

Wealth Disparities Threaten the Economic Security and Opportunities of Hispanic Americans and Their Families

Nineteen percent of the total U.S. population identifies as Hispanic—61 million people—and yet Hispanics own just about 2% of the [nation's wealth](#).

This report highlights some key metrics of wealth among Hispanic Americans, as well as investments and policy changes that can support real progress toward alleviating the wealth discrepancies between white and Hispanic families, including:

- The median wealth, or net worth, of white families is five times higher than the median net worth of Hispanic families.
- While Hispanic Americans are more likely to be in the labor force than white Americans, only about one in four Hispanic families have a retirement account.
- Over a decade after college entry, the typical Hispanic borrower with a four-year degree still owes nearly 80 percent of what they originally borrowed. Over the same period of time, the average white student with a bachelor's degree owes less than half of the original amount.
- Hispanic families are making progress in some important areas: prior to the pandemic, homeownership among Hispanic Americans increased for [five consecutive years](#). Over the last year, growth in homeownership among Hispanic Americans accounted for almost one-third of the net increase in U.S. homeownership, and more than 50 percent of the increase over the last decade.
- Policies that would help Hispanic households grow their wealth include: (1) facilitating financing for homes and businesses and investing in infrastructure, including housing stock, (2) reducing the costs of higher education and (3) expanding access to retirement savings vehicles.

Introduction

As the country observes Hispanic Heritage Month, it is important to celebrate the strength and resilience of Hispanic Americans while also recognizing the barriers to economic security that still stand in the way of a more equitable economy. The persistent wealth gap between white and Hispanic families, even more so than the gaps in income and employment, serves as a barrier to opportunity, obstructing a wide range of positive economic outcomes. The 61 million Hispanics in the United States, nearly 19 percent of the total population, hold disproportionately less wealth than their white peers: The median wealth, or net worth, of white families is five times higher than the median net worth of Hispanic families, and the wealth gap between white and Hispanic families is even more pronounced (six times as large) when average net worth is considered.

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This economic insecurity has left Hispanic Americans much more vulnerable to the adverse effects of economic shocks. In the aftermath of the Great Recession, the median Hispanic family lost nearly half of their net wealth. Since then, subsequent gains have failed to mitigate increasing wealth inequality between the average white and Hispanic family.

Across traditional sources and metrics of wealth—like homeownership, retirement savings and student debt—Hispanic Americans continue to face barriers to economic security. Since 1994, the share of Hispanic Americans who own a home has been roughly 25 to 30 percentage points lower than that of white Americans. Given disparities in employment, earnings and wealth, Hispanics are also generally less financially prepared for retirement than other racial or ethnic groups. Hispanic families are also disproportionately burdened by college debt; the wealth disadvantage of these families makes the price of college much more intimidating for Hispanic students and their parents who are forced to take on more debt to finance their education.

Addressing the disparities between Hispanic and white Americans in homeownership, retirement savings and student debt would go a long way toward narrowing the wealth gap between these groups. To increase homeownership rates among Hispanic families, it is important to first recognize that housing is infrastructure. Hispanic families would benefit from proposed infrastructure investments to produce, preserve and retrofit more than two million affordable and sustainable places to live. These investments need to also be coupled with improved financing and the elimination of exclusionary zoning policies that lead to discrimination in the housing market.

Hispanic Americans also stand to benefit from the creation of new retirement savings vehicles and proposals for refundable tax credits for retirement. Lastly, narrowing the racial wealth gap between white and Hispanic Americans will require some measure of student debt forgiveness and an expansion of Pell Grants. While none of these measures alone can close the wealth divide, they can form part of a broad set of policy solutions that help expand economic opportunity and lead to shared prosperity.

