

RESEARCH REPORT

Detroit Market

Keys Unlock Dreams Initiative

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Contents

Acknowledgements	i
About Keys Unlock Dreams	ii
Executive Summary	iii
Population and Housing Trends in Detroit	iii
Race, Ethnicity, and Homeownership	iv
Mortgage Denial and Readiness	iv
About the Data	iv
About Detroit	1
Population and Households	1
Race and Segregation in Detroit	2
Neighborhood Racial Segregation	3
Household Characteristics	5
Homeownership Rate	5
Household Income	6
Gross Rent	7
Housing Cost Burden among Homeowners	8
Housing Cost Burden among Renters	9
Mortgage and Credit	10
Denial Rates	10
Credit Scores	12
Debt-to-Income Ratios	13
Loan-to-Value Ratios	14
Loan Channels	15
Mortgage Readiness	16
Home Prices	18
Home Price Appreciation	18
Home Values, by Race and Ethnicity	19
Home Values, by Neighborhood	20
Housing Supply	21
Building Permits	21
Housing Inventory	21
Days Pending	22
Housing Type	23
Age of Housing	24
Conclusion	25
References	26
About the Authors	27

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About Keys Unlock Dreams

Keys Unlock Dreams is a nationwide initiative led by the National Fair Housing Alliance (NFHA) to advance policies that expand equal housing opportunities and provide consumers with the resources and information they need to make homeownership a reality. Further information on NFHA's Keys Unlock Dreams Initiative is available at www.keys.nationalfairhousing.org.

Homeownership has always been at the heart of the American dream and provides secure and stable environments for families to build generational wealth. Yet today's housing and financial markets have not served everyone well. Some communities are rich with resources such as bank branches, health care facilities, well-resourced schools, healthy food centers, green spaces, and other important amenities. Other neighborhoods, though, largely communities of color and urban and rural areas, lack these critical resources. Many areas lack affordable housing options.

For millions of people of color, homeownership remains a dream. To address these inequities, Keys Unlock Dreams aims to

- remove structural barriers that perpetuate racial inequality;
- expand affordable and fair housing options;
- prevent an unbalanced recovery from the COVID-19 pandemic;
- empower consumers and stakeholders with critical information and resources; and
- help close the racial wealth and homeownership gaps.

The initiative's theory of change is to influence the way policy decisions are made at the local, regional, and federal levels by providing tools, information, and support and building coalitions to generate solutions that create equitable opportunities for vulnerable groups. This entails supporting and urging the development of programs and policies that dismantle and disrupt systems that perpetuate inequality and replacing them with structures that create and promote fair and equitable access to housing and financial services and products.

Offering an innovative approach, the initiative also seeks to effectuate changes in jurisdictions' consolidated plans, assessments of fair housing, and community health needs assessments; ensure these plans are data-driven with up-to-date analyses; and encourage jurisdictions and communities to assess infrastructure, health, housing, finance, environment, economic, and education structures from racial equity and fair housing perspectives.

The Urban Institute is a partner in the initiative, conducting foundational research in its focus cities. Urban's five-point framework for reducing the racial homeownership gap also provides an implementation framework based on this work:

- advancing policy solutions at the local level
- tackling housing supply constraints and affordability
- promoting an equitable and accessible housing finance system
- furthering outreach and counseling for renters and mortgage-ready millennials
- focusing on sustainable homeownership and preservation

This first report in support of Keys Unlocks Dreams is for the Detroit market. It is intended as a first step to informing local housing policies with a profile of homeownership barriers and opportunities, offering an evidence-based framework for policymakers and for stakeholders such as consumers and housing market industry constituents as they seek to affirmatively further fair housing to close racial homeownership and wealth gaps.

Executive Summary

Once colloquially called the “Motor City” for its booming auto industry, Detroit has for decades faced population loss, disinvestment and a lack of new construction because of this population loss, aging household infrastructure, and exclusionary housing policies that perpetuate gentrification and distress in the city’s housing market for Black households. Throughout the Detroit metropolitan statistical area (MSA), Black households, for example, have significantly lower homeownership rates and live in lower-price homes relative to Asian, Hispanic, and white households.

To evaluate these trends, this chartbook provides a comprehensive overview of racial disparities in homeownership in the Detroit MSA by analyzing household socioeconomic characteristics, mortgage and credit, home prices, and housing supply in Detroit that are all related to the lower Black homeownership rate and housing wealth in the region. The figures and tables aim to help local decisionmakers identify and evaluate solutions to racial housing wealth disparities in their area and to offer metrics and benchmarks toward progress. Key findings are summarized below.

Key Observations

Shifting racial and ethnic demographics, coupled with lower household incomes and home values and a lack of new homes, create a unique situation in Detroit that poses several obstacles to supporting borrowers and increasing homeownership. The following findings show how effective policies could increase Black homeownership and housing wealth in Detroit. Despite numerous national and city-specific challenges and hardships, we identify areas in housing finance that might help local decisionmakers and stakeholders address racial disparities preventing Black borrowers in Detroit from unlocking their full homeownership potential.

Population and Housing Trends in Detroit

Detroit continues to recover from decades of disinvestment and was hit especially hard by the Great Recession. The city’s population is more than 87 percent nonwhite, while the MSA’s population is just greater than one-third nonwhite. Following the Great Recession, the city experienced substantial population loss, as many white households migrated to the suburbs. Black-white residential segregation is higher in the MSA as a whole than in the city.

Moreover, home prices in Detroit were hit hard in the 2008 housing bust, losing significantly more value than the US market. Average home values in the city remain 43 percent below their peak values. Household incomes and home values in Detroit have not fully recovered to their prerecession levels. The city’s homeownership rate declined from 56 percent in 2005–09 to 47 percent in 2015–19. Although the MSA’s homeownership rate dropped more than the national homeownership rate between these two periods, it was still 5 percentage points higher in 2015–19 and 22 percentage points higher than the city’s compared with 2005–09.

The city’s housing stock is significantly older than the MSA’s housing stock, and Black households are more likely to live in older homes, but the housing supply has also fallen since the Great Recession and has become a major barrier to accessing homeownership. The number of units slowly increased during the recovery and the years after but dipped when the COVID-19 pandemic hit. During the pandemic, housing inventory dropped because the shortage continued while demand increased (mortgage rates fell and millennials entered their prime homebuying ages). Between January 2018 and May 2021, housing inventories fell 31 percent in the nation, 15 percent in Detroit, and 21 percent in the Detroit MSA, according to Zillow. The annual-inventory-per-household rate was the lowest in the city, with homes selling faster in 2020 and 2021 than in years past.

Race, Ethnicity, and Homeownership

Detroit's racial and ethnic composition differs substantially from that of the Detroit MSA and the nation. In the MSA, home values have recovered for all racial and ethnic groups over the past 10 years, but Black households still have the lowest median home values, indicating substantial disparities in housing wealth even among homeowners.

Homeownership rates in the city have dropped continuously for all racial and ethnic groups except Hispanic households since 2005–09. The greatest drop was among Asian households. But Asian households compose only 1.7 percent of the city's population, and their homeownership rate is twice as high in the MSA compared with the city. Meanwhile, the Black homeownership rate in the MSA (42 percent) is lower than in the city (45 percent), indicating that Black households are struggling to become homeowners at both geographic levels.

Furthermore, compared with the MSA, a greater share of households in the city are housing cost burdened (i.e., paying more than 30 percent of their income for housing expenses), especially among renters (59 percent). The Black share of cost-burdened households is the highest of all racial and ethnic groups in both the city (31 percent of owners and 61 percent of renters) and the MSA (29 percent of owners and 56 percent of renters), reflecting their lower median income.

Mortgage Denial and Readiness

Forty-six percent of mortgage applicants in the city and 21 percent of those in the MSA were denied loans. Denial rates were highest for Black and Hispanic applicants. More than 50 percent of Black mortgage applicants were denied in the city, and close to 40 percent were denied in the MSA. Credit history was the most frequently mentioned reason for mortgage denial—more than 50 percent of denials of Black applicants in the city and 44 percent in the MSA were because of credit history. Although the denial rate is high, there are still potential Black homebuyers in Detroit who are eligible for a mortgage.

Freddie Mac categorizes “mortgage readiness” as borrowers ages 45 and younger who do not have a mortgage but have the credit characteristics to qualify for one. To move the needle on Black homeownership in Detroit, increasing the number of borrowers who qualify as mortgage ready will be essential. As of January 2021, there were close to 500,000 mortgage-ready consumers, including 60,000 Black consumers, in the Detroit MSA. This 18 percent share of Black mortgage-ready consumers in the MSA is lower than the nation's 22 percent share, which can be explained by differences in credit scores and incomes. Black consumers, for example, have the lowest median credit score in both the nation and the Detroit MSA. As credit is the most common reason for mortgage denial among Black applicants, improving credit and considering alternative ways to evaluate credit will be necessary to increase Black homeownership.

Because homes are less expensive in Detroit, however, a greater share of the mortgage-ready population can afford to buy median-price homes, especially with current low interest rates. Assuming a 2.9 percent interest rate, 76 percent of the mortgage-ready Black population can afford a mortgage, compared with 45 percent nationally. Additionally, Freddie Mac shows that it takes less time for Black mortgage-ready consumers to save for a 3 percent down payment in the Detroit MSA (1.72 years) than nationally (2.71 years).

About the Data

This report uses multiple datasets, including the American Community Survey, property records, Home Mortgage Disclosure Act data, Black Knight, and the Building Permit Survey. We also obtain credit characteristics and credit history data by race and ethnicity from Freddie Mac and housing inventory data from Zillow. Because we know a small sample size could lead to statistical inaccuracy, especially at the city level, we use the five-year American Community Survey data instead of the one-year data.

About Detroit

Population and Households

The city of Detroit had a population of 670,052 and 267,139 households, according to the 2019 American Community Survey. It composed about 16 percent of the population (4.3 million) and households (1.7 million) of the Detroit MSA.

The Detroit-Warren-Dearborn MSA is the 14th largest in the US but has experienced small population growth (about half a percent) since the 2010 Census. Detroit is the largest city in Michigan and constitutes part of the state's largest metropolitan area. It also shares a border with Canada and has one of the largest metropolitan economies in the US, with 17 Fortune 500 companies. The MSA has six counties, and its urbanized area covers parts of Macomb, Oakland, and Wayne Counties (the latter of which includes Detroit). The Canadian city of Windsor, Ontario, and its suburbs are just south across the Detroit River and have strong economic links.

Map of Detroit



Source: Google Maps.

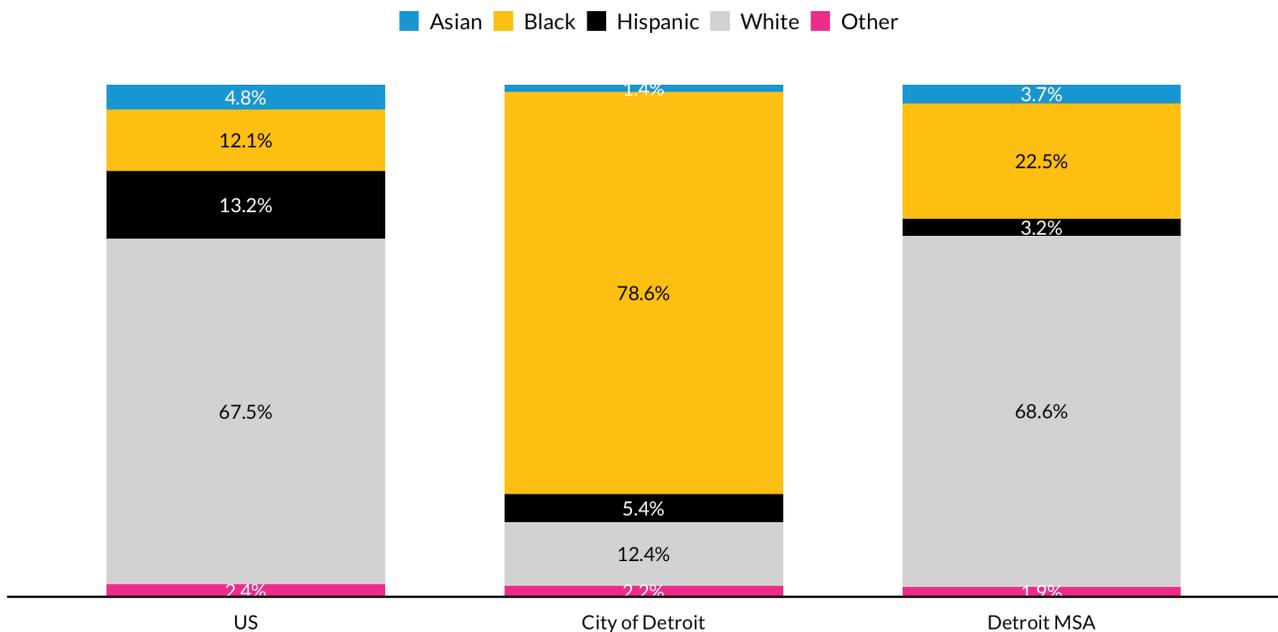
Race and Segregation in Detroit

Detroit has endured population loss, disinvestment, and, most recently, gentrification. The housing and financial crisis hit the city particularly hard, culminating in the city's bankruptcy in 2013. Detroit's population and racial and ethnic composition began shifting in the late 1960s after reaching a peak of 1.8 million residents in 1950, spurred by the Great Migration and an influx of European immigrants. Racial tensions brought about by civil rights expansions—and subsequent increases in homeownership for Black households—coupled with the slowing of the postwar industrial boom, exacerbated white flight. Between the 1950 and 2010 Censuses, Detroit lost 95 percent of its white residents, its place among the 10 most-populous cities, and a significant portion of tax revenue and commercial enterprise.

Detroit's story began changing again in 2015. An unprecedented amount of corporate and nonprofit investment and a robust municipal marketing effort positioned parts of the city as an ideal location for young (often white) professionals, tech specialists, and creatives. Blocks of foreclosed properties and blight gave way to craft breweries, bike shops, and yoga studios. Much of the investment centered around a small section of downtown now known as "7.2," referring to the area's square mileage. This shift is not controversial so much for displacing residents but for highlighting the lack of investment in the city's other 134.8 square miles. There is a stark difference in the revitalization felt in the 7.2 and disintegration in the outlying areas. While lauded by many, this revitalization was criticized for deepening racial and economic disparities.

Detroit's racial and ethnic composition is substantially different from that of the Detroit MSA. In the city, more than 79 percent of the population is Black. This share is significantly higher than in the nation and the MSA, where the Black population accounts for 12.1 percent and 22.5 percent of the population, respectively. The city's population is more than 87 percent nonwhite, while the MSA's population is 32 percent nonwhite.

