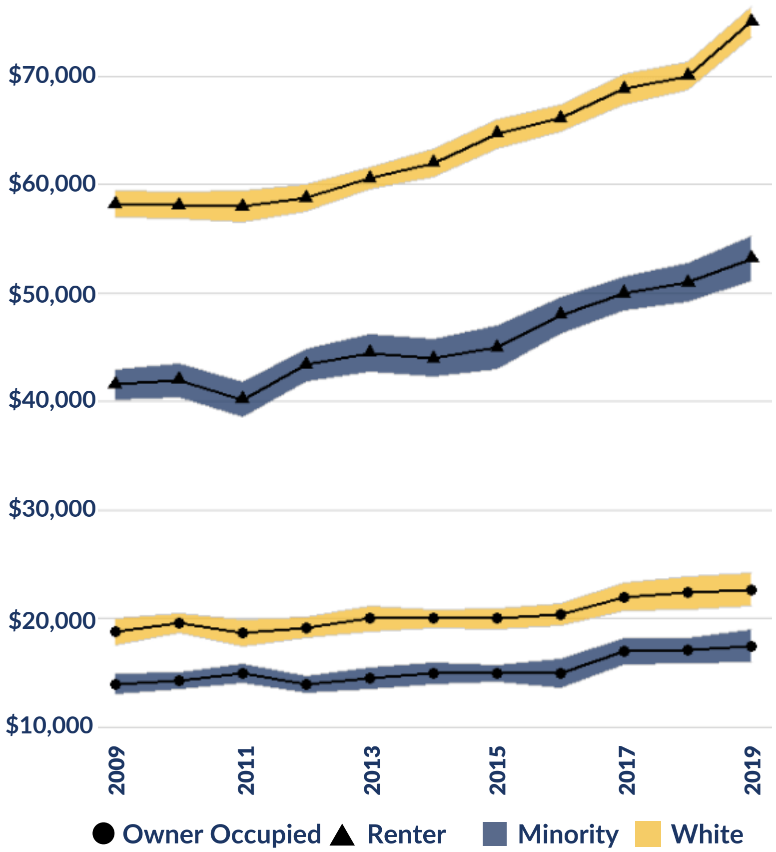
In South Carolina, 67.4% of renter households are considered cost-burdened.

Sources: U.S. Census Bureau: 2009-2019 American Community Survey Public Use Microdata Samples how much a household pays for shelter divided by how much that household counts on income. Housing costs might increase or decrease independent of the direction taken by household income. However, in general, incomes tend to increase with inflation over the life course (up to around 50 years of age), while housing costs depend on the particular arrangement under which housing was secured. In the case of rental housing, costs tend to track inflation and local market dynamics, whereas owner-occupied housing costs are largely determined by mortgage terms and local property taxes.

There are noticeable differences between the median household incomes for minorities and whites, as well as for homeowners versus renters. There are a variety of factors that must be taken into account when analyzing these figures, but minority households earn significantly less than their white counterparts regardless of whether or not they are renters or homeowners. However, homeowners tend to be more financially sound, with median household incomes well in excess (by more than double) of what renters earn. Some of this financial stability, which may or may not contribute to stability in other realms of social and familial life, can be traced to the ability of a household to "fix" housing costs when purchasing a home. What the data shows is that housing costs for both cost-burdened and non-cost-burdened households has tended to increase for renters over the past decade. For both minority and white householders irrespective of cost-burden status, median housing costs for renters were statistically equal from 2009 to 2019, although minority renters generally paid less than white renters. As renting generally costs more than purchasing a home over time, this meant that more income was diverted to housing relative to homeowners for both minorities and whites.

There is no denying that income affects affordability. However, our data supports the notion that housing costs play an influential role in determining cost burdens. With rental units, costs tack upwards, following inflation, while also responding to local supply and demand dynamics. For families that cannot afford to purchase a home for a variety of reasons, the alternative is not necessarily cheaper. Buying overly expensive houses can drive a household into cost-burdened status, but over the past decade rental units have not provided cost relief. For minority households that typically earn less than white households, an inability to "fix" monthly housing costs drains away wage increases tied to inflation, while also restricting access to the forced-savings vehicle. Building equity and controlling costs might not be the silver bullet that offsets cost-burdened housing arrangements completely, but smartly designed programs that constrain monthly housing cost growth would go a long way towards improving the quality of life, both in the short- and long-term, for many minority households across the state.

Median Household Income by Minority Status for Cost Burdened and Non-Cost Burdened Households, 2009-2019



All data and graphics produced and generated by the authors using R Studio. Graphics created in ggplot2 package. Data processed and analyzed with the help of tidycensus and srvyr packages.

Please contact the S.C. Commission for Minority Affairs Research Program Director, Dr. Robert Fenton, regarding any questions and concerns pertaining to this document. rfenton@cma.sc.gov.

Minority-headed households make up 50.5% of all cost-burdened units.

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