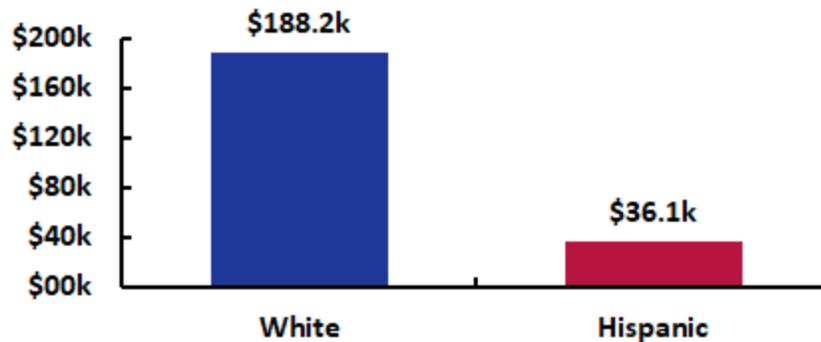
The typical white family has five times the wealth of the typical Hispanic family

The median net worth of white families is five times higher than the median net worth of Hispanic families. The wealth, or net worth, of families is measured as the difference between the gross assets and liabilities of families.¹ The typical Hispanic family has less than a quarter of the median wealth of white families, and the absolute differences in wealth are larger today than they were nearly a decade ago in 2010. In 2010, the median white family had \$134,700 (in 2019 USD) more in net worth than the median Hispanic family, and the mean white family had \$635,000 more in net worth. In 2019, the median difference had grown to over \$152,000, an increase of approximately 13%, and the mean difference had grown to nearly \$818,000, an increase of nearly 30%.

¹ For treatment of assets and liabilities in the 2019 SCF, see page 33-35:
<https://www.federalreserve.gov/publications/files/scf20.pdf>

The Wealth of the Median White Family Is Five Times That of the Median Hispanic Family

Median net worth by race and ethnicity, 2019



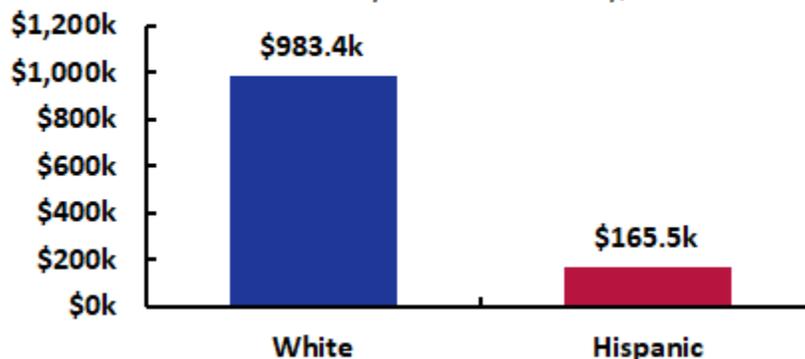
Source: Federal Reserve Board, 2019 Survey of Consumer Finances

The wealth gap between white and Hispanic families is even more pronounced when average net worth is considered

The concentration of white families at the top of the wealth distribution means that even larger disparities among white and Hispanic families are observed if one examines mean differences in net worth. The average white family, for example, has about six times as much wealth as the average Hispanic family.

The Wealth of the Mean White Family Is Six Times That of the Mean Hispanic Family

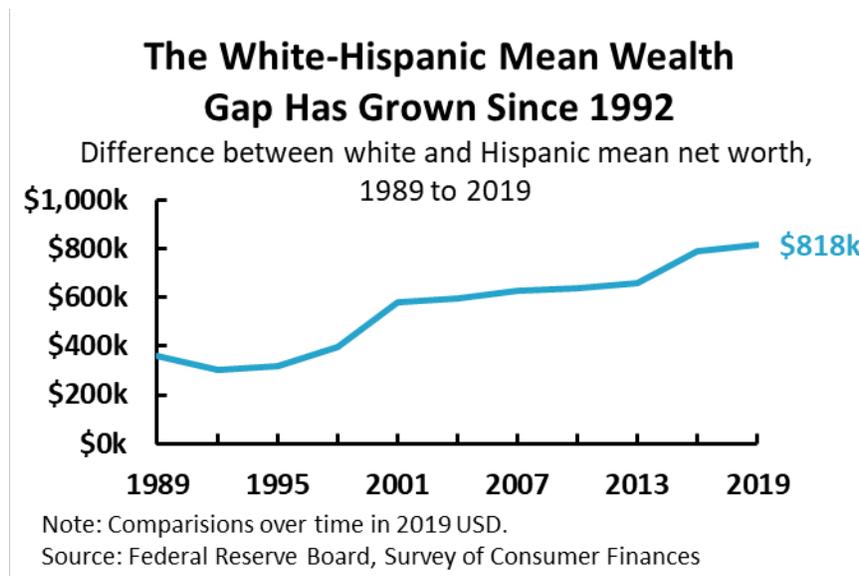
Mean net worth by race and ethnicity, 2019



