Is Limited English Proficiency a Barrier to Homeownership?

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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.

Background

As the US becomes increasingly diverse, gaps in homeownership have increased. Limited English proficiency has moved into the discussion about access to homeownership. On October 20, 2017, the Federal Housing Finance Agency announced it would add a preferred language question to the redesigned Uniform Residential Loan Application.[1] This question was added after considerable vetting. In May 2017, the agency released a request for information on this topic and received considerable input. This action was viewed as a step toward better understanding the role of limited English proficiency in the mortgage market. The focus on this preferred language question raises an important

issue: Do households with limited understanding of English share the same opportunities for homeownership as their English proficient counterparts?

To examine this issue, we present data on the LEP population in the United States and then analyze the relationship between limited English proficiency and homeownership.

What Is Limited English Proficiency?

The federal interagency website on limited English proficiency (www.lep.gov) defines LEP individuals as people who do not speak English as their primary language and who have a limited ability to read, speak, write, or understand English.

In 2016, nearly 5.3 million heads of household were LEP, according to the American Community Survey, or about 4.5 percent of US households. Close to 60 percent of these household heads, or 3.2 million, speak Spanish. Another 20 percent speak Asian or Pacific Island languages, and 15 percent speak other Indo-European languages.

Another way of understanding the LEP population is to look at which languages are most commonly spoken in the US and how many speakers of each language lack proficiency in English (i.e., people who speak English less than "very well"). Table 1 shows the 10 languages that have the most speakers who lack proficiency in English.

TABLE 1

Ten Most-Spoken Languages in the US by Lack of English Proficiency

Language	Speakers	Speakers who do not speak English "very well"	LEP share (%)
Spanish	39,145,066	16,268,850	42
Chinese (including Mandarin, Cantonese)	3,166,602	1,756,727	55
Vietnamese	1,454,192	853,809	59
Korean	1,104,615	597,106	54
Tagalog (including Filipino)	1,681,983	536,148	32
Arabic	1,086,808	406,530	37
Russian	900,205	403,556	45
Haitian	806,254	335,339	42
Portuguese	699,492	252,474	36
French (including Cajun)	1,224,932	250,326	20

Source: American Community Survey.
Notes: LEP = limited English proficient. Data as of 2016.

Spanish is the most common language spoken, and 42 percent of Spanish speakers do not speak English very well. This share is even higher among the next three largest groups who are not proficient in English. Fifty-five percent of Chinese speakers, 59 percent of Vietnamese speakers, and 54 percent of Korean speakers do not speak English very well.

Limited English Proficiency around the United States

To further understand the LEP population, we can look at its geographic distribution and the distribution of Hispanic residents, as Spanish speakers make up a considerable share of the LEP population. Table 2 summarizes the LEP and Hispanic populations in absolute numbers and as a share of the state's population. The LEP and Hispanic populations are highly clustered by state.

Nearly 28 percent of the LEP population lives in California. The four states with the most LEP residents (California with 3.8 million, Texas with 2.0 million, New York with 1.3 million, and Florida with 1.3 million) account for more than three-fifths of the LEP population. Those four states make up 61 percent of the Hispanic population but only about 33 percent of the total US population.

