The Neighbor Project
ANNUAL REPORT 2021

SUMMARY OF COMMUNITY IMPACT
+ NEWLY COMPILED RESEARCH ON
THE BENEFITS OF HOMEOWNERSHIP

2021 in review:

The Neighbor Project (TNP) has continued to grow to meet the changing needs of the community throughout the Covid-19 Pandemic. And while we've had to shift some of our time and energy to meeting emergency needs (incl. rent & mortgage financial assistance), we've never lost sight of the foundational truth upon which *The Neighbor Project* is built: THAT WE ARE ALL CONNECTED—and that when our neighbors are suffering, our neighborhoods suffer along with them—but **When our Neighbors Prosper, Our Cities Thrive.**

Rather than focus on the deficits of our neighbors and those around us, *The Neighbor Project* sees the assets and abilities that are often just below the surface – just waiting to be tapped into to bring about the very improvements to our cities and neighborhoods that we all hope to see.

Roughly four years into the merger that created *The Neighbor Project,* we have nearly tripled the size of our staff and budget—and more than tripled the number of households we are serving. Further, the number of services & access to different levels of financial or housing counseling are at all-time highs.

More than ever, TNP is meeting families right where they're at—and we're doing it through increased collaboration and growing partnerships. One of the partnerships that's been growing lately—and for which we are particularly grateful—is the recently expanded, collaboratively run **Financial Empowerment Center (FEC).** Following an extremely successful first, full-year of service in 2021, **The City of Aurora** expanded our partnership to bring on more staff to meet the demand for these services and extended our contract through the calendar years of 2022, 2023 and 2024.

2021 by the numbers:

Over the past two years, The Neighbor Project has helped to facilitate access to state and federal emergency rental or mortgage financial assistance for hundreds of local families, but the four (4) core services offered are as follows:

Aurora Financial Empowerment Center (FEC): 659 households were served by the FEC in 2021 with scores of families increasing their credit scores or accessing affordable banking services. In its first full-year of operations the FEC helped create **over $1.3 million in new net-worth** among the families served by:

- Helping **219 households** cumulatively **reduce debt by: $863,571**; and
- Helping **122 families** save at least one week's worth of pay & cumulatively **save: $482,083**

First-Time Home-buyer Education & HUD-Approved Housing Counseling: (not including those who received technical assistance in accessing state/federal rental assistance)—nearly 200 households received some form of housing counseling during FY2021—including:

- **40 first-time homeowners** who purchased a house with the assistance of our housing counselors

Foreclosure Prevention & Homeowner Repairs: TNP helps families stay in their homes in two ways:

- **19 Households were granted over $266,000 worth of home-repairs** (managed by TNP counselors) to help them afford to stay in their homes; and
- **Seven (7) households** officially avoided foreclosure & **resolved a mortgage default** with our counseling assistance (this # expected to rise steeply in 2022).

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Networked Savings (affordable housing/residential homeownership savings program):

- **93 individuals in 29 households were provided affordable housing** while 13 families opened a downpayment savings account (or closed one to graduate into homeownership) collectively **saving over $37,000 of earned income toward a downpayment on their first home.**

Demographics of those served by The Neighbor Project: In 2021, TNP served **2,998 individuals across 888 households** in the greater Aurora, IL area across multiple counties (primarily Kane, Kendall, Will, DuPage and DeKalb).

Race/Ethnicity of Households served:

- 55.20% - Hispanic/Latinx
- 17.31% - Black/African American
- 10.74% - White/Caucasion
- 3.67% - Asian/Pacific Islander
- 14.07% - Mixed Race/Other

Income/Percentage of Area Median Income (AMI):

- 89.30% - Below 80% of AMI (meet HUD definition of "low income")*
- 8.33% - Between 80 - 99.9% of AMI
- 2.33% - 100% or greater of AMI

*Many of those in the below 80% (HUD "low-income" level) category were also below 60% or 50% or in many instances below 30% of Area Median Income (AMI), however some programs capture these levels (per funder guidance/reporting) while others simply use the above three categories. Therefore we can only report our total agency numbers within these three groups.

Please continue reading to find new, updated research on the benefits of home-ownership, which continues to be the primary driver of the racial wealth gap in the United States.

The following pages contain a compilation of research demonstrating both the benefits and limitations of homeownership as a wealth-building tool. The research shows that while homeownership may benefit some more than others, that it remains the most powerful—particularly for lower-income households—to build wealth that can be leveraged during one's lifetime. The wealth created by new homeowners is more vulnerable to other conditions and so perhaps just as importantly, this research points to the need for protections and strategies to maintain homeownership so that it can be passed from generation to generation. As this research shows, the length of homeownership (including length measured between generations) may be one of the most important tools for addressing the long-term key to finally making progress on our community's and our national racial wealth gap.