Source: Federal Reserve Board, 2019 Survey of Consumer Finances

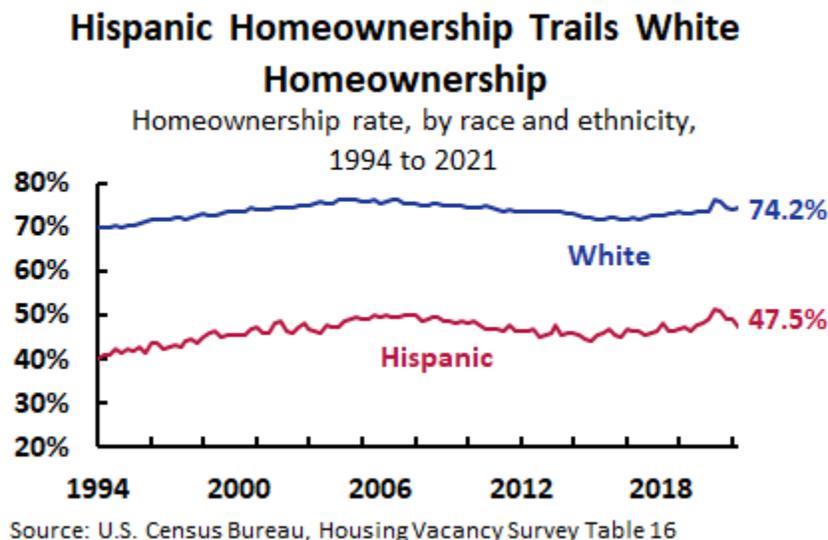
Between 2007 and 2013, mean wealth fell by half for Hispanic families. Despite experiencing the fastest growth since the Great Recession, the typical Hispanic family has yet to catch up in terms of wealth with the typical white family. As a result, the white-Hispanic wealth gap has steadily increased since 1992.

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While Hispanic Americans are projected to drive homeownership rates, they lag behind white Americans

Prior to the pandemic, Hispanic homeownership had increased for [five consecutive years](#). The increase in Hispanic homeownership accounted for almost one-third of the overall growth in U.S. homeownership over the past year and more than 50 percent of growth over the last decade. Over the next 20 years, [70 percent of all new homeowners](#) are expected to be Hispanic Americans, accounting for a disproportionate share of U.S. homeownership growth. However, the overall rate of Hispanic homeownership still lags behind that of white Americans.



A home serves as the primary wealth-building asset for many families. Homeownership often yields strong financial returns and serves as a key channel through which families [build wealth](#). Yet, less than half of Hispanic families own their homes, relative to nearly three-quarters of white families.