Racial and Ethnic Composition Comparison

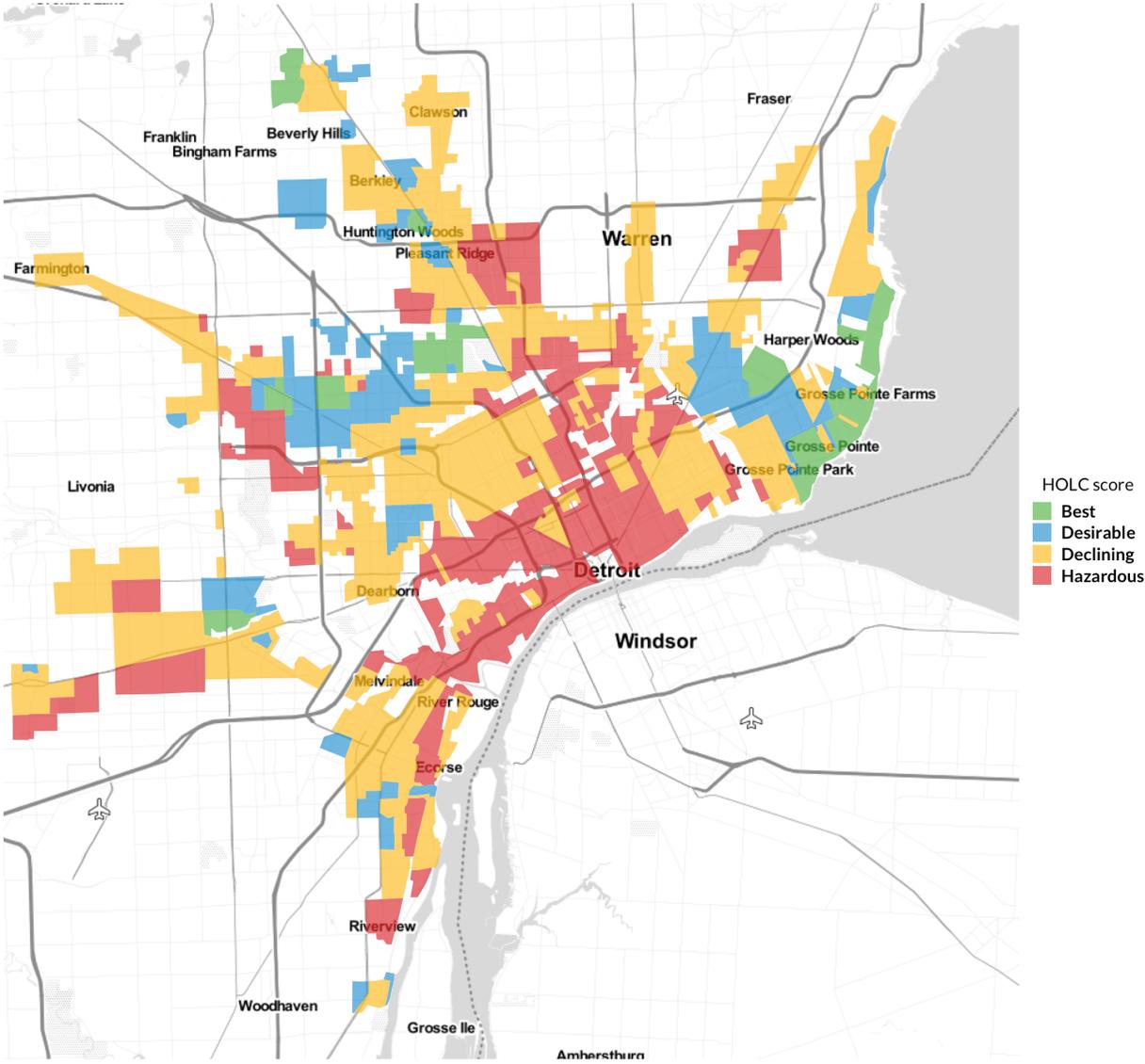


Source: American Community Survey.
 Note: MSA = metropolitan statistical area.

Neighborhood Racial Segregation

Detroit was one of around 150 cities to have the Home Owners' Loan Corporation (HOLC) "Residential Security" rankings, mapped below, in the presuburbanization surge of the 1930s. Much research has been done on the relationship between HOLC grades and race, or "redlining," which denied neighborhoods of color access to credit for home purchases.

Historical HOLC Scoring Map: Detroit MSA

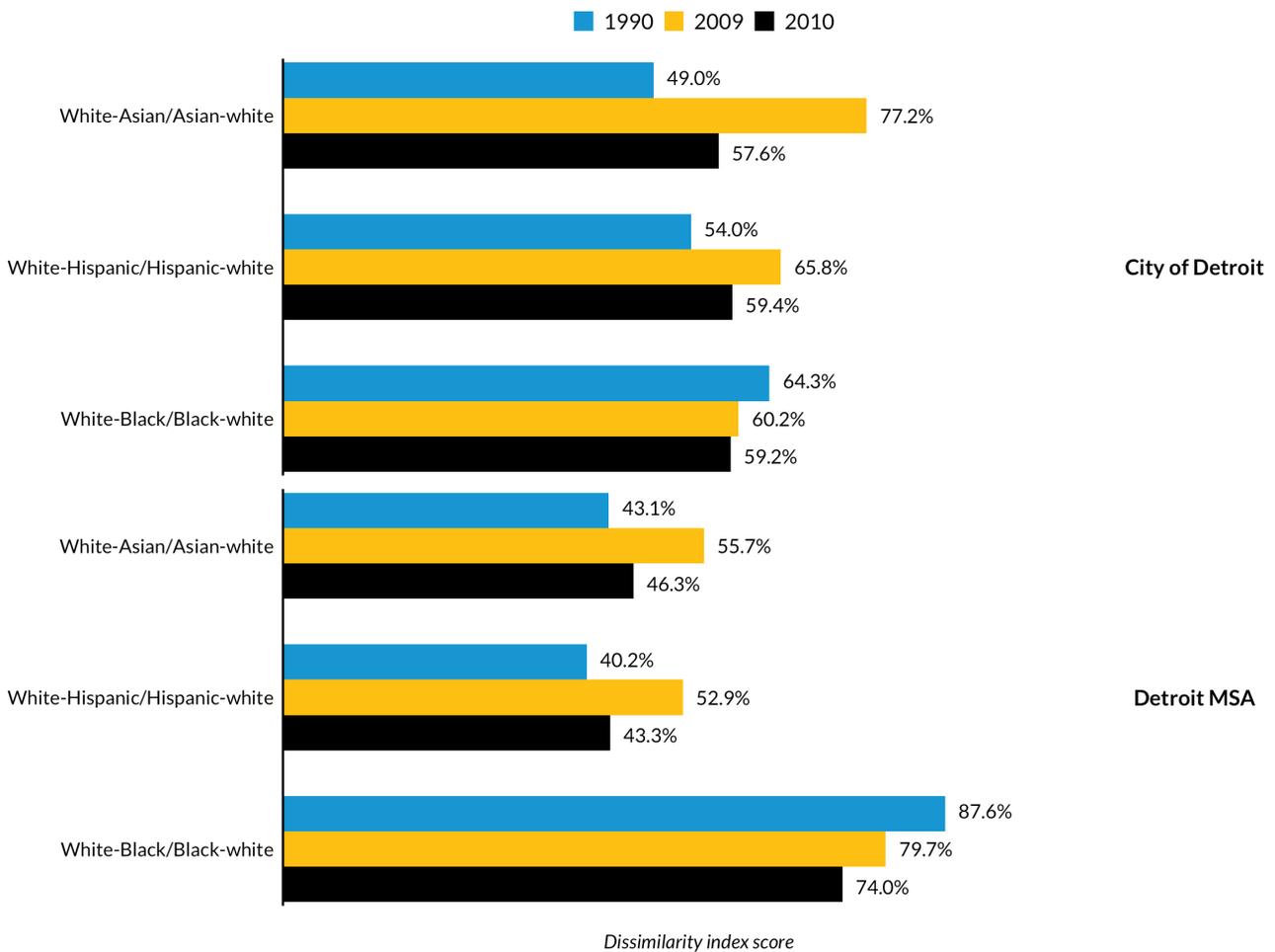


Source: Mapping Inequality, University of Richmond.
Notes: HOLC = Home Owners' Loan Corporation; MSA = metropolitan statistical area.

Neighborhood Racial Segregation (continued)

The dissimilarity index calculates the degree of symmetry between two groups by measuring whether one group is distributed across census tracts in the same way as another group. On a scale from 0 to 100, a high value indicates that the two groups tend to live in different census tracts. For example, in 2010, 59 percent of the Black population would need to move to a different neighborhood for Black and white people to be equally distributed across Detroit neighborhoods. Black-white racial segregation in Detroit remains large, though there has been some improvement. The dissimilarity between Black and white residents and Hispanic and white residents increases significantly when we expand the coverage to the MSA because of the large white population in suburban Detroit.

Dissimilarity Index Comparison



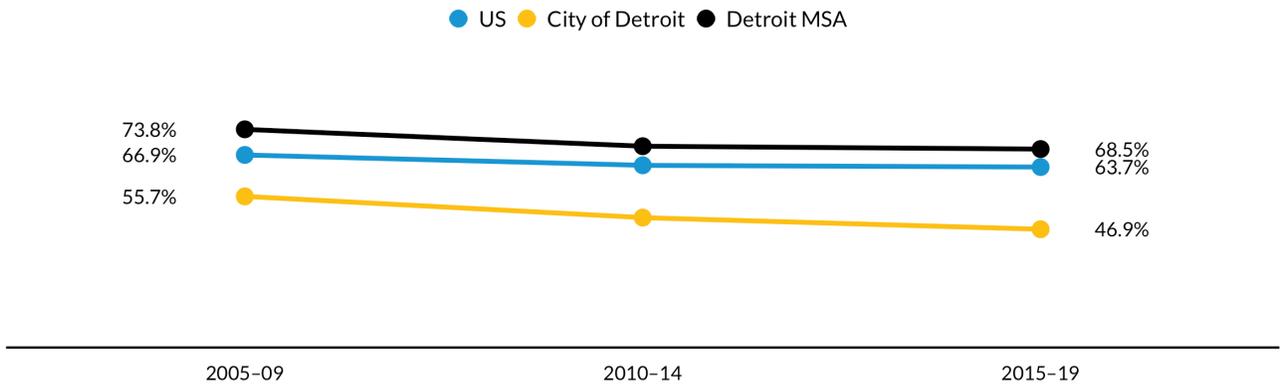
Source: Brown University: Diversity and Disparities.
 Note: MSA = metropolitan statistical area.

Household Characteristics

Homeownership Rate

Following the Great Recession, the homeownership rate has dropped in the US and Detroit. Detroit experienced the greatest homeownership rate decline, from 56 percent in 2005–09 to 47 percent in 2015–19. Although the Detroit MSA homeownership rate dropped more than the nation’s homeownership rate between these two periods, it was still 5 percentage points higher than the national rate in 2015–19 and 22 percentage points higher than the city’s.

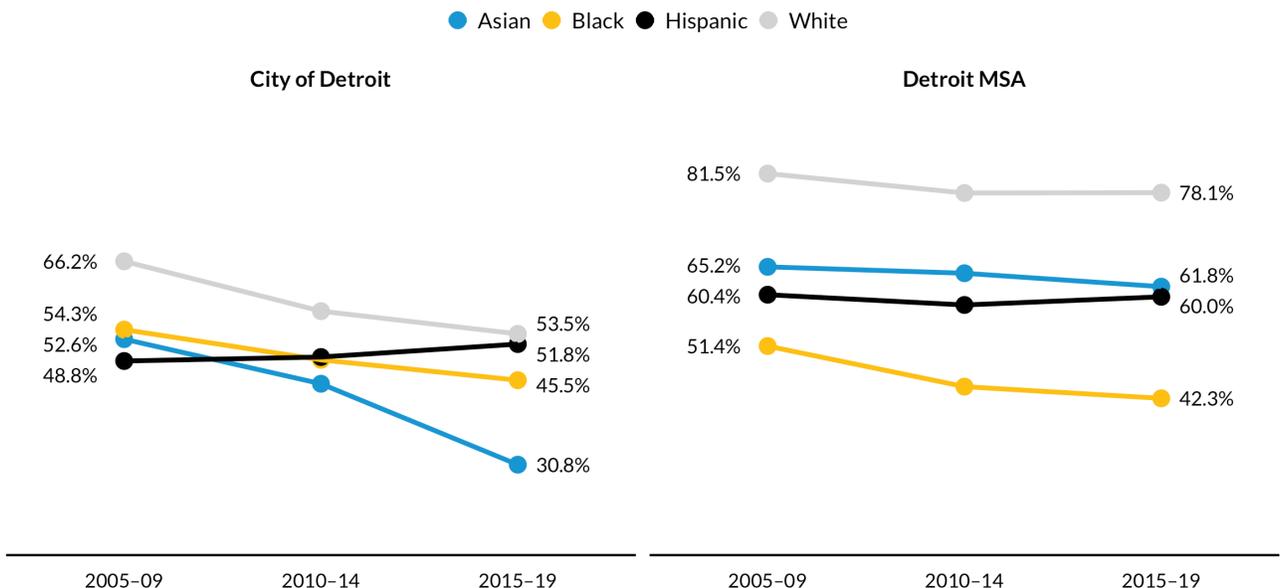
Homeownership Rate Comparison



Source American Community Survey.
Note: MSA = metropolitan statistical area.

The homeownership rates for all racial and ethnic groups except Hispanic households in Detroit have dropped continuously since 2005–09. The greatest drop was among Asian households, but they account for less than 2 percent of the city’s population and their homeownership rate is twice as high in the whole MSA (most Asian households live outside Detroit). On the other hand, the Black homeownership rate in the Detroit MSA is lower than that in the city, showing that Black households are struggling to become homeowners at both geographic levels.