TABLE 2

LEP and Hispanic Populations by State

	LEP population	LEP share (%)	Hispanic population	Hispanic share (%)
Alabama	50,342	1.04	191,944	3.95
Alaska	12,559	1.70	51,719	7.00
Arizona	313,864	4.60	2,098,511	30.73
Arkansas	48,526	1.63	207,590	6.97
California	3,770,223	9.63	15,184,905	38.79
Colorado	164,283	3.01	1,165,546	21.36
Connecticut	128,224	3.57	554,361	15.44
Delaware	18,993	2.01	85,152	9.00
District of Columbia	14,047	2.09	71,453	10.63
Florida	1,267,173	6.25	4,961,905	24.48
Georgia	279,791	2.74	950,471	9.30
Hawaii	61,800	4.32	148,457	10.37
Idaho	28,085	1.70	199,912	12.08
Illinois	551,181	4.29	2,171,133	16.88
Indiana	90,682	1.37	437,508	6.61
Iowa	48,081	1.54	174,068	5.57
Kansas	63,929	2.20	336,479	11.56
Kentucky	40,123	0.91	145,175	3.28
Louisiana	59,875	1.28	227,388	4.87
Maine	4,069	0.31	20,677	1.56
Maryland	186,552	3.11	572,526	9.53
Massachusetts	285,069	4.20	757,059	11.14
Michigan	125,414	1.26	487,335	4.91
Minnesota	99,104	1.81	279,277	5.09
Mississippi	24,518	0.82	85,625	2.86
Missouri	49,583	0.82	238,070	3.91
Montana	2,390	0.23	37,183	3.60
Nebraska	40,905	2.16	196,460	10.36
Nevada	169,889	5.88	812,952	28.12
New Hampshire	10,701	0.80	44,321	3.33
New Jersey	524,834	5.86	1,762,984	19.68
New Mexico	87,634	4.20	1,002,409	48.07
New York	1,304,550	6.59	3,722,097	18.80
North Carolina	247,290	2.46	912,609	9.09
North Dakota	3,255	0.43	25,876	3.42
Ohio	115,672	1.00	408,057	3.51
Oklahoma	77,380	1.98	396,307	10.13
Oregon	112,643	2.80	511,475	12.69
Pennsylvania	236,745	1.85	867,095	6.77
Rhode Island	41,523	3.93	152,605	14.45
South Carolina	62,593	1.28	261,580	5.34
South Dakota	11,228	1.31	29,828	3.47
Tennessee	92,230	1.40	334,083	5.06
Texas	1,998,434	7.28	10,669,240	38.84
Utah	63,556	2.12	409,228	13.66
Vermont	3,960	0.63	10,673	1.70
Virginia	201,233	2.40	753,718	8.99
Washington	242,620	3.38	886,521	12.36
West Virginia	4,329	0.23	26,881	1.46
Wisconsin	75,977	1.32	380,548	6.59
Wyoming	7,696	1.31	57,801	9.86
United States	**13,525,357**	**4.21**	**56,476,777**	**17.57**

Source: American Community Survey, Urban Institute Sloan Administrative Data Research Facility database.

Notes: LEP = limited English proficient. Data as of 2015.

Limited English Proficiency and Homeownership

The racial and ethnic gaps in homeownership have been well documented, but little research has focused on the relationship between English proficiency and homeownership. Previous studies that have looked at the effect of nativity on homeownership have deduced that English proficiency affects whether a household becomes a homeowner (Haurin, Herbert, and Rosenthal 2007; Myers and Lee 1998). Cortes and coauthors (2007) find that nativity is not as predictive of homeownership, but factors associated with nativity are predictive. In the 2000 census, the homeownership rate for Hispanic households ranged from 28 percent among households who did not speak English to 51 percent among households who did. We explore whether other factors explain this variation and how much homeownership could increase if access were expanded for those with limited English proficiency.

Methodology and Data

To explore the relationship between limited English proficiency and homeownership at a more granular level, we used 2015 American Community Survey data pooled at the zip code level using the Urban Institute Sloan Administrative Data Research Facility database.[2] The database gave us broad access to variables that capture drivers of the homeownership rate, including the share of residents with limited English proficiency, median household income, share of household heads by racial or ethnic group, share of household heads by marital status, and share of households without children. We also included share of household heads by age group. Each variable is likely to affect the decision to purchase a home rather than rent. We included all US zip codes with more than 100 households, yielding 29,299 observations.

TABLE 1

Description of Variables

	10th percentile	Median	90th percentile
Homeownership rate	55.59	70.77	78.26
Limited English proficiency	0.19	1.14	5.97
Median household income ($)	37,500	50,000	75,000
Black (%)	0.20	2.74	26.05
Hispanic (%)	0.73	3.51	20.40
Other race (%)	0.10	2.75	9.73
Married (%)	33.14	41.72	46.33
No children (%)	53.89	63.57	70.12

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

Notes: The median homeownership rate for all zip codes with more than 100 households is 70.80 percent because of each zip code being weighted equally. Calculating the weighted average of these zip codes yields a homeownership rate of 63.13 percent, closer to national estimates. Percentiles apply to each row individually.

Figure 1 shows a scatterplot of the relationship between limited English proficiency concentration in a zip code and the homeownership rate. We initially analyzed these data by sorting the homeownership rates by limited English proficiency decile. 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 (above the 80th percentile, or a limited English proficiency share greater than 3.30 percent), the homeownership rate was 63.45 percent. In other words, 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.