Research for this paper was compiled with guidance and oversight from The Neighbor Project staff, but was primarily completed as a part of a Master's in Urban Planning capstone project by University of Illinois (Champaign-Urbana) graduate student Natalie Cheng. The Neighbor Project is grateful for this valuable contribution to our work.

The Benefits of Homeownership 2021

HOW HOMEOWNERSHIP AFFECTS OUTCOMES FOR FAMILIES AND FUTURE GENERATIONS

Summary*

Homeownership provides significant benefit to homeowners and their children: homeowners are far wealthier than renters at every income level, are more involved in their communites, have better health, and have children with better outcomes as young adults.

At the same time, **benefits are far fewer for non-white households.** Generationally, trends in parental homeownership rates, parental wealth, and parental homeownership stability by race / ethnicity predispose children of color to lower likelihood of homeownership, inducing a cycle of depressed homeownership and inaccess to homeownership benefits.

Yet decisively strong **benefits experienced among white homeowning households demonstrate the compelling potential of homeownership** as a wealth-building, equity-promoting strategy among minority and low-income households.

While the market as-is hinders positive outcomes for these households, The Neighbor Project provides critical educational, financial, and structural support to address structural barriers. Through their work, **The Neighbor Project leverages the potential of homeownership to improve equity and well-being among local families.**

Wealth and Net Worth

Homeowners are financially better off than renters.

The median wealth of homeowners is over 40x that of renters.[1]
Wealth gains for lower-income homeowners are proportionately greatest:

Household Wealth: Homeowners vs Renters[1]

- Lowest-income homeowners (bottom quartile) : **57x** wealthier
- Middle-income homeowners (lower and upper quartiles): **12-19x** wealthier
- Highest-income homeowners (highest quartile): **5x** wealthier

For home-owning households, home equity represents 60% of total household wealth.[2]

* Given year-to-year fluctuations in both the national population and housing market, the year and population of study are important aspects of the following data (all sources referenced in endnotes). Generally, the data in this report reflect housing trends between the years 2010 and 2021.

Research compiled by Natalie Cheng in collaboration with The Neighbor Project as part of a Master of Urban Planning Capstone Project at the University of Illinois Urbana-Champaign

Median homeownership wealth grows $6.8k per year, but varies significantly by race and ethnicity: [3, a]

Homeownership Wealth Gains by Race / Ethnicity [3]

- White: **$7.6k** per year
- Black: **$3.6k** per year
- Latino: **$4.7k** per year

Excluding home equity, homeowners are still 15x wealthier than renters[1] and homeownership produces an **additional $2,000** in annual non-housing wealth (e.g. savings and checking accounts, stocks / bonds, pensions, other real estate investment).[3]

Compared to similarly-situated renters (race, ethnicity, income, family composition, etc.), **homeowners had $100k more in net wealth and $12.5k more in non-housing wealth** than similar renters after 8 years of owning a home. [4]

The financial benefits of homeownership may even extend into periods of housing price decline: one study found that as housing prices fell from 2005 to 2008, **homeowners gained $10,500 and $5,400 more in net worth and non-housing net worth** than comparable renters. [b, 5]

Non-Financial Benefits

Homeownership benefits extend beyond financial gains, positively impacting social and physical well-being.

Compared to similarly-situated renters, homeowners are nearly 3x as likely to participate in neighborhood groups and switching from homeowning to renting increases likelihood of participating **4.5x.** [6]

For each additional year in a home, homeowners are 25% more likely to vote in local elections than renters.[7]

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[a] Disproportionate gains reflect trends in home appreciation rates, **evidence of chronic undervaluing of Black-owned homes and homes in majority-Black neighborhoods**. For example, from 1996 to 2006, White homes appreciated wealth at a rate over 4x higher than Black homes (13% vs. 3%).[12] The period of historic housing growth covered in this period does not negate the trend therein: today, the home appreciation disparity between White neighborhoods and communities of color is nearly twice as large as it was 35 years ago. [15]

[b] It must be noted that most homeowners who purchased homes at the peak of the Great Recession (2006) did experience significant financial loss. Many of these homeowners were minority, relatively lower-income individuals who, because of predatory lending practices and/or poor-quality mortgages, were unable to stay in their homes. Another study found that low-income homeowners who bought a home in 2001, 2003 or 2005 experienced net wealth loss because of the Great Recession.[17]

Homeowners are 15% less likely to face mental and emotional health problems and 7% less likely to face physical health issues that limit their day-to-day activities.[c, 7]

Homeownership benefits multiply. As more and more residents own homes, neighborhood satisfaction increases, particularly for Black and Latino homeowners.[8]

Children born and raised in owner-occupied homes for at least 14 years are better off as young adults. By age 20, children of homeowners are:[d, 9]

- **11 percentage points** more likely to graduate high school
- **8 percentage points** more likely to attend college
- **6 percentage points** less likely to be convicted of a crime
- **9 percentage points** less likely to have experienced teen pregnancy
- **7 percentage points** less likely to have been on welfare

Generational Impacts

Generationally, racial disparities manifest a cycle of racial homeownership inequity in which Black and Latino children are less likely to be homeowners themselves.