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When Hispanic families are able to purchase a home, they often face lower appraisals and higher financing costs than white families

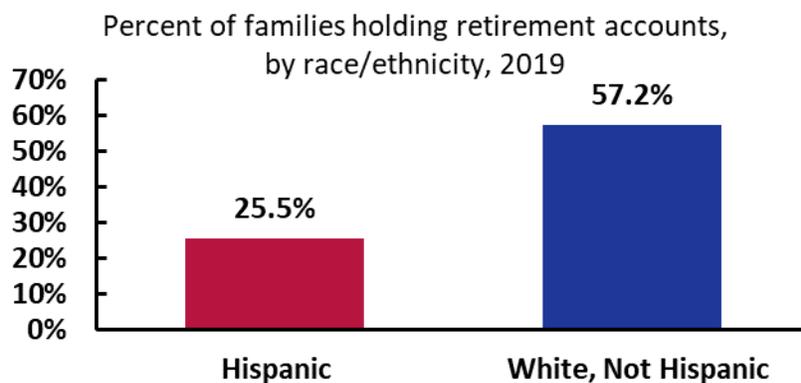
When many Hispanic families are finally able to own their home, their homes are disproportionately valued lower than those of white families. Disparities in purchase prices and appreciation, which compound over time, translate into differences in the average home values of white and Hispanic homeowners. For example, the typical white families' home value is \$230,000, and the typical Hispanic families' home value is \$200,000. Gaps in home values also [reflect](#) resource gaps in income and down payments, residential segregation and age of entry into homeownership.

Hispanic homebuyers often pay more for financing than their white counterparts. Close to four in five non-Hispanic homebuyers have conventional financing, compared to less than three in five Hispanics. In 2017, both debt-to-income (DTI) ratio and credit history accounted for 40% of mortgage loan denials for [Hispanics](#). Compared to non-Hispanics, Hispanic homebuyers are more than twice as likely to have a Federal Housing Administration (FHA) loan and to pay mortgage insurance premiums (MIP) for the life of their FHA mortgage.

Hispanic families are disproportionately affected by retirement insecurity

Given disparities in [employment](#), earnings and wealth, Hispanics are generally less financially prepared for retirement than any other racial or ethnic group. Only a quarter of Hispanics have retirement accounts, compared to almost six in 10 white Americans. Those Hispanic families with retirement savings hold a median value of \$30,400, slightly more than one-third of savings for white families.

Just A Quarter of Hispanic Families Hold Retirement Accounts



Source: Federal Reserve Board, Survey of Consumer Finances

The American retirement system has traditionally been supported by the “three-legged stool” of Social Security, pensions and individual savings, with Social Security preventing old-age poverty and pensions and savings together ensuring that retirees can live comfortably. This retirement system has been [weakened](#) by persistent disparities in earnings and access to pensions and private retirement savings for all Americans, and in particular for Hispanic Americans.

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The retirement security of Hispanic families is more precarious today than it was two decades ago. Nearly a third of Hispanic families had a retirement account at the turn of the century, but today only about one in four Hispanic families have a retirement account. This leaves the overwhelming majority of Hispanic families unable to enjoy well-earned years of leisure after a lifetime of work.

The retirement crisis is even more pronounced for Hispanic women: After lifetimes of [lower wages](#), time spent in unpaid care work and more severe income shocks, many Hispanic women are left ill-prepared for retirement.

Hispanic families are disproportionately burdened by college debt

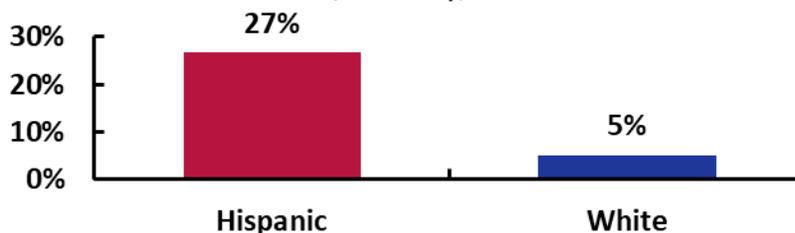
Since 1990, [inflation adjusted tuition and fees](#) at public and private four-year colleges have nearly tripled and more than doubled respectively. While Hispanic and white students face similarly high sticker prices for postsecondary education, persistent disparities in earnings, employment and wealth make it harder for Hispanic families to pay upfront.