TABLE 2

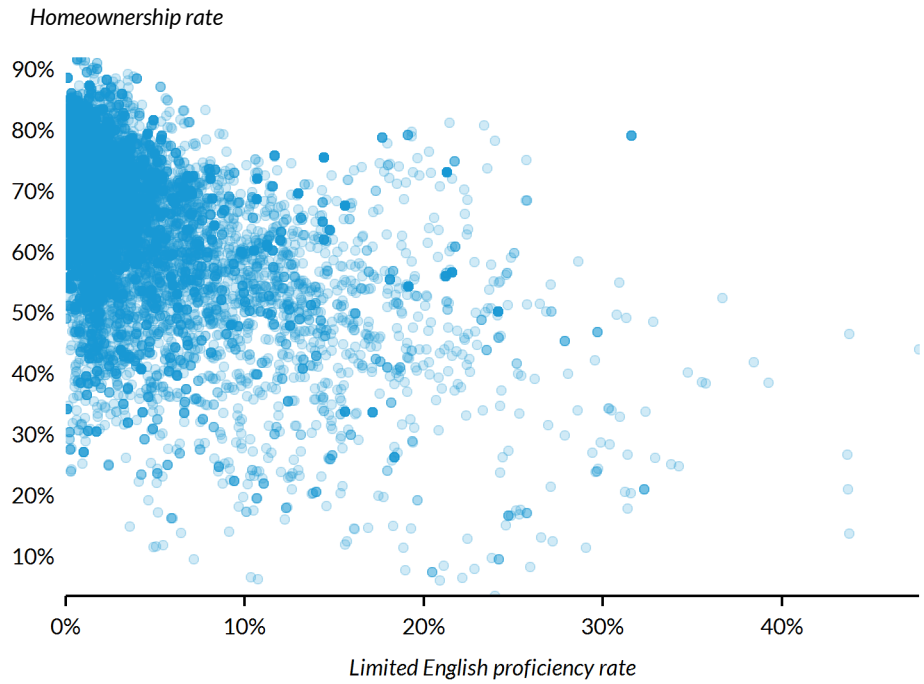
Homeownership Rate by Limited English Proficiency Quantile

	Limited English proficiency quantile				
	≤20th percentile (≤0.37%)	20th–40th percentile (0.37–0.79%)	40th–60th percentile (0.79–1.53%)	60th–80th percentile (1.53–3.30%)	> 80th percentile (> 3.30%)
Homeownership rate (%)	73.45	72.29	71.43	69.72	63.45

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

FIGURE 1

Homeownership Rates and Limited English Proficiency Concentration in Zip Codes



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

Regression Results

Table 2 can be summarized in a simple regression of the share of LEP residents on homeownership rates. The results show the following relationship between the share of LEP residents and homeownership:

$$\text{Homeownership rate} = 0.718 - 1.382 * \text{LEP \%}$$

The regression shows that the negative relationship between limited English proficiency and the homeownership rate is highly statistically significant. Evaluated at the 90th percentile of the LEP share (5.97 percent of households are LEP), the regression predicts a homeownership rate of 63.55 percent, as opposed to 69.87 percent at the median LEP share (1.15 percent of households are LEP).

We then used multivariate regression analysis to see if this relationship between LEP share and homeownership rates persisted when other commonly used explanatory variables were included. This allowed us to isolate the effect of the limited English proficiency variable from other variables associated with homeownership, such as income, age, and race or ethnicity. The results are summarized in the middle set of results in table 3.

TABLE 3

Comparison of Linear Models with Control Variables

	No controls	With controls	Without limited English proficiency
Limited English proficiency (%)	-1.382***	-1.102***	
	(0.025)	(0.024)	
Household income (natural log)		-0.007***	0.001
		(0.002)	(0.002)
Black (%)		-0.082***	-0.100***
		(0.004)	(0.004)
Hispanic (%)		0.047***	-0.204***
		(0.006)	(0.006)
Other race (%)		-0.180***	-0.267***
		(0.008)	(0.010)
Married (%)		0.676***	0.667***
		(0.011)	(0.012)
No children (%)		-0.397***	-0.408***
		(0.009)	(0.010)
Constant	0.718***	0.035	0.226***
	(0.001)	(0.082)	(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. *** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$.

The coefficient on limited English proficiency remains statistically significant, even with these additional control variables. Moreover, with these standard explanatory variables, the coefficients on

the limited English proficiency share changed by only 18 percent, from -1.382 to -1.102. We had expected these variables to explain much of the delta in homeownership rates. But both the Hispanic share and income variables have signs that are contrary to expectations and are statistically significant but are close to zero in their effect. For example, for the median Hispanic share observation (a zip code that is 3.47 percent Hispanic), the effect is 0.0467 * 0.0351, or a 0.16 percent increase in the median homeownership rate for the zip code compared with a zip code with no Hispanic households. The normal income effects on homeownership are most likely being captured by variables collinear with income, such as education, marital status, and age.