Parental Homeownership

Parental homeownership increases children's likelihood of homeownership: children of homeowners are 8 percentage points more likely to become homeowners as young adults (ages 18-34);[10] **yet White parents are far more likely to be homeowners.**

Homeownership Rates by Race / Ethnicity[19, e]

- White: **74%**
- Black: **44%**
- Latino: **48%**

Since White families' homeownership rate is 68% higher than Blacks' and 54% higher than Latinos', minority children begin with decreased likelihood of homeownership.

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[c] These benefits were not experienced by homeowners in homes with low home equity.

[d] Previous research suggests even greater benefits for children across different measures of similar indicators. For example, Boehm and Schlottman (1999) find that compared to children of renters, children of homeowners are 116% more likely to graduate college than children of renters.[18] This research is summarized in a 2003 Habitat for Humanity report referenced by Wichita Habitat for Humanity and Habitat for Humanity of Hobbs, NM:
https://www.wichitahabitat.org/wp-content/uploads/2020/02/Benefits-of-Homeownership.pdf
https://www.hobbshabitat.org/homeownership

[e] The black-white homeownership gap is increasing: this 2021 gap of 30% represents an historical high. For most of the 1980s and 1990s, the black-white gap remained under 27% [1]

Parental Wealth

Parental wealth increases a child's likelihood of homeownership: young adults are 5.5 percentage points more likely to be homeowners, but only if their parental wealth is above $200,000;[10] yet **White families hold the threshold level of wealth for increased likelihood of homeownership at 3x the rate of Black families and more than 2x the rate of Latino families.**

Households with Wealth Greater Than $200,000 by Race / Ethnicity[f]

- White: **47%**
- Black: **16%**
- Latino: **20%**

Parental Homeownership Stability

Continuous parental owner-occupancy increases children's likelihood of becoming homeowners: children that stay in owner-occupied homes for 16 years are 6 percentage points more likely to be homeowners as young adults than children who grow up in rental homes;[10, g] **yet Black and Latino families are less likely to sustain homeownership and more likely to lose their homes during economic downturn.**

Of first-time homebuyers age 45 or older, nearly **4x** more Blacks switched back to renting.[11]

During the Great Recession (2007-2009), the foreclosure rate was over **70%** higher for Black and Latino families than for White families: [13, h]

2007-2009 Foreclosure Rate by Race / Ethnicity[13]

- White: **4.5%**
- Black: **7.9%**
- Latino: **7.7%**

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[f] Estimates from bar chart produced by St Louis Federal Reserve using Survey of Consumer Finances 2021 data https://www.stlouisfed.org/on-the-economy/2021/january/wealth-gaps-white-black-hispanic-families-2019

[g] While 70% of white parents in this study sustained homeownership for 16 years, only 30% of Black parents stayed in homeownership for this length of time.[10]

[h] In large part, these differences owe to discriminatory lending practices and disproportionate share of subprime, high-risk loans among low-income minority populations. [20]

The Neighbor Project

Services provided by The Neighbor Project are making a difference, breaking the cycle of homeownership disparity in Aurora and beyond.

- **Rehabilitation** projects in neighborhoods of color boost property values and appreciation, factors that underlie homeownership wealth inequity.[12]
- **The Networked Savings Program** for prospective homebuyers helps families attain and sustain homeownership through education and financial support, critical for low-income families of color.*
- **Homebuyer Education, Home Repair, and Foreclosure Prevention Services** further facilitate long-term homeownership.
- **The Financial Empowerment Center (FEC)** provides access to affordable banking services, budget and credit counseling, debt reduction, and savings tools—the financial building blocks needed to make homeownership a possibility.

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* 20% of low-income, predominantly Black and Latino populations report at least one late mortgage payment within the first 12 months of owning a home[4]
In 2021, 17% of Blacks and 16% of Latinos were behind on mortgage payments, compared to just 7% of Whites [1]
In 2021, 24% of low-income homeowners were behind on mortgage payments, compared to just 7% of middle- and upper-class homeowners [1]

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