The cost of tuition and fees at a four-year public institution in 2019 (excluding financial aid) amounts to more than 27% of the median wealth of Hispanic families, and the relative cost is over five times as high for Hispanic families as for white families.

As a result of their wealth disadvantage, Hispanic and other students from underrepresented groups typically must borrow more for college expenses than white students of comparable income, further increasing their student debt burden and making the sticker price of college more intimidating for Hispanic families.

Lack of Wealth Makes the Sticker Price of College More Intimidating for Hispanic Families

One year of tuition and fees as a share of family net worth, by race/ethnicity, 2019



Note: Comparisons in 2019 USD; Tuition and fees are national averages for public, 4-year institutions (excluding financial aid).

Sources: Survey of Consumer Finances; College Board, Annual Survey of Colleges.

Compounded by inequities in [earnings](#) and employment opportunities over time, these disparities affect the long-term financial security of graduates from underrepresented backgrounds. Over a decade after college entry, the typical Hispanic borrower with a four-year degree still owes nearly 80 percent of what they originally borrowed. Over the same period of time, the average white student with a bachelor's degree owes [less than half](#) of the original amount.

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Improving access to homeownership by investing in infrastructure and facilitating financing

Significant gaps in homeownership between Hispanic and white families directly contribute to the growing wealth gap between these two groups. Over the last four decades, housing supply has failed to keep pace with population growth. Just last year, vacancy rates dropped for the seventh consecutive year, and median listing prices are up more than seven percent nationally. Hispanic families have been disproportionately harmed by supply constraints in the housing market. For example, since 1994, the share of Hispanic Americans who own a home has remained 25 to 30 percentage points lower than that of white Americans.

To help increase homeownership rates among Hispanic families, [infrastructure investments](#) are needed to produce, preserve, and retrofit more than two million affordable and sustainable places to live. These investments need to also be coupled with the elimination of exclusionary zoning policies. Exclusionary zoning laws—such as minimum lot sizes, mandatory parking requirements, and prohibitions on multifamily housing—have inflated housing and construction costs and [locked minority families](#) out of areas with more economic opportunities.

In addition to these investments, the following bills would help expand access to housing inventory and financing:

- [The Housing Supply and Affordability Act](#) to authorize the federal government to award states, local and tribal governments grants for the development and implementation of housing supply and affordability plans.
- [The Neighborhood Investment Act](#) to allow federal tax credits for the purpose of neighborhood revitalization, and allow existing homeowners to stay in their homes.
- [The Yes in My Backyard Act](#) to encourage localities to advance policies that eliminate exclusionary zoning and artificial barriers to housing production.
- [The Build More Housing Near Transit Act](#) to encourage coordination between transit agencies and local governments to align transportation investment with land-use and zoning policy, enabling more housing in transit-served areas.
- Down payment assistance would help Hispanic families purchase their first home. Congress can help the expand access to financing via the [Downpayment Toward Equity Act of 2021](#). This bill would create a payment assistance (DPA) program geared toward first-generation, first-time homebuyers whose income is within 120 percent of the Area Median Income (AMI) or 180 percent in high-cost markets, as defined by the Federal Housing Administration. This bill would give first-time, first-generation buyers that are socially and economically disadvantaged up to \$25,000 in direct payments to purchase homes.

Improving access to retirement savings vehicles

According to recent research by the [Schwartz Center for Economic Policy Research](#), only 36 percent of Hispanic workers, age 25 and over, have access to an employer-sponsored retirement account and only about three in 10 participate. Hispanic workers have the lowest participation rate compared to their peers. Expanding retirement security is an important component of addressing the Hispanic-white wealth gap, particularly for Hispanic women, who earn the least on average relative to white men and face higher rates of elderly poverty.

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Social Security is the most equitably distributed source of wealth for Americans nearing retirement, but it is not enough to help retirees maintain an adequate standard of living after a lifetime of work. Social Security benefits establish a foundation upon which individuals can build additional retirement security through company or personal pensions and through savings and investment. Hispanic families stand to benefit from new retirement savings vehicles that yield more equitable savings.