To address the possibility of multicollinearity, we ran the same regression without the limited English proficiency variable (the last set of results in table 3). This regression shows a negative, statistically significant coefficient on the share of Hispanic households, consistent with expectations. The income variable is not statistically significant, with the effects of income still likely captured by other control variables. The r-squared increases from 0.755 to 0.798 with the addition of the limited English proficiency variable, indicating that the regression that includes the limited English proficiency variable explains more of the variation in homeownership rates. These regression results indicate that limited English proficiency is an important component of the lower homeownership rate for Hispanic families, highlighting that limited English proficiency can be a major barrier to homeownership.

We checked the robustness of the limited English proficiency effect to specification. In particular, we included the quadratic term of limited English proficiency share squared. We also bifurcated the data and used only the data for zip codes with Hispanic population shares above the median value of 3.47 percent. Tables 4 and 5 present these results.

TABLE 4

Quadratic Regression Results

	Quadratic
Limited English proficiency (%)	-1.354***
	(0.038)
Limited English proficiency (%) ^{2}	1.112***
	(0.164)
Household income (natural log)	-0.003
	(0.002)
Black (%)	-0.078***
	(0.004)
Hispanic (%)	0.059***
	(0.007)
Other race (%)	-0.172***
	(0.008)
Married (%)	0.671***
	(0.010)
No children (%)	-0.396***
	(0.008)
Constant	0.718***
	(0.001)
Observations	29,299
R-squared	0.799
Age controls	Yes

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

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

TABLE 5

Linear Regression Bifurcated by Share of Hispanic Residents

	All zip codes	Zip codes above median
Limited English proficiency (%)	-1.102***	-1.088***
	(0.024)	(0.027)
Household income (natural log)	-0.007***	-0.017***
	(0.002)	(0.003)
Black (%)	-0.082***	-0.123***
	(0.004)	(0.007)
Hispanic (%)	0.047***	-0.035***
	(0.006)	(0.007)
Other race (%)	-0.180***	-0.186***
	(0.008)	(0.009)
Married (%)	0.676***	0.659***
	(0.011)	(0.017)
No children (%)	-0.397***	-0.425***
	(0.009)	(0.011)
Constant	0.035	0.220**
	(0.082)	(0.123)
Observations	29,299	29,299
R-squared	0.798	0.791
Age controls	Yes	Yes

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

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

These regressions suggest the limited English proficiency variable's effect is robust. They also suggest a small attenuation of the limited English proficiency effect for areas with either a higher share of LEP residents or more Hispanic residents. The coefficient on the quadratic term is positive. At the median, a 100 percent change in limited English proficiency would result in the quadratic term changing the homeownership rate by $1.112^{*}(0.011)^{2}$, or less than a 1 basis-point increase in the homeownership rate. While significant, the quadratic term has little explanatory power. Similarly, the coefficient on the limited English proficiency variable is marginally lower in absolute value (less negative) in zip codes with a Hispanic population above the median.

