



THE CHICAGO COMMUNITY TRUST®

EQUITY • OPPORTUNITY • PROSPERITY

Trust Talks Episode #19: Confronting Homeownership Barriers

Matt Shomo: I'm your host Matt Shomo, program manager of homeownership at The Chicago Community Trust. For a long time, the Trust focused our homeownership work primarily on the first-time home buyer and for good reason. Owning a home is the single-largest asset building activity for individuals and access to affordable lending products, housing counseling programs, and down payment assistance have been and will continue to be crucial for building wealth.

At this moment, the Trust is also exploring ways to support longtime homeowners and tenants in Chicago by helping residents stay and age in place in communities like Englewood and Pilsen. This addition to our homeownership strategy means that we are taking a more holistic approach to how we continue to provide Chicagoans with the power of choice when it comes to their housing journey. Taking a more comprehensive view of the pathways to build wealth through homeownership also requires a more detailed understanding of the barriers that potential and current homeowners face in our communities.

It is important to note, however, that these barriers are not limited in their impact on the homeownership space. At the Trust, we believe that we cannot solve one problem without addressing many others simultaneously. On the household wealth team, for example, homeownership represents just a portion of the individuals we aim to serve through programs and organizations dedicated to small business practices, career pathways, and wraparound supports for post-secondary education to name a few. Without a pathway to better benefits at work or access to a small business loan, we cannot expect Chicagoans to magically navigate the barriers associated with becoming a homeowner and having the ability to remain one.

Our conversation today focuses on how different sectors are addressing those barriers and what the research is telling us about possible new, creative ways to tackle these big challenges. With me today I have...

Noreen Sugrue: I'm Noreen Sugrue, senior research fellow at the Latino Policy Forum.

Paul Hawkinson: Paul Hawkinson, the co-founder of Transform Capital, which seeks to innovate within the community lending space.

Meegan Dugan Adell: Meegan Dugan Adell, I'm the director of New America Chicago.

Matt Shomo: Paul, I'm going to start with you. You do your work with Transform Capital and have been working with the 3C Initiative, Connecting Capital and Community, to increase access to homeownership in two specific Chicago neighborhoods. Based on all of that experience, what challenges are you seeing in this moment?

Paul Hawkinson: Access is so important, and we all value it. But in thinking about the challenges, I think that talking about access is a symptom of part of the problem. Access is so important, but the long-term goal isn't access. The long-term goal is thriving, right? It's flourishing families over decades. I think what

we're realizing is that requires an ecosystem of care before purchase, at purchase, and for decades after.

What we see in the market is a lot of fragmented programs - some really well-designed, some not so much - but with a real transactional focus, instead of developing that ecosystem. So, a few examples: before purchase, inordinate complexity in navigating information; down payment assistance programs which are cumbersome and very hard to access and to stage alongside buying a home for the first time. Underwriting standards in lending that, I don't think I need to tell any of us, are very data-focused with very little opportunity to understand the story of the borrower. Why is this credit score or debt metric such? I think in that, we lose a lot of incredible homeowners. We also increase the amount of shame that is associated with people who have been through so much because of other systems that have been unjust. Then after purchase, very little focus on the long-term ecosystem of care: repair costs, enormous deferred maintenance, challenges with trusted contractors, and then tax assessments - how to challenge those assessments.

Maybe lastly, one of the issues we've found a lot is homeowners' insurance challenges. Illinois is one of the states that allows carriers to discriminate, I think is a fair word, on the basis of credit score. When life gets in the way and your credit score drops, if you're fortunate to be in a home, very common to have coverage dropped or to have the price triple. In my mind, there's just an enormous amount of programs that are very transactional-focused, but not enough cohesive thinking in building an ecosystem of care for the journey around our neighbors.

Matt Shomo: That's great. Thank you. Noreen, let me go to you next. