What roles do Non-Profit Organizations (NPO's) play in increasing homeownership rates among minority lower-income Latin and African American (MLILAA). The Case of Habitat for Humanity (HFH) in Northern Illinois.

BY

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ABSTRACT

Increasing racial inequality in the United States is not only prevalent in the homeownership market but in every sector of the nation. One would like to believe that this is due to the majority white population. However, racial segregation has a long history, and although some deliberate efforts have been made to eradicate it, the problem persists. In this regard, this research sought to explore the roles of non-profit organizations in increasing homeownership rates among minority Latino and African American groups. A thorough literature review revealed that non-profit organizations influence increasing homeownership rates in the US without a concentration on MILAA. The literature did not also explore the efficacy of these nonprofit organizations from the perspective of the MILAA. The housing market segregates blacks from the suburbs, and blacks are heavily segregated in metropolitan areas. Using married couple samples from the 1970, 1980, and 1986 decennial censuses, the Current Population Survey, and a homeownership model, it is revealed that homeownership discrepancies worsened during the 1990s and have been a challenge since then. It was also found that most of the literature on the topic is outdated, hence the need for this study. This study made use of the mixed methods research approach. A qualitative descriptive approach is used to describe the views of the board and staff members of HFH perspectives on the roles their organization has played in closing the racial inequality gaps in Northern Illinois, which were gathered from the interviews. A survey is also issued to the targeted population, and responses are analyzed using the SPSS software. Apart from relying on primary data, the study also made use of secondary data to support the discussion of the findings. Furthermore, the study makes sound recommendations based on the analysis of the data.

INTRODUCTION

The racial wealth gap between black and white households in the United States is largely attributable to housing disparity (HFH, 2022). To rectify the decades of unjust housing policies that continue to affect families today, it is essential to mobilize public and political will to create and implement the necessary remedies for a more just future(ibid). Tonkiss and Passey (1999) say that trust and volunteering are at the heart of non-profit organizations.

There are a few non-profit organizations that are dedicated to building homes for the poor. Habitat for Humanity is a 501 (c)(3) non-profit organization that collaborates with people in the community and around the world to help them build or improve a safe and decent place to live (HFH, 2022). The houses are constructed without making a profit; new homeowners' mortgage payments which are combined with interest-free loans and charitable contributions to create "The Fund for Humanity," which is then used to construct more houses (ibid). Homeowners in Habitat for Humanity build their homes alongside volunteers and pay an affordable mortgage. Habitat now operates in all 50 U.S. states and in more than 70 countries and has helped more than 39 million individuals achieve strength, stability, and independence through access to safe, decent, and affordable housing (ibid). The Cost of Home campaign of Habitat for Humanity serves as a vehicle for advocating anti-racist housing and land use policies at the local, state, and federal levels. Habitat for Humanity provides a non-exhaustive list of housing policy solutions that can aid in redressing the nation's legacy of discrimination against people of color, particularly African Americans, and aid in the nation's healing. They would increase the likelihood of Black homeownership, invest in disadvantaged, racially segregated neighborhoods, end segregation, invest in reasonably priced rental housing, and mitigate the negative impact of COVID-19 on Black households(ibid).

Similarly, Building Homes for Heroes is a national 501(c)(3) organization that was established in 2006. Homes For Our Troops builds and donates custom homes for severely injured post-9/11 veterans. The Fuller Center for Housing collaborates with individuals who are unable to secure adequate housing through conventional means to construct decent, affordable homes. The Greater Blessing Program is a way for people to get money without having to sign a formal mortgage agreement.

This study seeks to explore the roles of non-profit organizations in increasing homeownership rates among minority, lower-income African and Latin American groups with a case study of Habitat for Humanity in Northern Illinois. The study makes use of data collected from the sampled population as well as data from interviews conducted with the board and staff of HFH in Northern Illinois. This research is essential to ascertain whether these non-profit organizations are serving their true purpose as well as explore the perspectives of the targeted population to make sound recommendations to help bridge the inequality gaps in homeownership that have plagued the US.