Homeownership Rates, by Race or Ethnicity

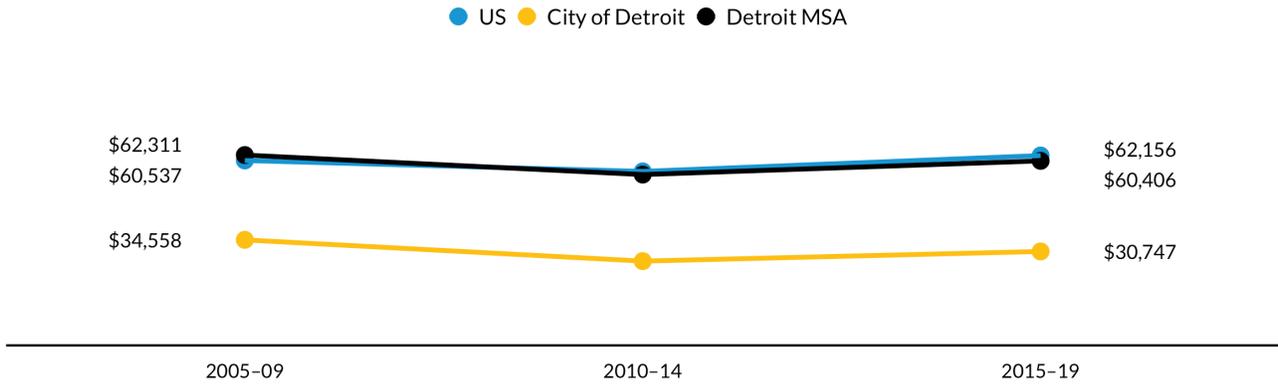


Source: American Community Survey.
Note: MSA = metropolitan statistical area.

Household Income

The median household income dropped following the Great Recession but has been rising since 2010–14. The median US household income in 2015–19 fully recovered and exceeded 2005–09 levels, but the most recent median household incomes for both Detroit and its MSA are still lower than what they were, though the difference is small in the MSA. Additionally, the median household income in Detroit is only half of that in the MSA.

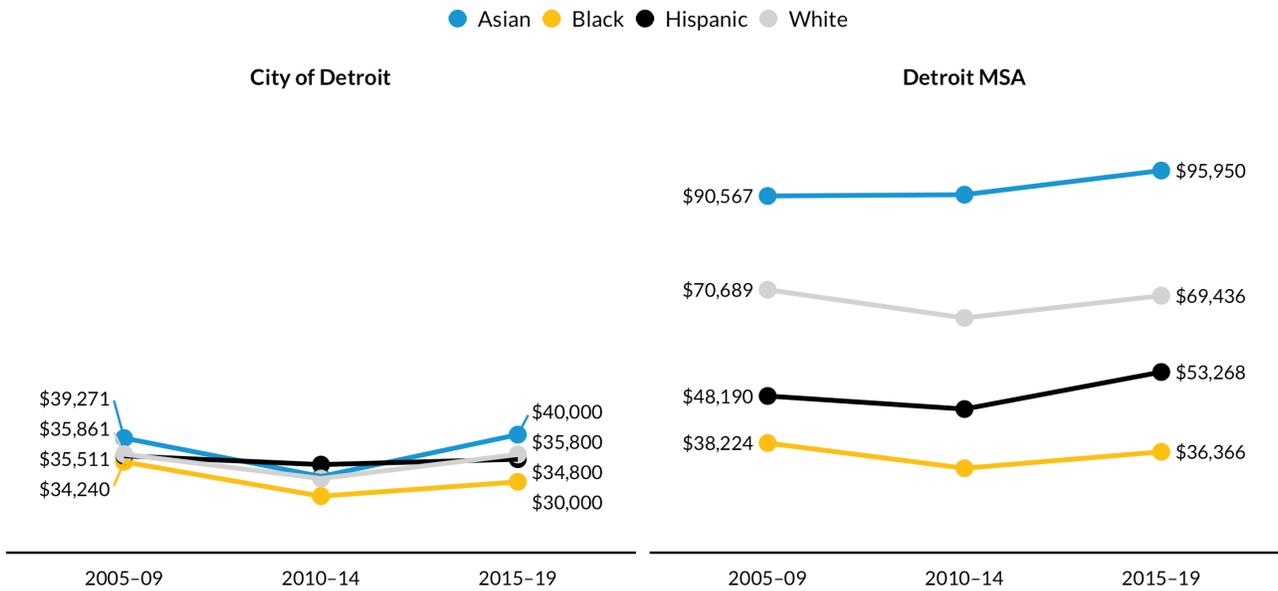
Median Household Income Comparison



Source: American Community Survey.
Notes: MSA = metropolitan statistical area. Values are in 2019 inflation-adjusted dollars.

There are noticeable disparities by race and ethnicity in the median household income in both Detroit and its MSA, and the gap is wider in the MSA than in the city. In both areas, Black households have the lowest median household income: \$30,000 in the city and \$36,366 in the MSA.

Median Household Income, by Race or Ethnicity

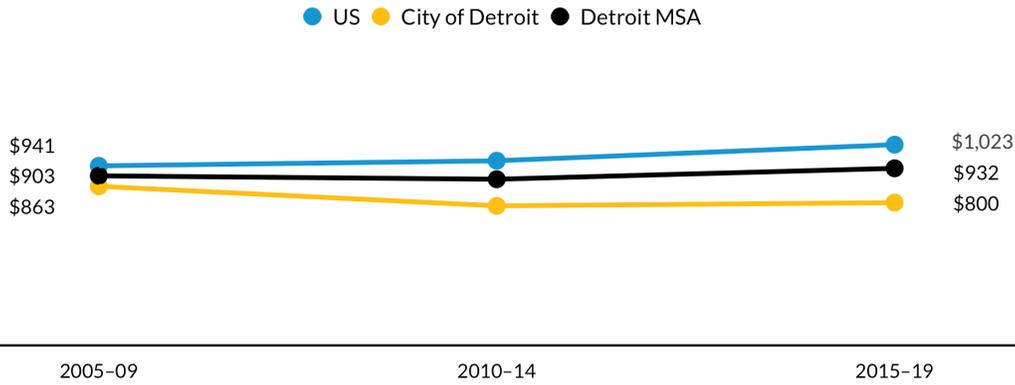


Source: American Community Survey.
Notes: MSA = metropolitan statistical area. Values are in 2019 inflation-adjusted dollars.

Gross Rent

Gross rent adds utility payments to contract rent. Median gross rent is lower in Detroit than in the MSA or nation. But compared with the home value gaps (page 19), the median rent gap across the three geographies is smaller. The median gross rent in the city in 2015–19 was \$800, \$132 lower than for the MSA and \$223 lower than the national figure.

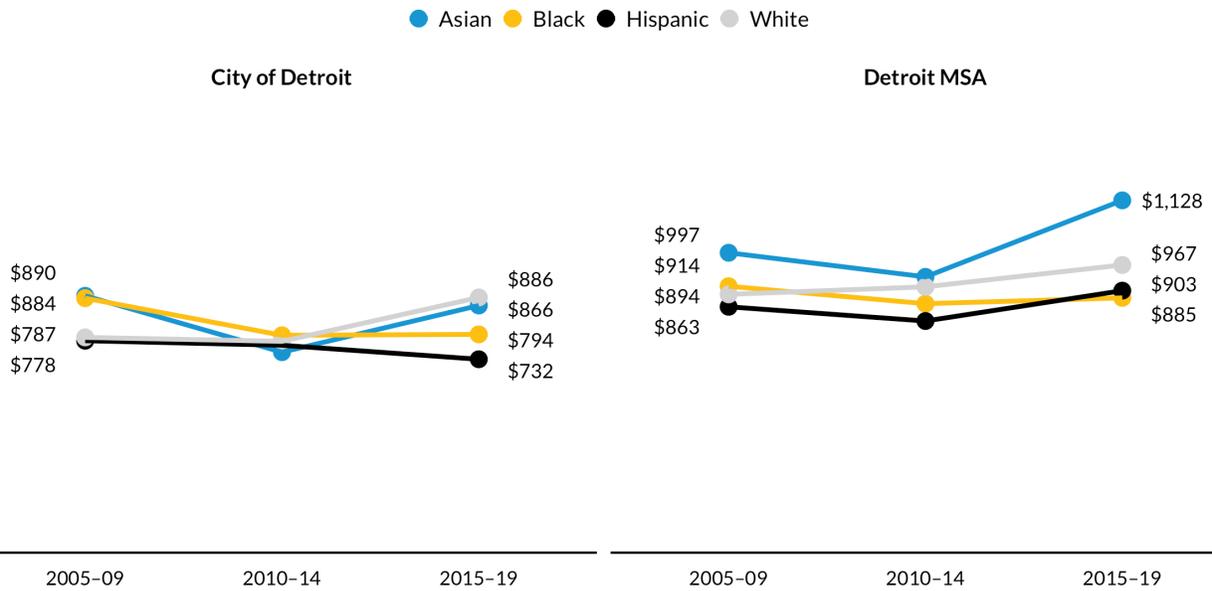
Median Rent Comparison



Source: American Community Survey.
Notes: MSA = metropolitan statistical area. Values are in 2019 inflation-adjusted dollars.

There are also racial and ethnic disparities in the median rent for both the city and the MSA, but the gap is smaller relative to other figures in this report. In the city, Hispanic households paid the lowest median rent in 2015–19 (\$732), while in the MSA, Black households paid the lowest median rent (\$885).

Median Rent, by Race or Ethnicity



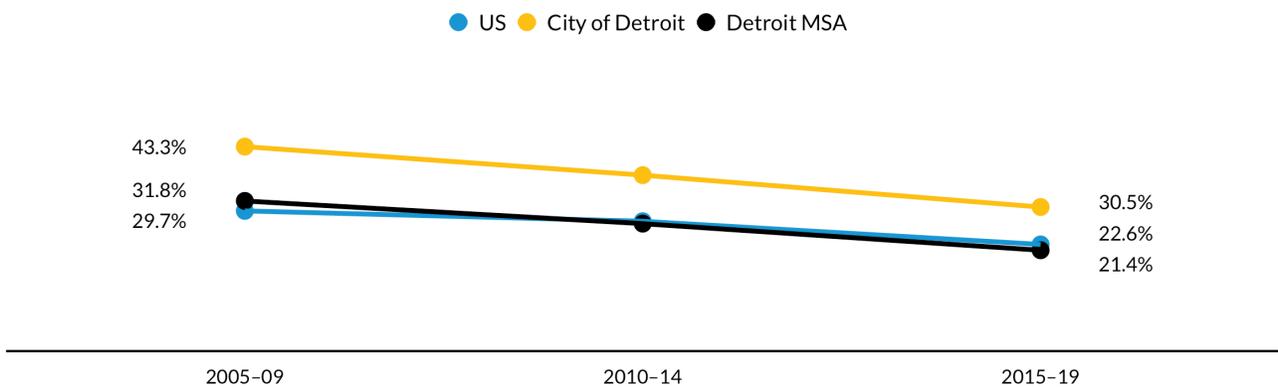
Source: American Community Survey.
Notes: MSA = metropolitan statistical area. Values are in 2019 inflation-adjusted dollars.

Housing Cost Burden among Homeowners

The housing cost burden for homeowners is the monthly payment for housing—which includes the mortgage payment, property taxes, insurance, and utility payments—over monthly household income. If this number exceeds 30 percent, the household is housing cost burdened.

The share of housing cost-burdened homeowners has dropped with the decline in the mortgage interest rate. In 2015–19, slightly less than one-third of homeowners in Detroit were housing cost burdened, 8 percentage points higher than the share in the US and 10 percentage points higher than the share in the Detroit MSA. Nevertheless, between 2005–09 and 2015–19, the city experienced nearly a 13 percentage-point decrease in the share of housing cost-burdened homeowners, whereas the US experienced a 7 percentage-point decrease. This could be the result of the most housing cost-burdened homeowners losing their homes in the Great Recession or perhaps the lower home price growth rate in the years following.

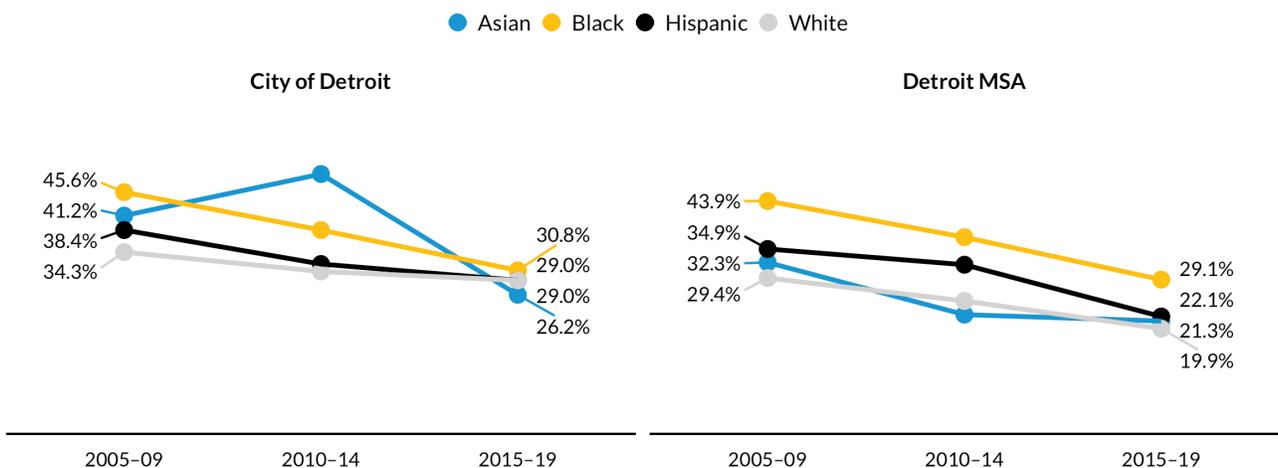
Housing Cost Burden Comparison among Homeowners



Source: American Community Survey.
Note: MSA = metropolitan statistical area.

In the city, the share of housing cost-burdened homeowners does not differ much by race and ethnicity. In the MSA, Black households are more likely to experience housing cost burden than other households. Overall, the housing cost burden for homeowners has dropped for all racial and ethnic groups in both areas.

Housing Cost Burden among Homeowners, by Race or Ethnicity



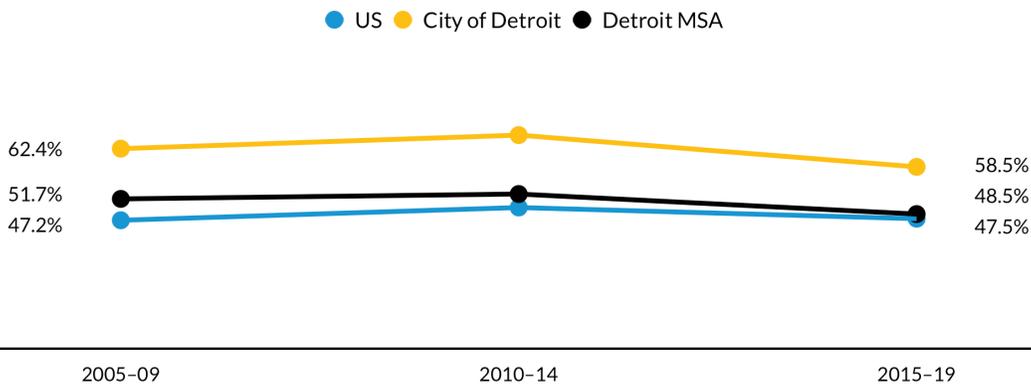
Source: American Community Survey.
Note: MSA = metropolitan statistical area.