Implications

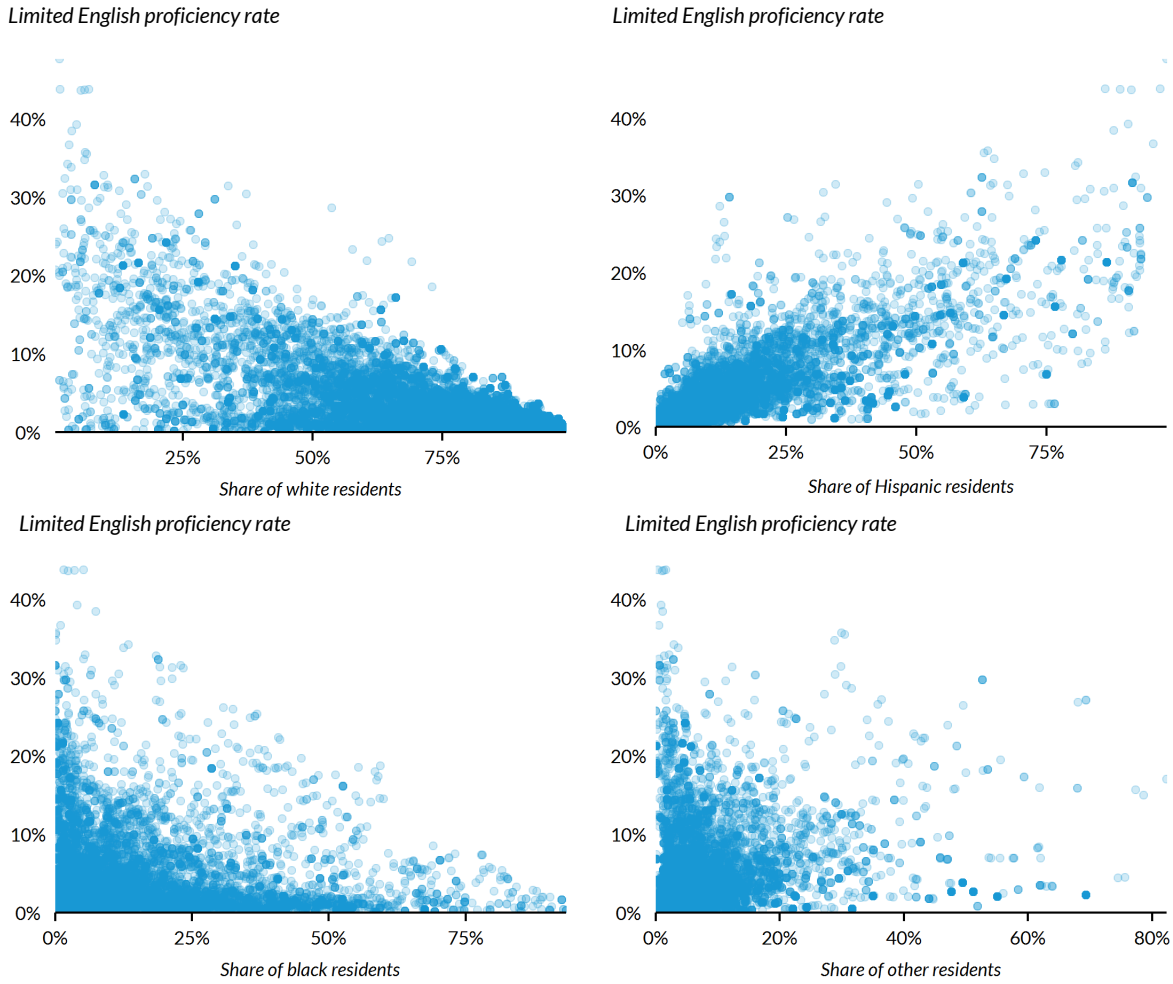
The regression results indicate that English proficiency in a neighborhood is a strong indicator of the homeownership rate. If we control for other factors that influence homeownership (e.g., income, age, and race or ethnicity), zip codes with the highest share of LEP residents have homeownership rates 5 percentage points lower than zip codes with the median share of LEP residents. There may be an opportunity to expand homeownership by better serving the LEP community. The addition of a preferred language variable on the mortgage application is a step in this direction.

We need more research to determine how the housing finance industry can better support the LEP population and which institutions can do so. Historically, we had financial institutions that served recent immigrant groups. Emigrant Savings Bank was founded in New York in 1850 to provide financial services to recent Irish immigrants. We now have a national mortgage market with the benefits of scale and liquidity, and the largest 50 originators account for about two-thirds of the market. Community banks and credit unions, some of which retain their immigrant focus, still are active in local markets and may be better at focusing on the needs of household heads with limited English proficiency. And a real estate brokerage community that serves Latino and Asian households has emerged. We should focus on whether these efforts improve access and how a national market can serve the needs of borrowers with limited English proficiency.

Sixty percent of the LEP population speaks Spanish, and the LEP population is generally higher in zip codes with a high share of Hispanic residents (table 1 and figure 2).

FIGURE 2

Limited English Proficiency Rates and Race or Ethnicity in Zip Codes



Source: American Community Survey.

Lenders might not offer all services in every language, but there are ways to help LEP households, such as expanding the availability and knowledge of culturally accessible Spanish-language materials. Other solutions that could enhance homeownership opportunities include employing more Spanish-speaking loan officers and making changes to underwriting, such as giving greater consideration to multigeneration families by counting more of the income of household members not on the mortgage in underwriting the mortgage.

These specific polices targeting the expansion of credit for households with limited English proficiency might promote homeownership, but 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.

Notes

1. Federal Housing Finance Agency, "Preferred Language Option to Be Added to the Redesigned Uniform Residential Loan Application," news release, October 20, 2017, https://www.fhfa.gov/Media/PublicAffairs/Pages/Preferred-Language-Question-to-be-Added-to-the-Redesigned-Uniform-Residential-Loan-Application.aspx.
2. "Urban Spark, About," Urban Institute, accessed March 19, 2018, https://adrf.urban.org/.

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