House and Senate lawmakers have proposed [bipartisan bills](#) to help simplify and expand access to retirement savings accounts to more workers, including the Securing a Strong Retirement Act of 2021 and the Retirement Security and Savings Act of 2021. A similar [Democratic proposal](#), calls for Auto IRA and Saver's Credit enhancements estimated to add more than 10 million Hispanic savers.

[One proposal](#) calls for a pension program modeled after the federal government's Thrift Savings Plan (TSP). This proposal would involve automated tax-deferred contributions to be withheld from workers' paycheck. The government would then match that contribution up to five percent of workers' annual salary. By default, those contributions would go into a very low-expense mutual fund based on the age of the employee and their expected retirement date. The Economic Innovation Group [estimates](#) that workers in the bottom of the income distribution, where Hispanic workers are over-represented, could accumulate median wealth of more than \$43,000 within 10 years by contributing five percent of their wages with five percent matched by their employer.

Student debt forgiveness

Student debt forgiveness should be part of the solution to address the widening wealth gap between white and Hispanic Americans. The Roosevelt Institute [finds](#) that generous debt forgiveness programs have more progressive impacts than limited ones, especially for racial and ethnic minorities. Other studies confirm that [more than half](#) of all student debt is held by households with negative net worth. Thirty-one percent of Hispanic households have [zero](#) or negative net worth.

In the most forgiving plans proposed in Congress, the average cancellation would be \$12,617 per capita for white households in the bottom 10 percent and \$11,090 for Hispanic households in the bottom 10 percent of net worth. Estimated cancellation per capita for white and Hispanic households in the bottom 10 percent of net worth is roughly 20 times that of cancellation for the top 10 percent of net worth. Student loan debt is even threatening the retirement security of older families: More than half of older households with education related debt hold loans for children or grandchildren. The share of older Hispanic households with education loan debt is nearly 17 times larger today than it was before the turn of the century.

Pell Grants, the leading source of grants for postsecondary education, have greatly [expanded access](#) to higher education for Hispanic students. In the 2011-12 academic year alone, nearly 20 percent of Pell Grant recipients were Hispanic. Pell Grants are proven to boost enrollment and reduce drop-out rates by lowering the cost burden for students and their families. Expanding Pell Grants would be particularly effective at helping Hispanic students and their families avoid the crushing weight of student loans to expand economic opportunity and shared prosperity.

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Conclusion

Nineteen percent of the total U.S. population identifies as Hispanic, and yet Hispanic Americans own just a fraction of the nation's wealth. The median wealth, or net worth, of white families is more than five times higher than the median net worth of Hispanic families. These families face disadvantages across a broad measure of wealth metrics. Hispanics are generally less financially prepared for retirement than any other racial or ethnic group; only about one in four Hispanic families have a retirement account. Hispanic families are also overburdened by student debt. Hispanic and other students from underrepresented groups typically must borrow more for college expenses than white students of comparable income, further increasing their student debt burden. Over a decade after college entry, the typical Hispanic borrower with a four-year degree still owes nearly 80 percent of what they originally borrowed.

It is true that Hispanic families have made progress in some areas. For example, homeownership among Hispanic Americans increased for five consecutive years before the pandemic. Over the last year, growth in homeownership among Hispanic Americans accounted for almost one-third of the net increase in U.S. homeownership, and more than 50 percent of the increase over the last decade. But Hispanic families continue to face lower appraisals and higher financing costs than white families in the housing market.

These disparities in wealth threaten the economic security of Hispanic families and overcoming these barriers will require a broad set of policy solutions. Policies that would help Hispanic households grow their wealth include: (1) facilitating financing for homes and businesses and investing in infrastructure, including housing stock, (2) reducing the costs of higher education and (3) expanding access to retirement savings vehicles. Each of these measures would also help make our economy more affluent and equitable.