Housing Cost Burden among Renters

Renter households are considered housing cost burdened if they spend more than 30 percent of their income on rent. The share of housing cost-burdened renters has not changed much and is substantially higher compared with that for homeowners.

In Detroit, where the rents have continuously fallen, the rent-burdened share of households has decreased the most. Still, the city has the greatest share of rent-burdened households among the three comparison geographies. Additionally, the city has the lowest homeownership rate. This indicates that the overall housing cost-burdened share of households in Detroit is substantially higher than in the MSA and the nation.

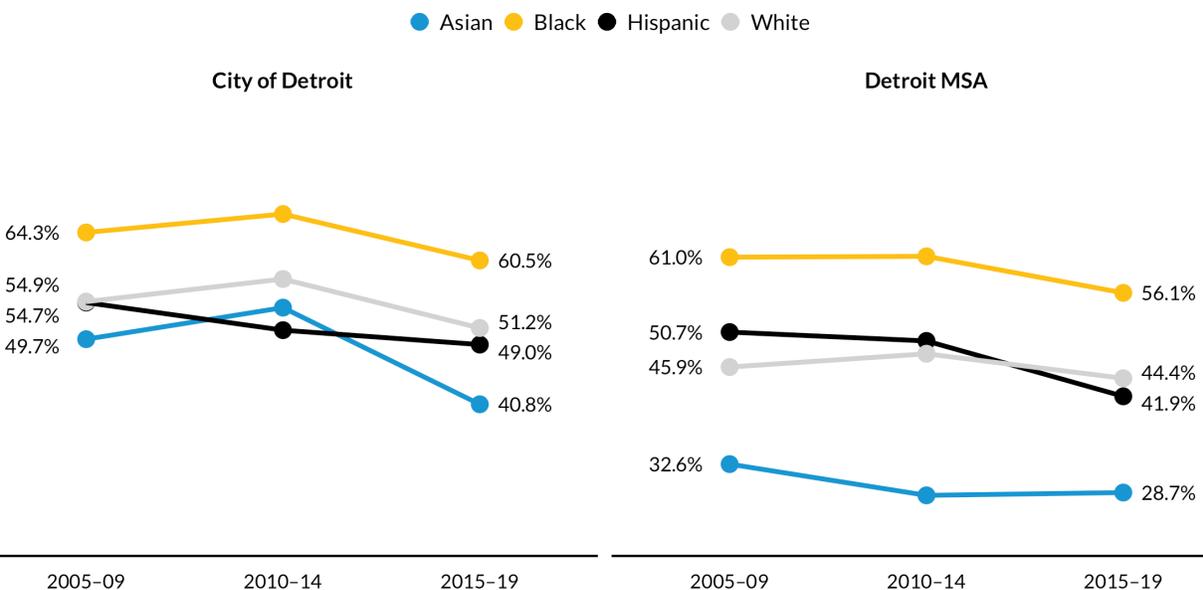
Housing Cost Burden Comparison among Renters



Source: American Community Survey.
Note: MSA = metropolitan statistical area.

A higher share of Black renters in both Detroit and its MSA are rent burdened, reflecting their relatively low incomes. In 2015-19, about 61 percent of Black renters in Detroit and 56 percent of those in the Detroit MSA were rent burdened.

Housing Cost Burden among Renters, by Race or Ethnicity



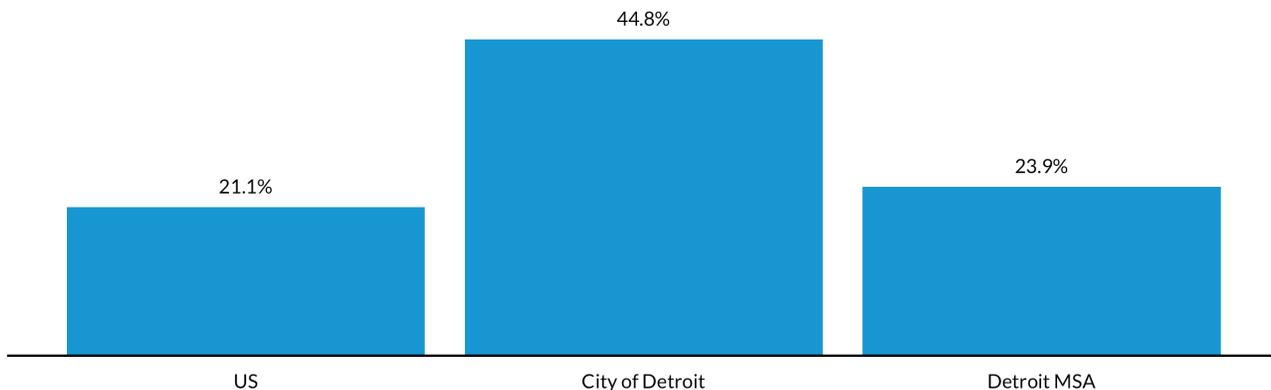
Source: American Community Survey.
Note: MSA = metropolitan statistical area.

Mortgage and Credit

Denial Rates

Homebuyers may see their mortgage application rejected for reasons related to their financial portfolio, but trends suggest that certain groups experience rejection more often. In 2019, 45 percent of borrowers who applied to purchase a home in Detroit were denied a mortgage. In comparison, the mortgage denial rate was 21 percent in the US and 24 percent in the Detroit MSA.

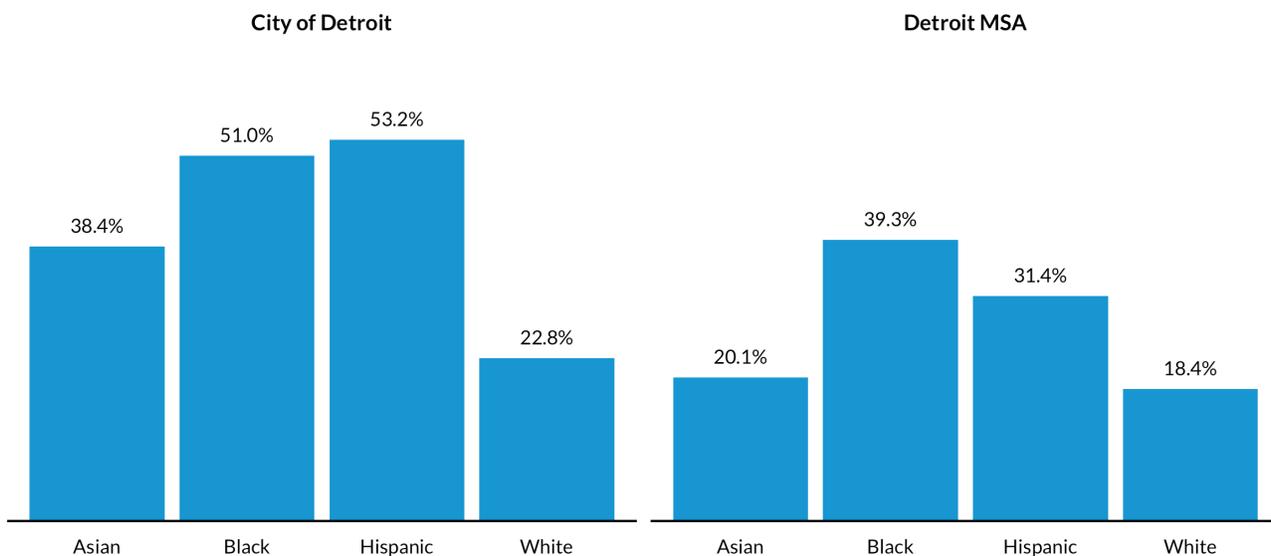
Denial Rate Comparison



Source: 2019 Home Mortgage Disclosure Act data.
Notes: MSA = metropolitan statistical area. Data are for purchase loans only.

Black homebuyers in the MSA were more likely to get their mortgage application rejected. More than half of the Black mortgage applicants in Detroit and almost 40 percent of mortgage applicants in the Detroit MSA were denied.

Denial Rates, by Race or Ethnicity



Source: 2019 Home Mortgage Disclosure Act data.
Notes: MSA = metropolitan statistical area. Data are for purchase loans only.

Denial Rates (continued)

Credit history, debt-to-income ratio, and collateral were the three most frequently mentioned reasons for mortgage denial. For Black households, credit history was the reason for denial for more than 51 percent of applicants in Detroit and 46 percent of applicants in the Detroit MSA.

Reason for Denial

Reason	City of Detroit				Detroit MSA			
	Asian	Black	Hispanic	White	Asian	Black	Hispanic	White
Credit history	34.6%	51.2%	50.8%	24.5%	23.3%	45.9%	44.0%	30.5%
DTI ratio	26.9%	14.0%	14.8%	19.1%	35.9%	18.5%	20.7%	27.9%
Collateral	26.9%	17.9%	16.9%	30.4%	19.5%	17.9%	16.5%	19.2%

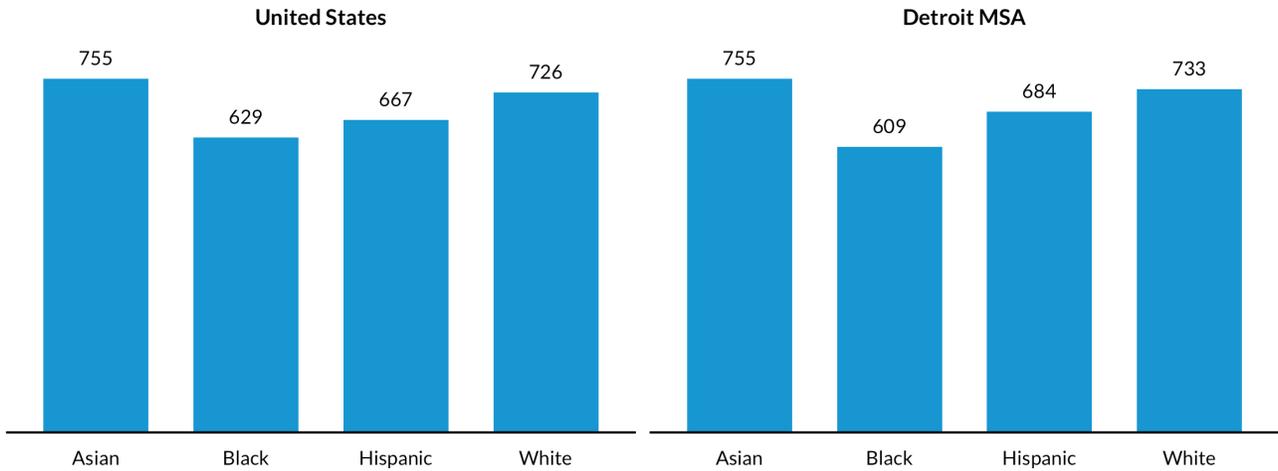
Source: 2019 Home Mortgage Disclosure Act data.

Notes: DTI = debt-to-income; MSA = metropolitan statistical area. Data are for purchase loans only.

Credit Scores

Black consumers had the lowest median credit score in both the nation (629) and the Detroit MSA (609) in January 2021, compared with 726 and 733, respectively, for white consumers.

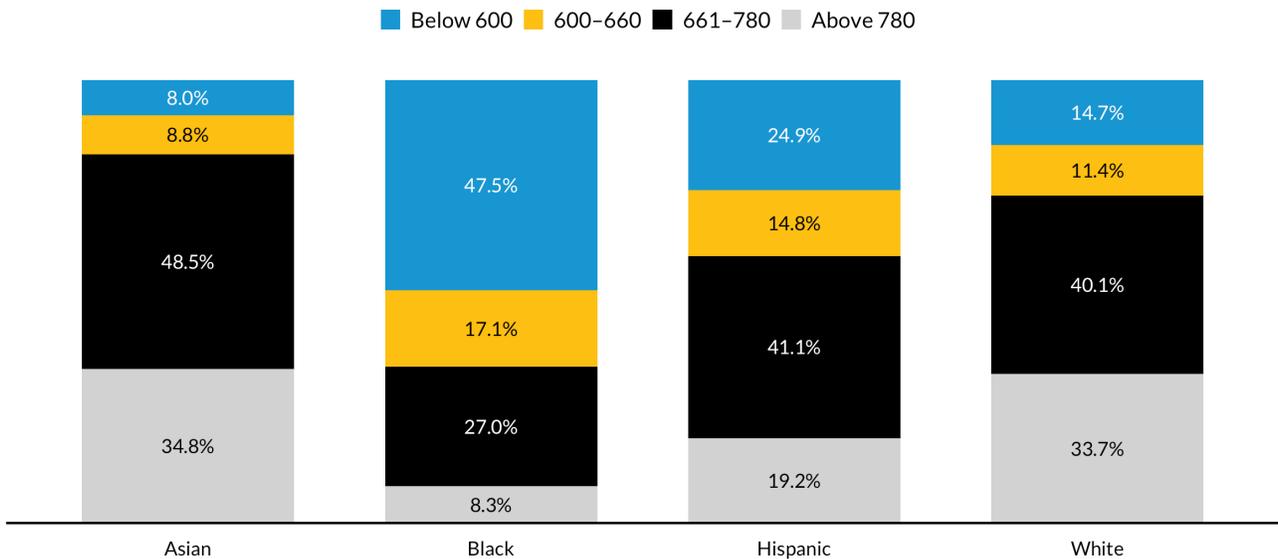
Credit Score Comparison



Source: 2021 VantageScore data obtained from Freddie Mac.
 Note: MSA = metropolitan statistical area.

In the Detroit MSA, close to half of Black consumers have a VantageScore below 600, the highest share among all racial and ethnic groups. Credit is the most frequently mentioned reason for mortgage denial, and it is concerning that so many Black consumers have low credit scores.