LITERATURE REVIEW

HOMEOWNERSHIP RATES AMONG MLILAA

A thorough examination of the literature revealed that homeownership disparities based on race have a long history. Numerous Americans have struggled for years to find reasonably priced housing in the current market. With the ongoing COVID-19 pandemic and economic uncertainty, there has never been a greater need for affordable housing, with housing insecurity affecting nearly half of US adults in their lifetime (HFH, 2020). Since the dawn of time, there has been a persistently large homeownership gap. Schaeffer (2022) posits that currently, 49% of Americans consider the availability of affordable housing in their community to be a significant issue. In 2019, 37.1% of low-income renters experienced an extreme cost burden, meaning they spent more than 50% of their income on housing (National Low-Income Housing Coalition, 2021). While homeownership rates have increased for those earning over $150,000 annually, they have decreased for low-income families since 2010 (Harvard College, 2021). There are also increasing disparities in homeownership along racial lines, with white household homeownership exceeding 73% in 2019 and black household homeownership at approximately 42% in 2019. (HFH, 2020). Lane (2022) found that in many areas of the United States, average mortgage rates are also rising, negatively impacting first-time homebuyers.

Eldemire et al. (2022) used a within-treatment difference-in-differences framework to demonstrate that low-income households that receive assistance in purchasing a home experience greater wealth accumulation than those who continue to rent. They demonstrate that there are no wealth gains among low-income minority households. Their results show that homeownership is a keyway for low-income households to build wealth and that homeownership does not automatically reduce racial wealth gaps.

HABITAT FOR HUMANITY

Many nonprofit organizations have dedicated themselves to addressing the disparities in homeownership by low-income and minority households. One of the most notable nonprofit organizations is Habitat for Humanity, which was conceived on the fertile soil of Koinonia Farm, a community farm founded by farmer and biblical scholar Clarence Jordan outside of Americus, Georgia. Their goal was to assist those in need of adequate shelter in constructing decent, affordable homes alongside volunteers (HFH,2022). In 1973, the Fullers introduced the concept to what is now the Democratic Republic of the Congo, then known as Zaire. On the farm, Jordan and the eventual founders of Habitat for Humanity, Millard and Linda Fuller, developed the concept of "partnership housing." Through the 2020 Strategic Plan, Habitat for Humanity provides decent and affordable housing to more people.

Applied Real Estate Analysis (AREA), Inc. was retained by the U.S. Department of Housing and Urban Development (HUD) to examine the characteristics of the program as implemented by select HFH affiliates. The assignment's primary objectives were to identify the types of homeowners assisted by this program and to ascertain their perceptions of the advantages and disadvantages of home ownership (Applied Real Estate Analysis Inc., 1998, p. 1). To reach this goal, AREA staff talked to Habitat homeowners who bought their homes from 19 HFHI affiliates in cities and rural areas across the country through interviews and focus groups (ibid).

The AREA, Inc. study identifies some major impacts of HFH programs on homebuyers (Applied Real Estate Analysis, Inc., 1998). Some of these impacts are that Habitat is primarily serving low and very low-income households (ibid). The study revealed that 84% of participants were family units, with a mean annual income of $24,251 (ibid). Also, for most households interviewed, the habitat home represented a great improvement in both space and physical living conditions (ibid.). The average mortgage payment for HFH homeowners was $269 per month, which represents a very small percentage of their income(ibid). Only 20% of homeowners surveyed believed they would have been able to purchase a home without Habitat's assistance(ibid). It was determined that these households were not generally affected by inflation, and they required minimal maintenance because the organization built them high-quality homes(ibid). The study also investigates perceived effects. Even though the study investigates these general efficacies, it does not focus on African Americans and Latinos with low incomes.

