Professor Looks at How Immigrants Weathered the Housing Bust Better Than Others

By Lawrence Lerner

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The Great Recession, which was sparked by a massive housing bubble, is widely acknowledged to have been the most devastating financial crisis since the Great Depression. As people lost jobs and ran through their savings, home foreclosures reached record numbers. According to U.S. census data, the overall U.S. homeownership rate fell during the crisis and its aftermath, from a peak 69.2 percent in 2004 to 64.7 percent in 2014, the lowest it's been since 1995.

Professor Kusum Mundra, who teaches economics at Rutgers University–Newark, co-wrote one of the studies corroborating this, which attracted widespread media attention. She and a colleague at Emory University found that homeownership among immigrants climbed on average from 52.4 percent in the years leading up to the crisis (2000–2006) to 54.3 percent during the recession and its aftermath (2007–2012). The reverse was true for native-born Americans: Their homeownership rate fell from

74.3 percent to 72.4 percent, even though their wages declined less during that time.

How immigrants fared better at keeping their homes or purchasing new ones during the crisis and its aftermath has been the subject of ongoing debate. Mundra and her co-author, Professor Ruth Uwaifo Oyelere, looked at several factors that might have contributed to this phenomenon.

We sat down with Mundra recently to discuss the issue in greater detail.

You specialize in applied econometrics, focusing on issues facing immigrant communities and women. You've studied the effect of immigrant networks and diasporas on their trade and earnings, along with access to healthcare for immigrant women. Why was it important to look at immigrant housing?
Homeownership is central to assimilation in the U.S. Immigrants put down roots and invest in and build community, and gain the advantages that come with owning a home: tax relief and home equity wealth, which in turn allows for home equity loans to finance education or business opportunities, as well as for cash reserves.

It's also timely to look at immigrant housing, yes?
It is because immigrants are projected to fuel housing demand in this country. By some estimates, immigrants will account for more than one-third of the growth in homeowners by 2020 because of demographic shifts, migration to the suburbs and other factors.

Your study compares the impact that several factors had on immigrant homeownership both before and during the crisis and its aftermath. While you control for many variables, including household income, savings, years spent in the U.S., and citizenship, one variable stood out among the rest.
That's right. In our econometrics study, we controlled for many factors. And birthplace networks—social networks of friends and family from the same country of origin—was the most important factor. Nobody had really looked at the role of immigrant birthplace networks on national homeownership, particularly during times of economic stress.

And what did you find?
These networks have a significant affect on immigrant homeownership. In fact, we found that birthplace networks are the only housing determinant whose impact on home ownership changed substantially during and after the recession, compared with the years before: The effect doubled.

What are some implications from this?
Immediately post-recession, immigrant homeownership increased. Our hypothesis is that immigrants leveraged social networks to take advantage of the weak housing market. So, they got help not only in preventing foreclosures but also in new home ownership. And we find that the impact of these networks on homeownership is stronger for citizens and those who are not recent immigrants. Our future research is focused on digging deeper into birthplace networks and understanding their different dimensions and how they played a role in this interesting trend.

What about the other determinants?
They had an effect, but it was minimal. For example, years in the U.S. is usually a prime determinant for home ownership but was less of a factor during and after the recession. And the effect of savings actually declined while networks jumped during and after the crisis, compared with the pre–recession period.

Why is that?
Immigrants probably treated savings as the rest of the U.S. population—really, the rest of the world—did during the crisis: They held onto savings and used them in a precautionary way, instead of taking risks or putting them into homes.

And immigrant birthplace networks are important for other reasons as well, yes?
Correct. This has been studied in many other disciplines, including sociology. In economics, the impact of networks has been quantified for immigrant employment as well as unemployment duration. Networks also impact education, earnings, assimilation—even trade, as immigrants remove informal trade barriers and open import-export businesses to fill needs both in their country of origin and the U.S., and even form lobbies on the state and national level.

Thank you for sitting down with us.
It was my pleasure. Thank you.

Professor Mundra and Uwaifo Oyelere's study can be seen ***here****.*
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