Credit Scores, by Race or Ethnicity, in the Detroit Metropolitan Statistical Area

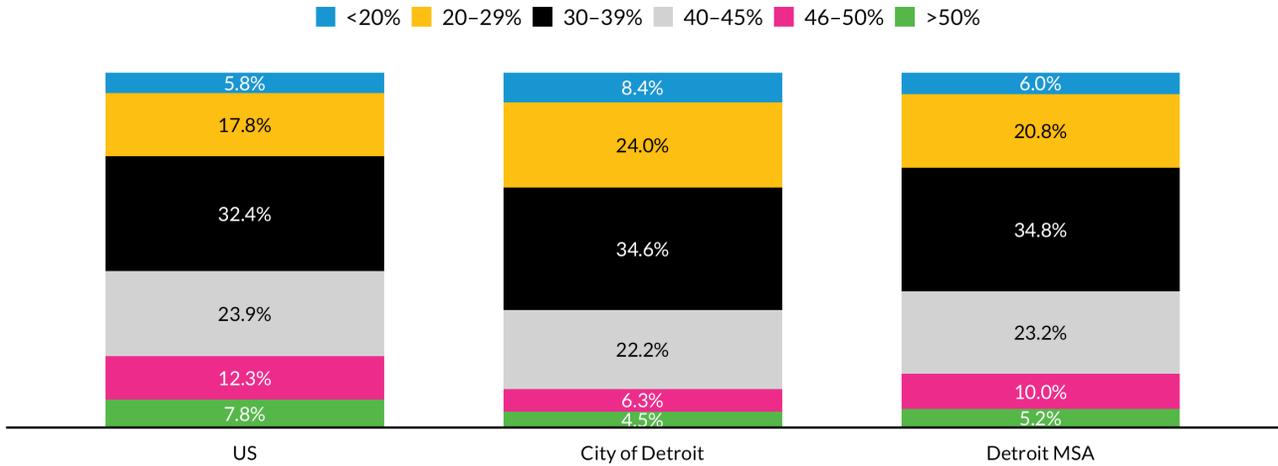


Source: 2021 VantageScore data obtained from Freddie Mac.

Debt-to-Income Ratios

Potential lenders calculate an applicant's debt-to-income (DTI) ratio to compare how much an applicant owes each month with how much an applicant makes each month. The ratio of an applicant's recurring monthly debt to their monthly gross income is a common parameter to secure a lender's approval and to qualify for a mortgage. The share of borrowers with a high DTI ratio in Detroit is slightly lower than in the MSA and the US. About 34 percent of homebuyers in the city, 36 percent in the MSA, and 41 percent in the US had a DTI ratio of 40 percent or higher. This is mainly because property values in Detroit are substantially lower than in the other two geographic comparison areas.

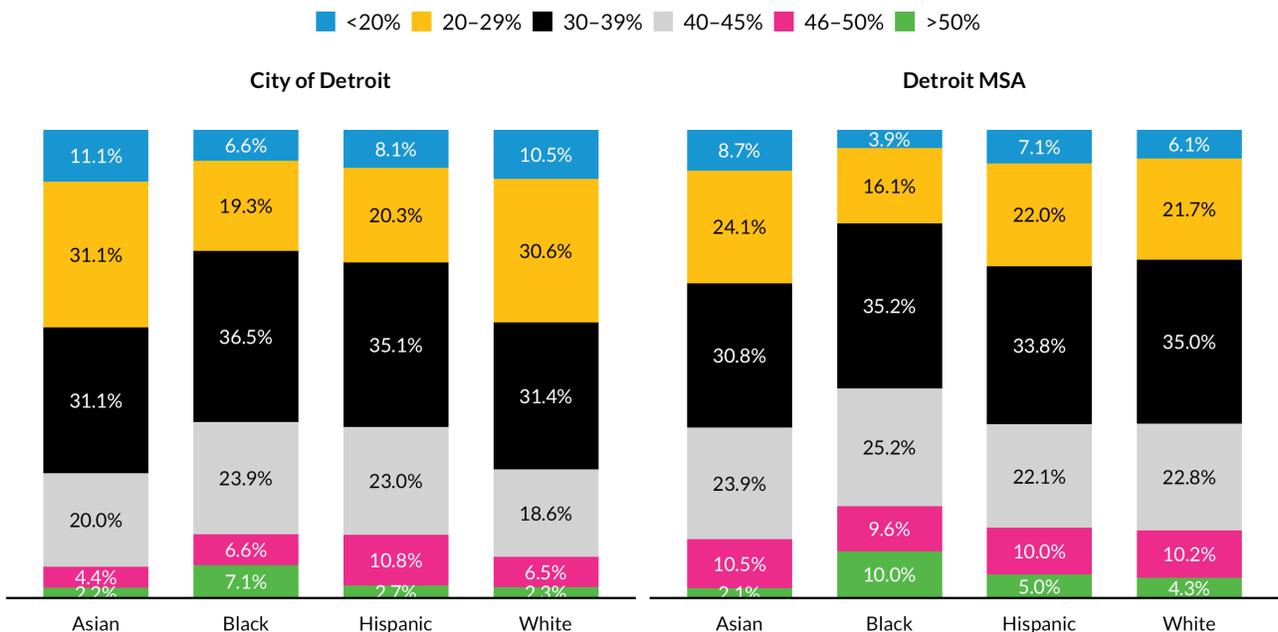
DTI Ratio Distribution Comparison



Source: 2019 Home Mortgage Disclosure Act data.
Notes: DTI = debt-to-income; MSA = metropolitan statistical area. Data are for purchase loans only.

Despite having low property values, Black borrowers in Detroit, on average, have high DTI ratios, reflecting their low incomes. In both the city and the MSA, Black homebuyers have the highest share of DTI ratios above 40 percent across all racial and ethnic groups. The share of DTI ratios above 40 percent in the city is lower (38 percent) than in the MSA (45 percent).

DTI Ratio Distribution, by Race or Ethnicity

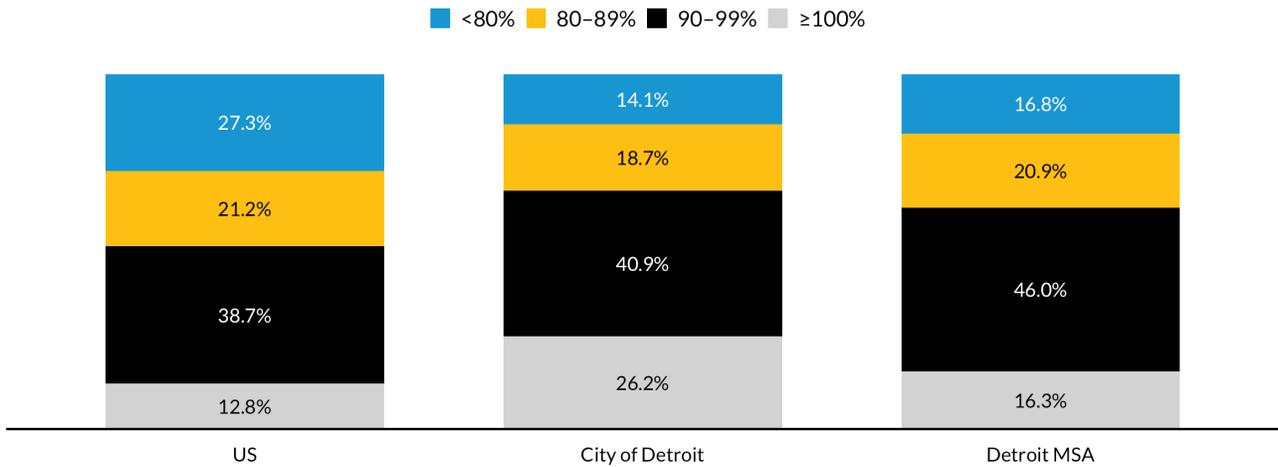


Source: 2019 Home Mortgage Disclosure Act data.
Notes: DTI = debt-to-income; MSA = metropolitan statistical area. Data are for purchase loans only.

Loan-to-Value Ratios

Homebuyers in Detroit purchased homes with a higher loan-to-value (LTV) ratio. About 67 percent of households have an LTV ratio of 90 percent and above, compared with 62 percent in the MSA and 52 percent in the US. A higher LTV ratio is associated with greater risk, and homeowners with high LTV ratios take longer to build wealth because they have put less equity down at purchase.

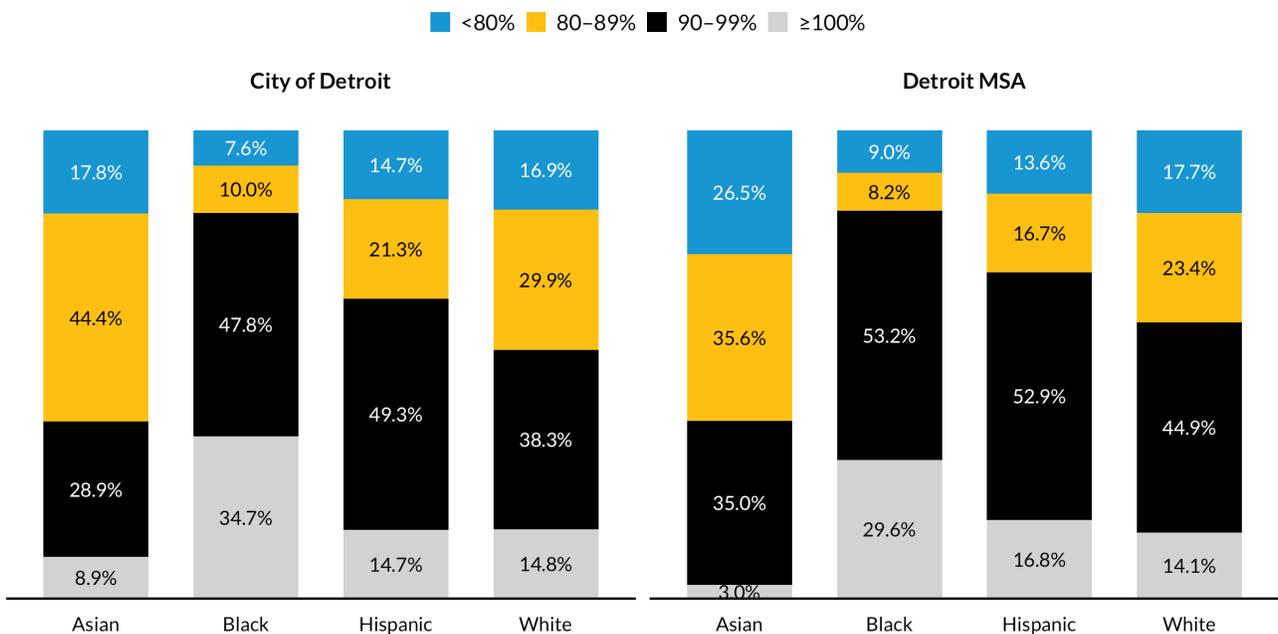
LTV Ratio Distribution Comparison



Source: 2019 Home Mortgage Disclosure Act data.
Notes: LTV = loan-to-value; MSA = metropolitan statistical area. Data are for purchase loans only.

Black homebuyers have higher LTV ratios than homebuyers of other races and ethnicities. The share of Black borrowers with LTV ratios of 90 percent and above is 56 percent in the city and 61 percent in the MSA. In comparison, the share of white borrowers with LTV ratios of 90 percent and above is 38 percent in the city and 36 percent in the MSA.

LTV Ratio Distribution, by Race or Ethnicity

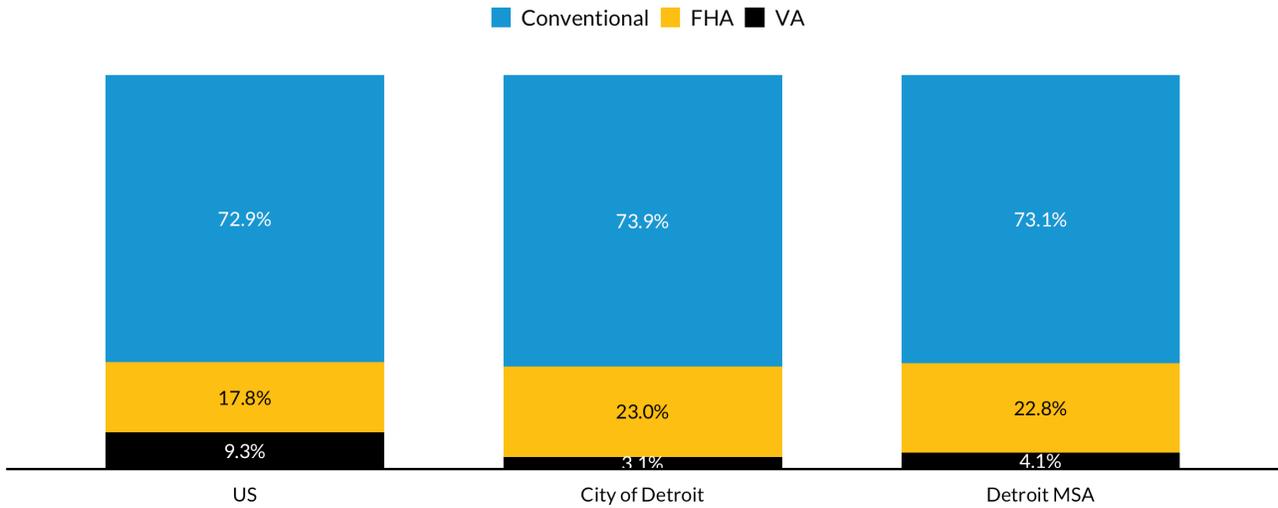


Source: 2019 Home Mortgage Disclosure Act data.
Notes: LTV = loan-to-value; MSA = metropolitan statistical area. Data are for purchase loans only.

Loan Channels

Among those who purchased homes in 2019, a higher share of borrowers in Detroit and its MSA used Federal Housing Administration (FHA) loans compared with those in the US. The share of conventional loans was similar in all three regions, while the share of US Department of Veterans Affairs (VA) loans was higher nationally.

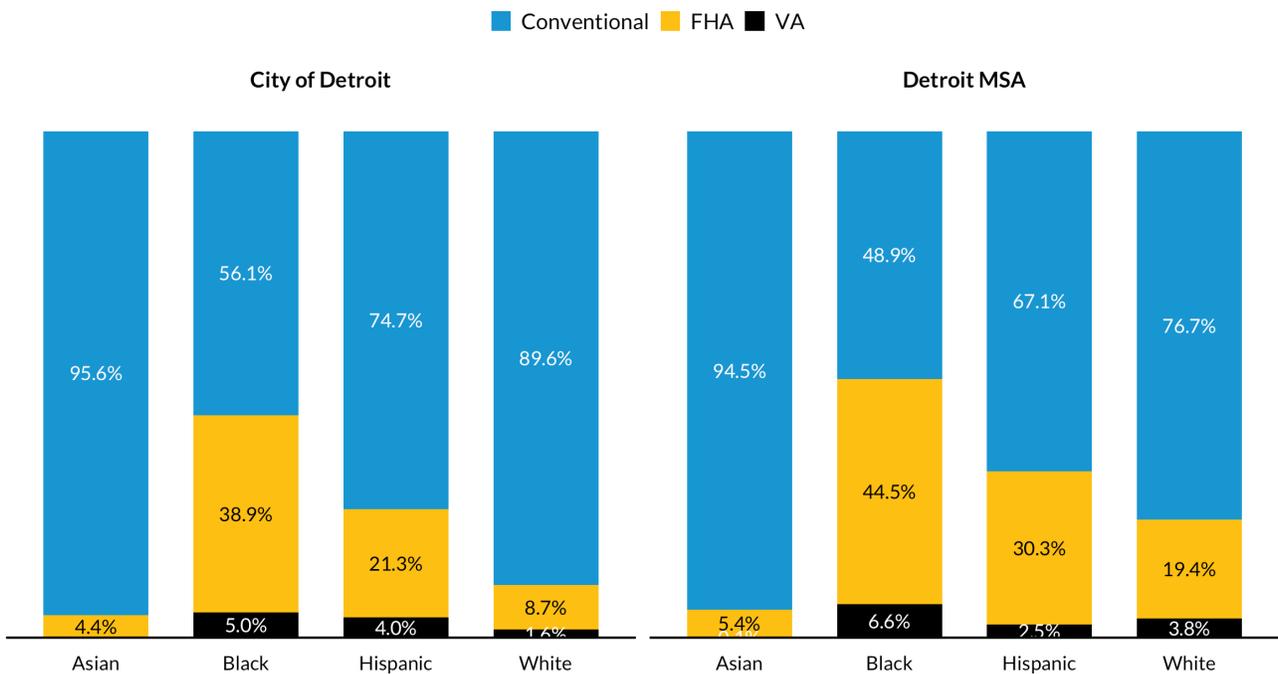
Loan Channel Comparison



Source: 2019 Home Mortgage Disclosure Act data.
Notes: FHA = Federal Housing Administration; MSA = metropolitan statistical area; VA = US Department of Veterans Affairs. Data are for purchase loans only.

