WEALTH GAP WIDENS BETWEEN WHITES AND HISPANICS

_Pew Hispanic Center study shows the recession and jobless recovery were much harder on the net worth of minority households_

WASHINGTON, DC—(October 18, 2004) —A new study from the Pew Hispanic Center finds that the wealth gap between Hispanic and non-Hispanic White households is bigger now than in the recent past. And the gap in wealth is far greater than the gap in income.

According to the study, the median net worth of Hispanic households in 2002 was $7,932. This was only nine percent of $88,651, the median wealth of non-Hispanic White households at the same time. The net worth of Non-Hispanic Blacks was only $5,988. Thus, the wealth of Latino and Black households is less than one-tenth the wealth of White households even though Census data show their income is two-thirds again as high.

The economic situation is worse now than before the latest recession. A Pew Hispanic Center analysis of data from the Census Bureau finds that the 2001 recession and the jobless recovery that followed were much harder on the net worth of minority households. Between 1999 and 2001, the net worth of Hispanic and non-Hispanic Black households fell by 27 percent each while the net worth of non-Hispanic White households increased by 2 percent.

There are many reasons for the growing gap, according to the study that focuses on the net worth of Hispanic households in the 1996 to 2002 time period. Minorities, for example, have more limited access to financial markets and face greater barriers to homeownership. The ownership of a home bears a strong relationship with the net worth of a household. Homeowners own more of other assets and have a huge advantage in net worth over renters and other households. Hispanic homeowners, in fact, have a net worth that is half again as high as the wealth of non-Hispanic homeowners. But non-Hispanic households are much more likely to own homes and that creates an even bigger gulf in wealth across the two groups.
Large segments of Hispanic and non-Hispanic Black households are vulnerable to economic turndowns since more than one-quarter of them have little or no net worth. Also, more than one out of four Hispanic and non-Hispanic Black households own no assets other than a car or unsecured debt.

Hispanics are also relatively young, not as highly educated, concentrated in high cost regions, such as New York and California, where homeownership can be less attainable, and much more likely to be immigrants. All of these factors contribute to lower levels of wealth but are also self-correcting to some extent.

“The wealth gap should shrink as the Latino population ages and acquires greater education, especially college degrees,” said Roberto Suro, director of the Pew Hispanic Center. “The Hispanic population is also starting to penetrate into new settlement areas, such as, Raleigh, Omaha and Nashville, and this trend may help more Latino households become homeowners.”

The data from the Census Bureau shows the estimation of wealth maintained within the borders of the U.S. only. But, for many immigrants, and especially Hispanics, the ability to support family members through remittances is an important motive for coming to the United States. More than 10 million Latin American immigrants in the United States last year sent in excess of $30 billion to their families back home. That computes to more than $2,500 per year for each Hispanic household in the U.S. If that sum were saved and invested within the U.S. it would have a significant impact on the measured wealth of Hispanic households, even if it were not nearly enough to close the gap between them and non-Hispanic households.

The report’s key findings include:

- Twenty-six percent of Hispanic, 32 percent of non-Hispanic Black and 13 percent of non-Hispanic White households had zero or negative net worth in 2002. These proportions are essentially unchanged since 1996.

- Fifty-five to 60 percent of Hispanic and Black households had wealth less than one-fourth the national median level of wealth between 1996 and 2002. Fewer than 40 percent have middle-class levels of wealth and this proportion has not changed since 1996. Nearly 75 percent of White households have middle-class or higher levels of wealth.

- The wealthiest 25 percent of Hispanic and non-Hispanic Black households own 93 percent of the total wealth of each group. Among non-Hispanic White households, the top 25 percent own 79 percent of total wealth.

- The percentage of White households who owned homes in 2002 was 74.3 percent. The homeownership rates for Hispanic and non-Hispanic Blacks were 47.3 percent and 47.7 percent respectively.
• Financial market participation for Hispanic and non-Hispanic Black households is well below the norm for non-Hispanic White households. More than 25 percent of Latino and Black households, and only 6 percent of White households, own no assets other than a vehicle or unsecured liabilities.

• Home equity is a key component of household wealth and accounts for two-thirds of the mean net worth of Hispanic and non-Hispanic Black households. The strength of the housing market in the recent economic slowdown eased the erosion in wealth of households which can be traced to the loss in value of financial assets.

• The median net worth of renters is only one percent of the level of net worth of homeowners.

• The net worth of immigrant households is only 37 percent of the net worth of native born households. Immigrants tend to be younger and less educated and their incomes are below average. Many are also in the early stages of assimilation.

• Hispanic immigrants from Central American and Caribbean countries had a net worth of only $2,508 in 2002. Cuban immigrants led the way for first-generation Hispanics with a net worth of $39,787. Mexican immigrants are in the middle with a net worth of $7,602 in 2002.

• Immigrants, Hispanic and non-Hispanic, show initial signs of rapid assimilation into homeownership, but it takes about 20 years for the homeownership rate among immigrants to equal the rate among native-born households of the same ethnicity.

The Pew Hispanic Center was founded in 2001 with support from The Pew Charitable Trusts. The Center conducts non-partisan research that aims at improving understanding of the Hispanic population. It is a project of the Pew Research Center.