Lattimore and Lauria (2018) examine the neighborhood's deprivation and the associated problems. Their research disproved the notion that poor people need more wealthy neighbors to solve these issues (Lattimore and Laurie, 2018). Instead, they argue that individual motivation to improve one's life may have a greater effect on surrounding neighbors, particularly if these individuals are of similar race and income (ibid). Following an investigation, the study discovered a positive HFH effect in the sampled neighborhoods. They explain that the more disadvantaged a neighborhood is, the greater the impact of HFH will be. Also, significantly greater social cohesion and collective effectiveness exist in blocks with Habitat households than in adjacent and nonadjacent blocks without Habitat households (ibid). Although the study establishes that HFH has a positive impact and is advantageous for disadvantaged groups, this conclusion is based on a small sample of five cities. Also, individual cases of disadvantaged groups were not looked at to see how HFH homes affected their families and what they went through.

The relevant literature review revealed that most studies on this topic are obsolete, hence the need for this investigation. Also, most of the research on the topic talks about the general roles that non-profits play in increasing homeownership among people with low incomes. It doesn't try to look at what these groups are doing to close the homeownership gap among MILAA.

METHODOLOGY

Research Design

Sekaran (2003) defines research design as determining how to collect additional data, analyze and interpret it, and provide a solution to the problem. This study employs the mixed-methods approach by integrating both qualitative and quantitative approaches into the same study (Creswell and Clark, 2007; Johnson et al., 2007). Creswell and Clark (2007) say that the mixed-methods approach was chosen to learn more about the research studied.

Qualitative Instrument, Procedure and Analysis

This study employs a qualitative methodology to gain an understanding of underlying reasons, opinions, and motivations. Due to the exploratory nature of the qualitative design, this approach will be used to analyze the interview data collected for this study. The study employs interviews to gather information from non-profit organizations regarding the systems and measures in place to increase the home ownership rates in MILAA. Interviews are conducted with individual executive directors of Habitat for Humanity chapters. Also, an in-depth interview is conducted with staff and board members of the affiliates.

The HFH program documents are again reviewed for the purpose of the analysis. The neighborhoods in which the Habitat homes are located are examined and inspected, at least one home for each affiliate to understand the types of benefits and support offered to these homeowners. This study examines the general roles played by HFH on a broader scale while considering the program's efforts to close the disparities in homeownership, which are crucial according to the Universal Development Goals. Data from interviews will be tackled with a more descriptive and exploratory analysis approach.

Quantitative Instrument, Procedure and Analysis

This research will draw statistical conclusions from the survey distributed to the sample population for the quantitative aspect. This study utilizes data collected from a Qualtrics-designed online survey to reach the targeted population sample at their convenience. The greatest advantage of this method of data collection is the accuracy of the data collected from the specific population. Also, with the survey, it would be easier to reach the targeted population in their various locations at a cheaper cost and at the convenience of the respondents. The fact that this method is time-consuming is one of its drawbacks The survey questions solicited the opinions of the target population regarding HFH's contribution to bridging the gaps in inequality. Data collected from the survey will be analyzed using SPSS.

Subjects/Participants and Study Setting

This study's target population consists of all low-income African American and Latino adults in Northern Illinois. According to US news, the income bracket for low-income earners is less than $52,200. The study included participants from each county, city, and town in Northern Illinois. Within the boundaries of Mercer, Rock Island, White Side, McHenry, Carroll, Jo Daviess, Stephenson, Winnebago, Boone, McHenry, Elgin, Cane, Dupage, Will, and Kankakee. The time frame of this study was 6 months.

Data Collection Method

The collection of data is a crucial aspect of any research. This study used both primary and secondary data collection methods to get information about the thing being studied so that it could be analyzed. Survey questions would be administered randomly to the participants of the selected areas mentioned above. The survey is circulated by email and QR codes printed on flyers. The demographic questions inquired about age, income ranges, race, level of education, marital status, gender, occupation, responsibilities, and religious affiliation. Because HFH is a Christian organization, it was necessary to establish a connection in this regard. All additional demographic questions were posed and designed in such a way that only the intended respondents may continue with the survey. The survey questions evaluated respondents' familiarity with HFH and the organization's programs. In addition, respondents were asked if they knew of other organizations with similar activities to HFH. In addition, questions were posed to determine the effectiveness of these nonprofits and HFH. The survey responses would be statistically examined using SPSS.

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