In both Detroit and its MSA, FHA loans account for a higher share of loan channel composition for Black households than for any other racial or ethnic group. In 2019, the FHA share of loans for Black households was 39 percent in Detroit and 45 percent in the Detroit MSA.

Loan Channel, by Race or Ethnicity



Source: 2019 Home Mortgage Disclosure Act data.
Notes: FHA = Federal Housing Administration; MSA = metropolitan statistical area; VA = US Department of Veterans Affairs. Data are for purchase loans only.

Mortgage Readiness

The mortgage-ready population, calculated by Freddie Mac, includes borrowers ages 45 and younger who do not have a mortgage but have the credit characteristics to qualify for one. Freddie Mac uses credit scores, DTI ratios, and delinquency histories to estimate this number. As of January 2021, the mortgage-ready population in the US housing market was about 41 million, including 3.4 million Black consumers. In the Detroit MSA, the mortgage-ready population is close to 500,000, including 60,000 Black consumers.

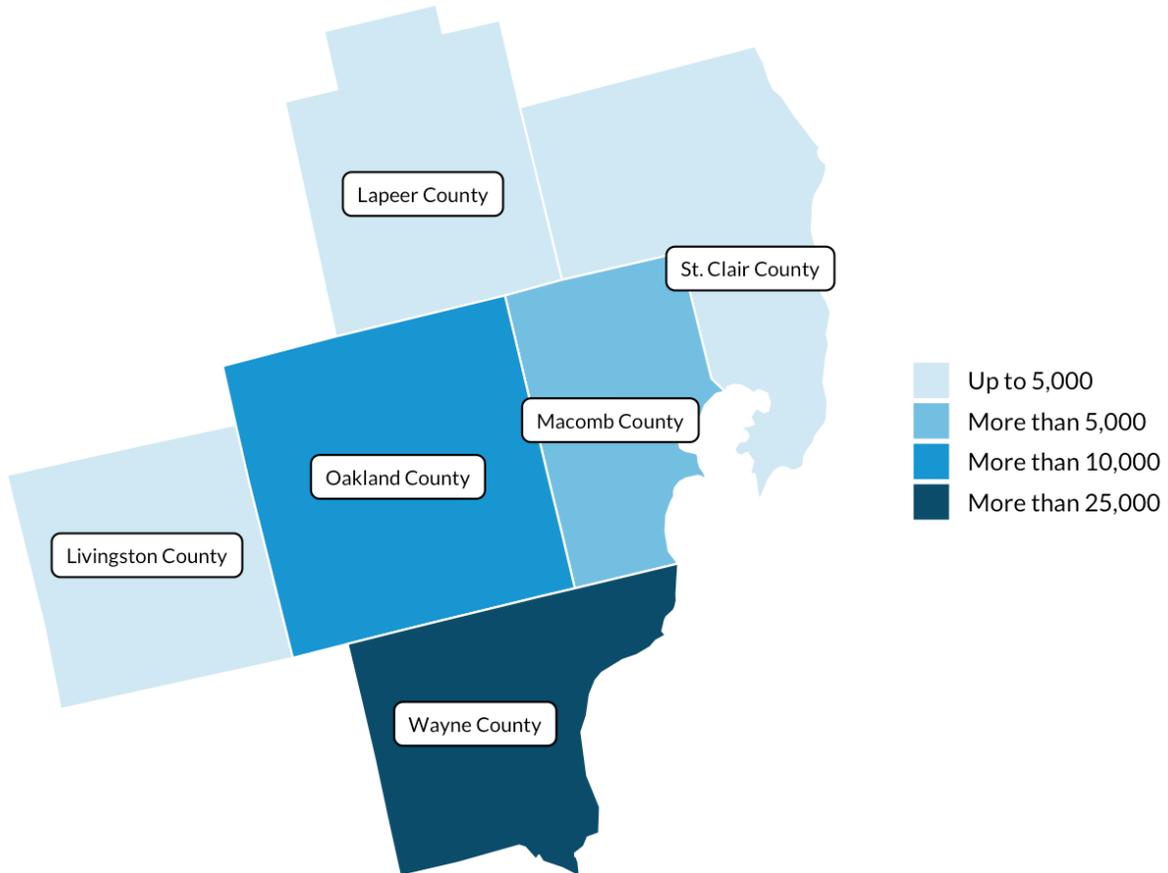
Mortgage-Ready Count, by Race or Ethnicity

	Asian	Black	Hispanic	White	Other	Total
Detroit MSA	64,197.0	60,490.0	27,162.0	313,029.0	32,849.0	497,727.0
United States	4,995,056.0	3,404,153.0	8,260,804.0	23,440,086.0	988,013.0	41,088,112.0

Source: 2021 VantageScore data obtained from Freddie Mac.
 Notes: MSA = metropolitan statistical area. Data are for purchase loans only.

In the Detroit MSA, the mortgage-ready Black population is concentrated in Wayne County, home to about half the region’s Black consumers.

Size of the Mortgage-Ready Black Population, by County



Source: 2021 VantageScore data obtained from Freddie Mac.

Mortgage Readiness (continued)

Fewer Black consumers are mortgage ready than consumers of other races and ethnicities. This Black share of mortgage-ready consumers is even lower in the Detroit MSA (18 percent) than in the nation (22 percent). This is consistent with the lower credit scores and incomes among Black people living in Detroit. Despite the lower share of mortgage-ready people in the Detroit MSA, there is a higher share of those who can afford a mortgage among the mortgage-ready population. Nationally, 45 percent of mortgage-ready Black consumers can afford median-price homes assuming a 2.9 percent mortgage rate, compared with 76 percent in the Detroit MSA. This is because home prices are much lower in the Detroit MSA than in the nation. Also, because of lower home prices, it takes fewer years to save for a 3 percent down payment in the Detroit MSA than in the nation. In the Detroit MSA, it would take about 1.72 years for a mortgage-ready Black borrower to save for a 3 percent down payment, compared with 2.71 years nationally.

Mortgage Readiness, by Race or Ethnicity

Race or ethnicity	Mortgage-Ready Share		Mortgage Affordability at 2.9% Interest		Years to Save a 3% Down Payment	
	United States	Detroit MSA	United States	Detroit MSA	United States	Detroit MSA
Asian	60.8%	63.4%	34.0%	79.8%	3.59	1.77
Black	21.8%	18.1%	45.2%	76.4%	2.71	1.72
Hispanic	34.1%	37.8%	27.7%	74.9%	3.74	1.78
White	35.9%	37.4%	51.5%	73.5%	2.46	1.79

Source: 2019 Home Mortgage Disclosure Act data.

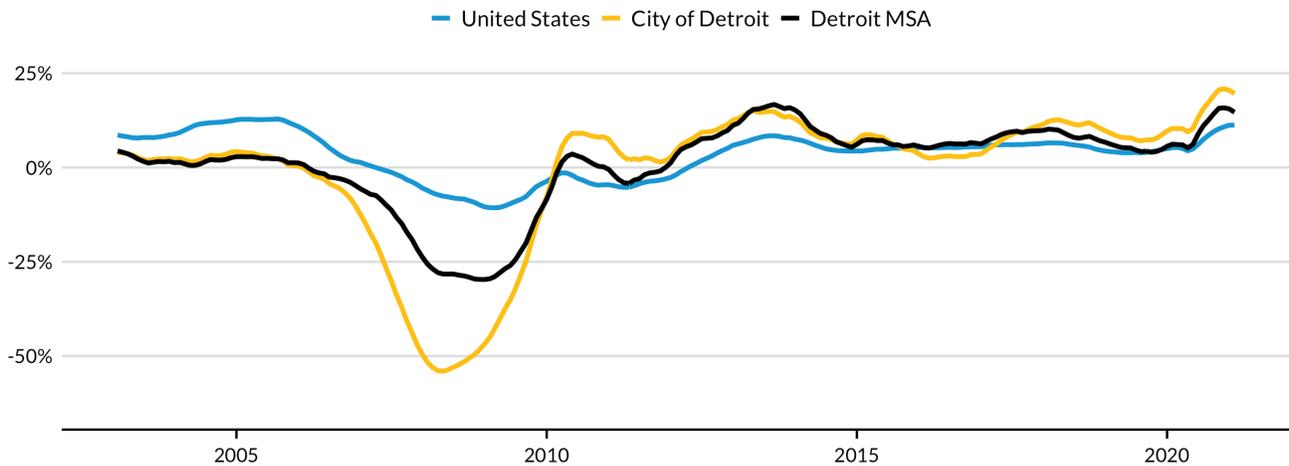
Notes: MSA = metropolitan statistical area. Data are for purchase loans only.

Home Prices

Home Price Appreciation

Home prices in Detroit were hit hard in the wake of the 2008 housing bust, losing significantly more value than the US market.

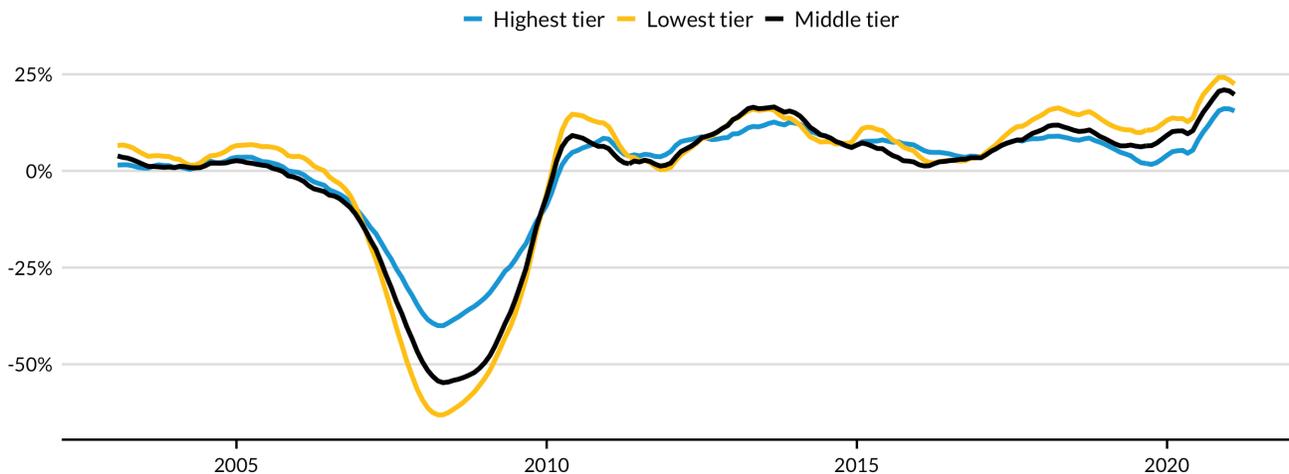
Year-over-Year Price Changes



Source: Black Knight.
Note: MSA = metropolitan statistical area.

In Detroit, prices for homes in the lowest price tier—the bottom 20th percentile—dropped the most during the Great Recession. But recently, these homes show higher appreciation rates as new home prices rise because of higher development costs.

Year-over-Year Price Changes in the City of Detroit, by Price Tier

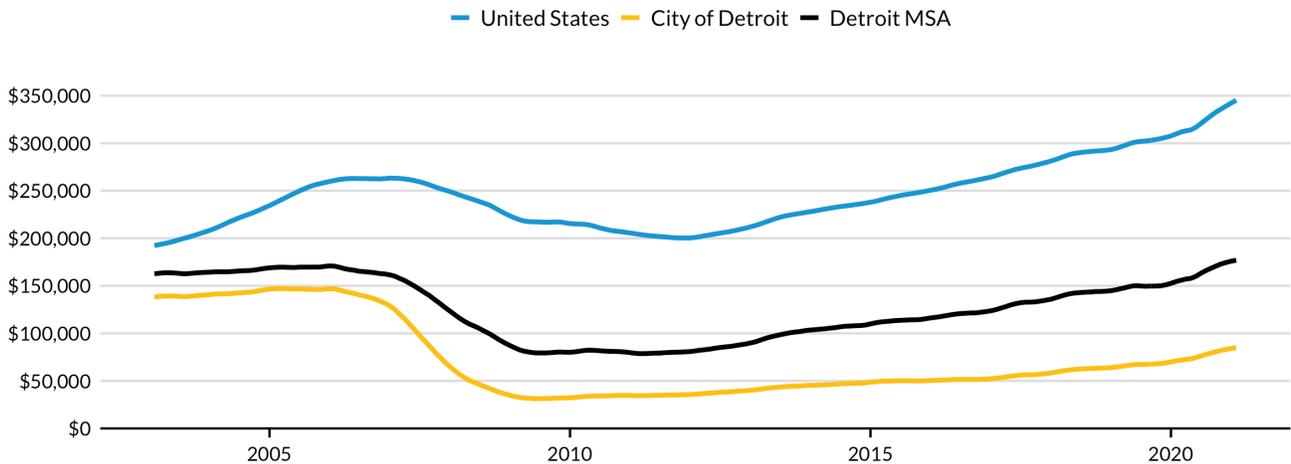


Source: Black Knight.

Home Price Appreciation (continued)

Nationally, average home prices are 29 percent above where they were during the prior peak, but average home values in the city remain 43 percent below their peak values, though prices are up 166 percent from their nadir.

Average Home Price Estimate

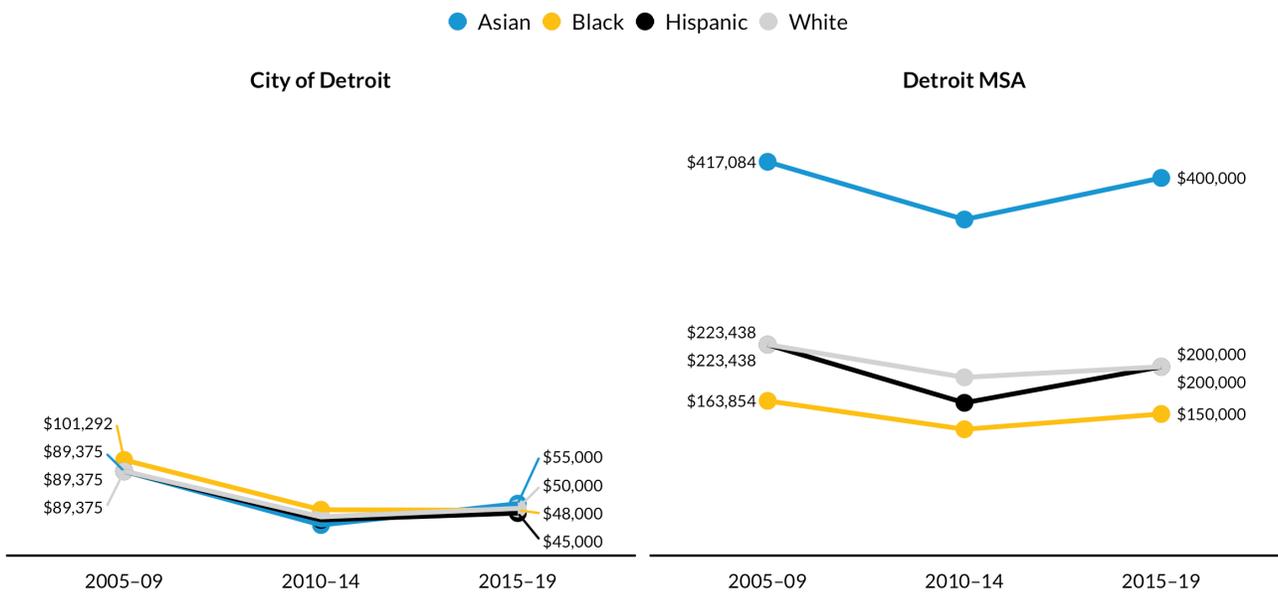


Source: Black Knight.
Note: MSA = metropolitan statistical area.

Home Values, by Race and Ethnicity

As home prices fell significantly in Detroit following the Great Recession, the median home value for all racial and ethnic groups dropped significantly as well. Median home values for Asian, Hispanic, and white households increased from 2010–14 to 2015–19, but the median home value for Black households dropped further. In the Detroit MSA, home values have recovered for all racial and ethnic groups during the past 10 years, but Black households still have the lowest median home value, showing that even among homeowners, there are substantial racial disparities in housing wealth.

Median Home Values, by Race or Ethnicity

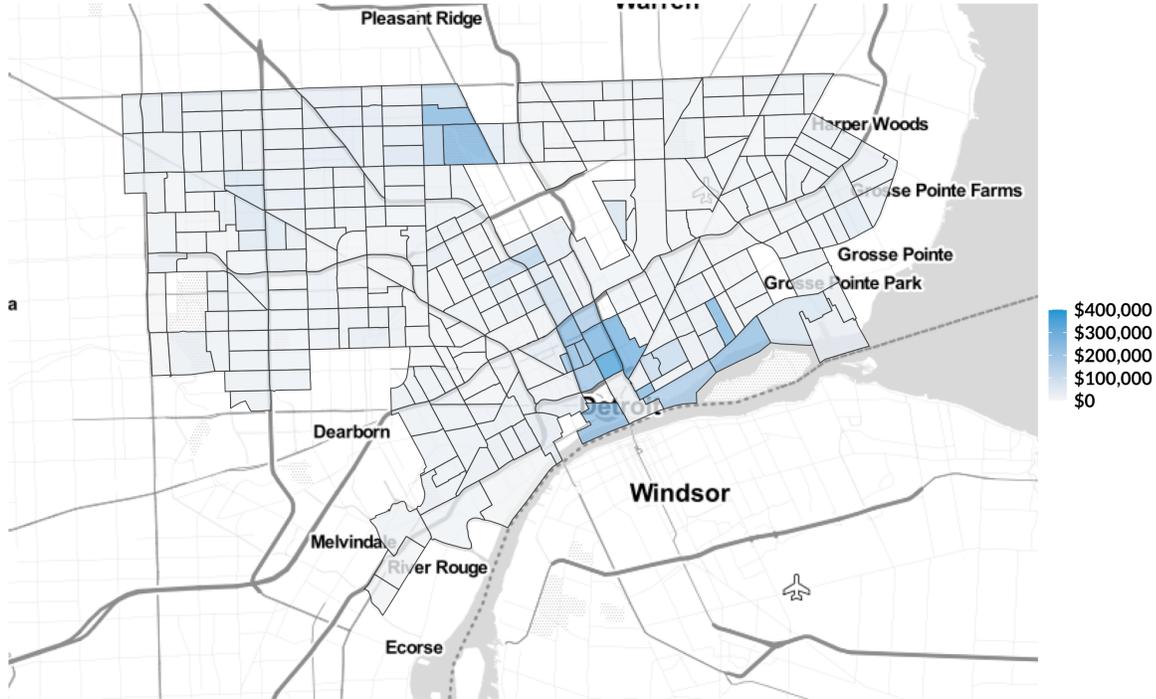


Source: American Community Survey.
Notes: MSA = metropolitan statistical area. Values are in 2019 inflation-adjusted dollars.

Home Values, by Neighborhood

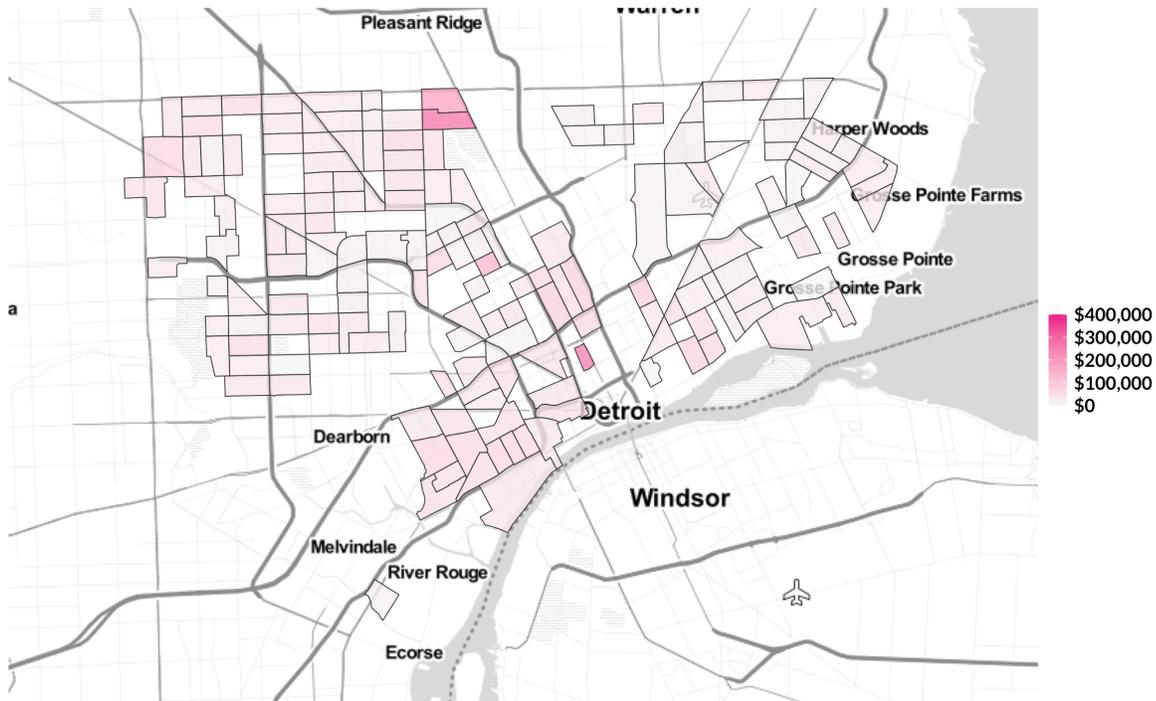
In terms of market valuation, the distributions of single-family homes and duplexes are in line with each other. The highest-value homes are concentrated around downtown and the riverfront and around Palmer Park west of Woodward, near the boundary with suburban Ferndale.

Mean Tract-Level Market Values of Single-Family Homes in Detroit



Source: Property records.

Mean Tract-Level Market Values of Duplexes in Detroit



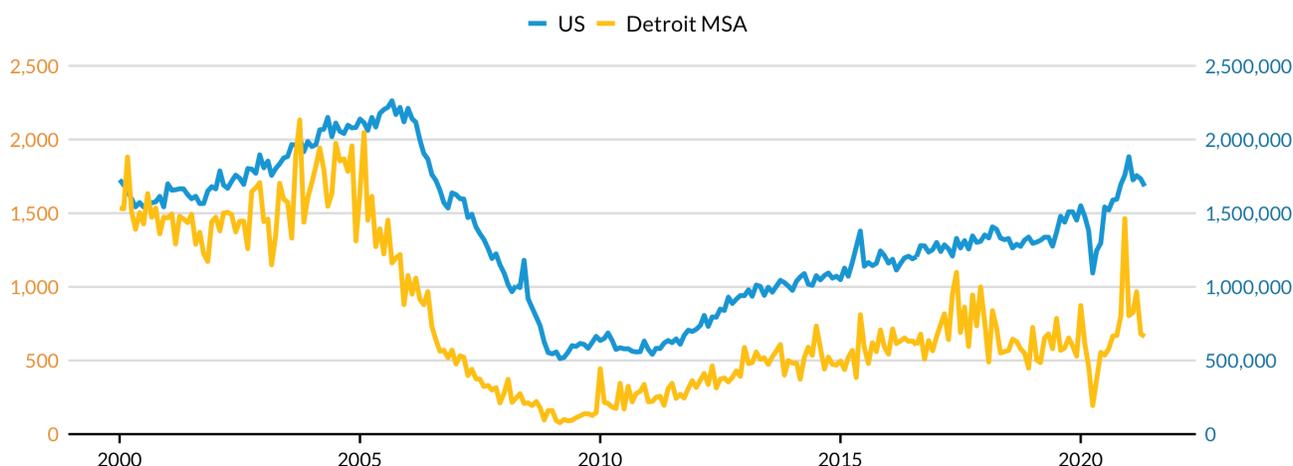
Source: Property records.

Housing Supply

Building Permits

In the past decade, the US has experienced significant housing supply shortages. New supply has been limited despite the growing population. In the Detroit MSA, the number of new private housing units authorized by building permits dropped significantly following the Great Recession. This number has slowly recovered but dipped when the COVID-19 pandemic hit. The numbers have gone up in recent months but are still considerably lower than in the years before the Great Recession. This is similar to the national trend.

New Housing Units Authorized by Building Permits



Source: US Census Bureau.
Note: MSA = metropolitan statistical area.

Housing Inventory

Housing inventory has dropped during the pandemic because the housing shortage continued while demand increased (mortgage rates dropped and millennials entered their prime homebuying ages). Between January 2018 and May 2021, housing inventory dropped 31 percent in the US, 16 percent in Detroit, and 21 percent in the Detroit MSA. The annual inventory per household was lower in the city than in the MSA and nationally.

Changes in Housing Inventory

Time frame	United States	City of Detroit	Detroit MSA
Jan. 2018–May 2021	-30.9%	-15.5%	-21.2%

Source: Zillow.
Note: MSA = metropolitan statistical area.

Inventory per Household

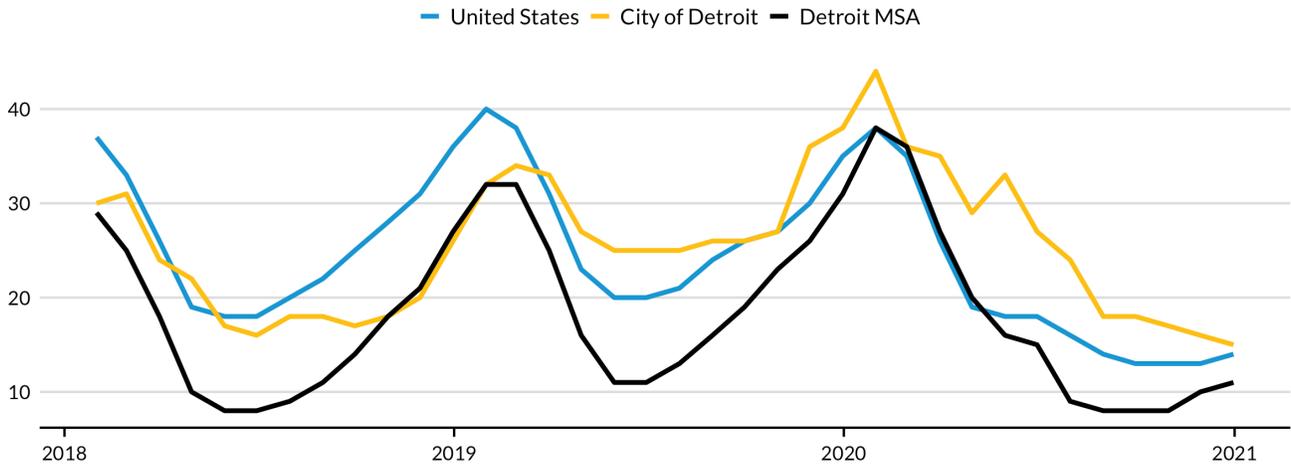
Year	United States	City of Detroit	Detroit MSA
2018	16.0%	10.1%	13.0%
2019	16.1%	11.7%	14.3%
2020	13.5%	10.3%	11.9%

Source: Zillow.
Note: MSA = metropolitan statistical area.

Days Pending

The time frame between a homeowner accepting a buyer's offer to the home closing is referred to as "days to pending." How short or long this time frame is can suggest how competitive the market is. Homes are selling faster in 2020 and 2021 than in past years. In other years, average days pending dropped during the first half of the year and then went up, reflecting seasonal differences in market activity. But in 2020, the average days pending continued to decline throughout the year.

Days Pending Comparison

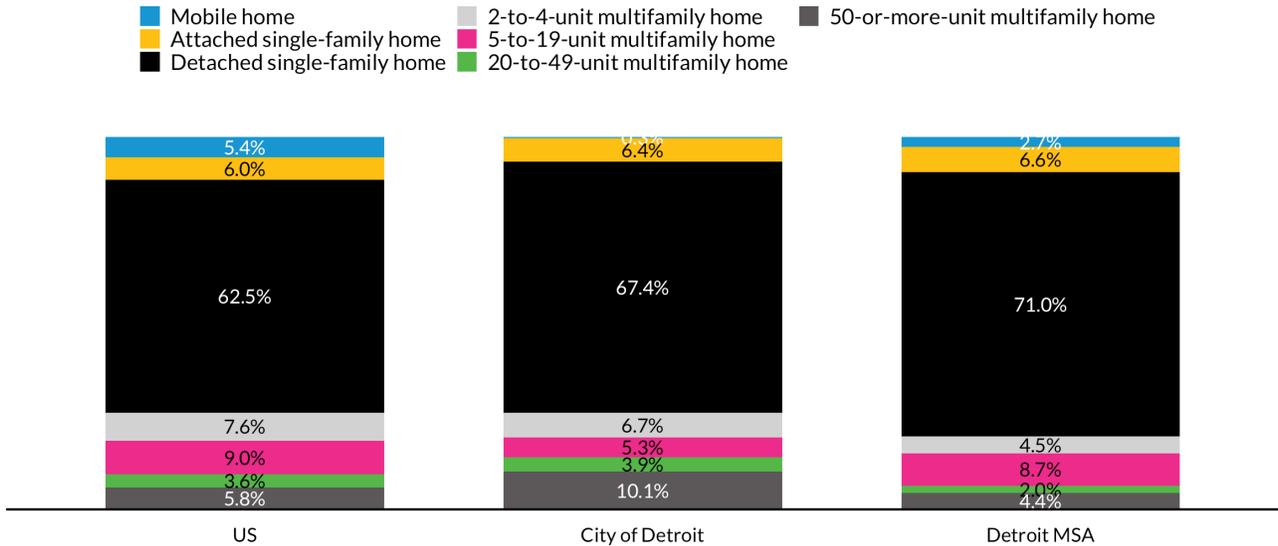


Source: Zillow.
Note: MSA = metropolitan statistical area.

Housing Type

Similar to the nationwide composition of housing structure types, households in both the city and the MSA largely live in single-family units. Among households living in multifamily units, a significant proportion in Detroit, primarily renters, reside in large-scale buildings with 50 or more units, which make up around 10 percent of the overall composition. In the MSA, buildings with 5 to 19 units make up the largest share of multifamily units and account for around 9 percent of the overall composition.

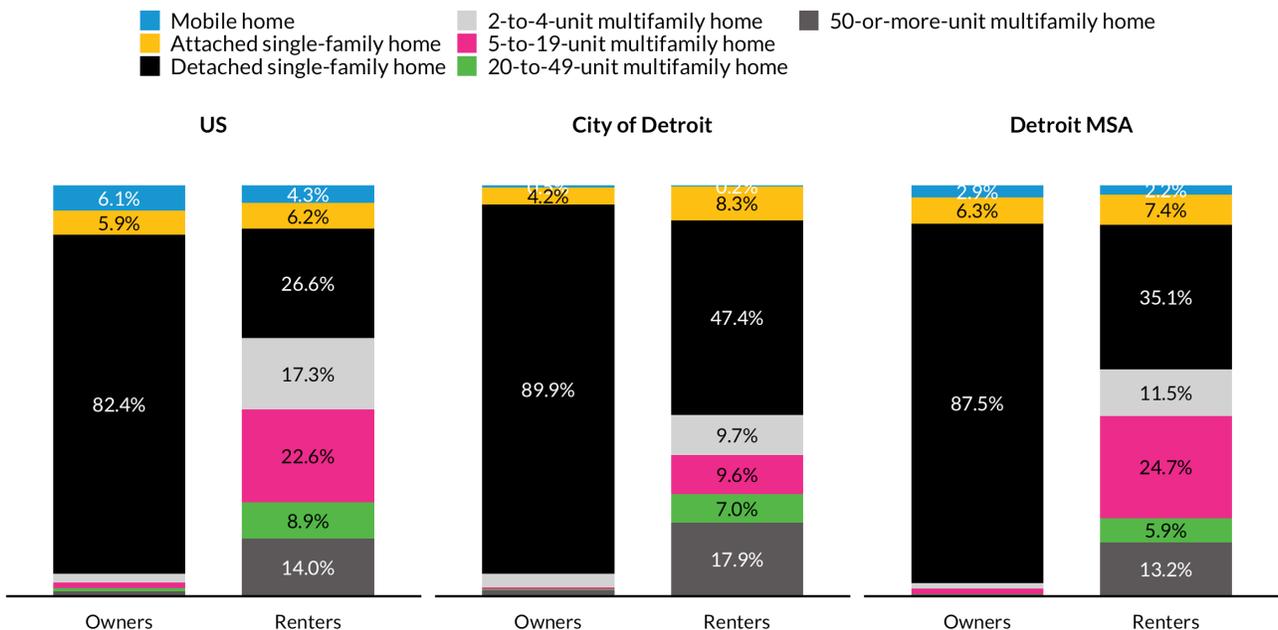
Housing Structure Type Comparison



Source: 2015–19 American Community Survey.
Note: MSA = metropolitan statistical area.

The most common property types in Detroit are single-family homes, condominiums, and duplexes. Single-family housing dominates the residential market, making up 96 percent of the market share. Neighborhoods that are more than 80 percent Black have a lower share of condominiums and a greater share of duplexes.

Housing Structure Type: Owners and Renters

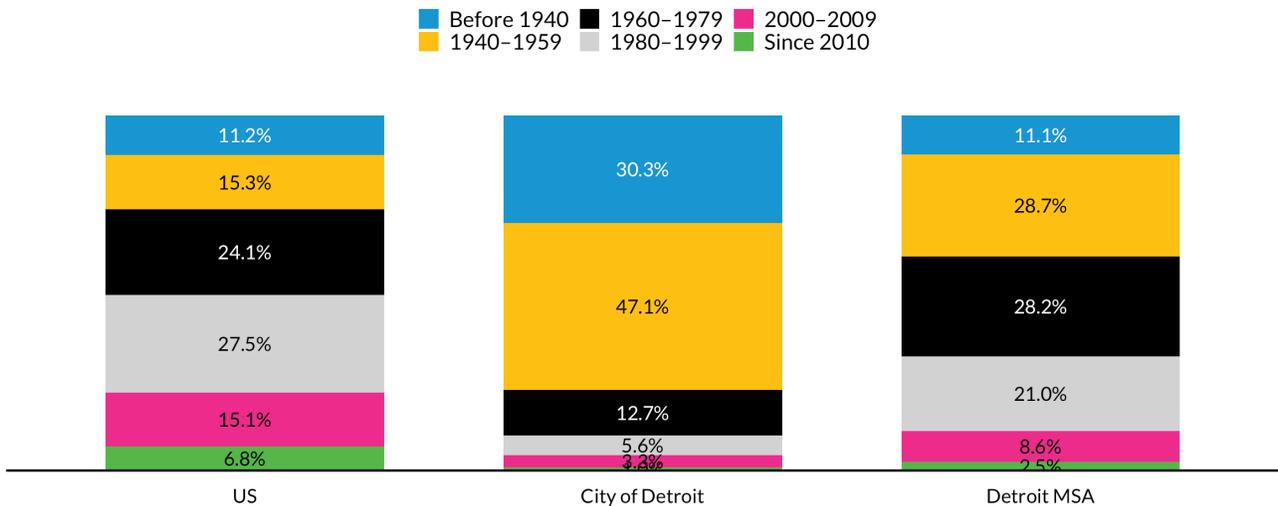


Source: 2015–19 American Community Survey.
Note: MSA = metropolitan statistical area.

Age of Housing

Depending on its age, an older home may require significant upkeep or extensive repairs that might decrease the likelihood of selling. Compared with the overall national composition, households in Detroit and its MSA live in older homes, with a higher share of homes built before 1980. Nationwide, only 51 percent of households live in homes built before 1980, compared with 90 percent in the Detroit and 68 percent in its MSA. Although new construction has slowed dramatically across the nation since the Great Recession, only 1 percent of households living in Detroit reside in homes built since 2010, compared with 3 percent in the MSA and 7 percent nationally.

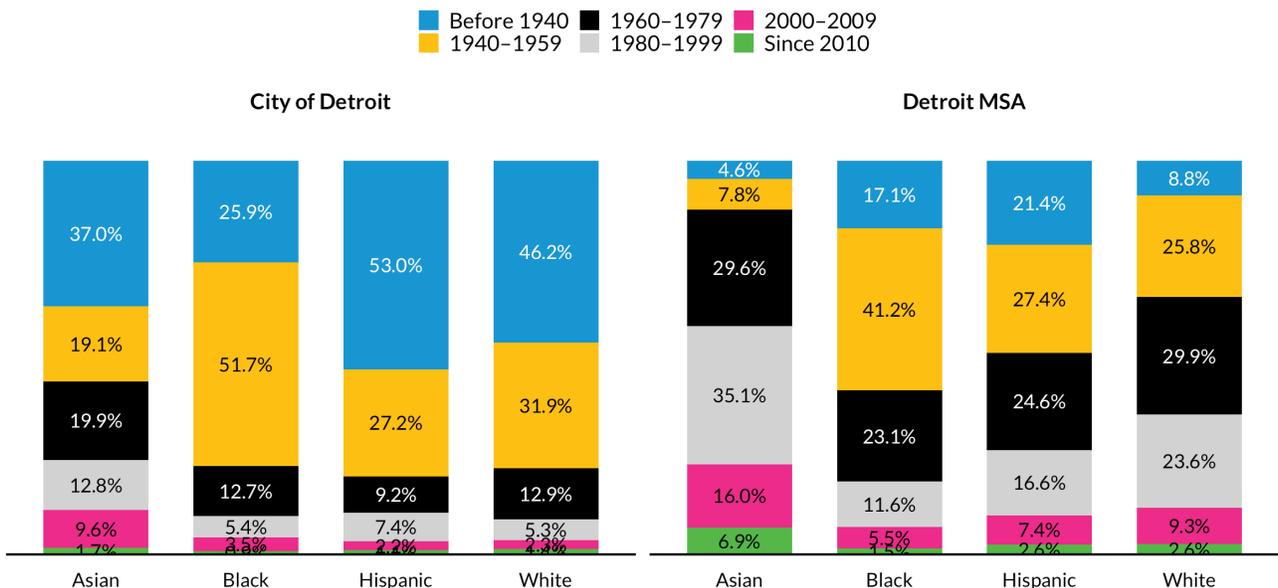
Year Built Comparison



Source: 2015–19 American Community Survey.
Note: MSA = metropolitan statistical area.

In both the city and the MSA, greater shares of Black households live in homes built before 1960 compared with Asian, Hispanic, and white households. In the MSA, 58 percent of Black households live in homes built before 1960 compared with only 35 percent of white households. Some 10 percent of Hispanic households and 61 percent of white households live in homes built after 2000.

Year Built Comparison, by Race or Ethnicity



Source: 2015–19 American Community Survey.
Note: MSA = metropolitan statistical area.

Conclusion

This report, in support of the Keys Unlocks Dreams Initiative for the Detroit market, is intended as a first step toward informing local housing policies with a profile of homeownership barriers and opportunities. It offers an evidence-based framework for policymakers and stakeholders such as consumers and housing market industry constituents as they seek to further fair housing and close racial homeownership and wealth gaps.

Although no city has closed the Black-white homeownership gap (Choi et al. 2019), Detroit has unique challenges that need tailored solutions. For example, because property assessments lag a substantial decline in home values following the Great Recession, many homeowners in Detroit were overcharged on their property taxes,¹ which led to delinquencies and foreclosures. Additionally, a study by the Quicken Loans Foundation showed that 87 percent of homeowners who were behind on their property taxes did not know they were eligible for partial or complete property tax exemption.² Through the Neighbor to Neighbor Initiative, the Quicken Loans Foundation conducted workshops to educate Detroit homeowners on property tax exemption programs, which reduced property tax foreclosure.³

Our report highlights that home prices in Detroit are affordable compared with the national average. Additionally, many homes in Detroit, especially those owned by Black homeowners, are older and require renovation. But financing for low-cost properties and renovation is challenging because of the lack of small-dollar mortgages (McCargo et al. 2018). Expanding and improving small-dollar mortgages would help Black households in Detroit access credit for purchasing and rehabilitating homes.

The COVID-19 pandemic has disproportionately affected communities of color. Black homeowners and renters are more likely than homeowners and renters of other racial and ethnic groups to be behind on their housing payments, which could increase the racial homeownership and wealth gap postpandemic.⁴ Many Black homeowners could fail to sustain their homes, and many Black renters could be left in a financial situation where homeownership is further out of reach. Timely and adequate policy changes are needed to prevent this from happening.

These are just some of the policy issues suggested by this snapshot on homeownership conditions in Detroit. The Urban Institute seeks to contribute the research to inform policy changes, new products and programs, education and outreach campaigns, and other partnerships for action. This work can help remove structural barriers that perpetuate inequality, expand affordable and fair housing options, prevent an unbalanced recovery from the COVID-19 pandemic, empower consumers and stakeholders with critical information and resources, and help close the racial wealth and homeownership gaps. We look forward to engaging on the data and on ideas for solutions in each of the places the Keys Unlock Dreams Initiative takes us in support of this work.

¹ Christine MacDonald, "Detroit Homeowners Overtaxed \$600 Million," *Detroit News*, January 9, 2020, <https://www.detroitnews.com/story/news/local/detroit-city/housing/2020/01/09/detroit-homeowners-overtaxed-600-million/2698518001/>.

² Kim DeGuilio and Derick Hutchinson, "Here's How Detroit Homeowners Can See If They're Eligible for Property Tax Assistance," *Click on Detroit*, August 11, 2020, <https://www.clickondetroit.com/news/local/2020/08/11/heres-how-detroit-homeowners-can-see-if-theyre-eligible-for-property-tax-assistance/>.

³ Rocket Mortgage, "The Quicken Loans Community Fund's 'Neighbor to Neighbor' Initiative Prevents Record 4,316 Detroit Families from Entering Property Tax Foreclosure in 2018," press release, May 2, 2019, <https://pressroom.rocketmortgage.com/2019/05/02/quicken-loans-community-fund-study-shows-2018-property-tax-foreclosures-in-detroit-hit-lowest-level-in-over-a-decade-company-commits-to-continuing-citywide-effort-to-help-homeowners/>.

⁴ Solomon Greene and Alanna McCargo, "New Data Suggest COVID-19 Is Widening Housing Disparities by Race and Income," *Urban Wire* (blog), Urban Institute, May 29, 2020, <https://www.urban.org/urban-wire/new-data-suggest-covid-19-widening-housing-disparities-race-and-income>.

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About the Authors

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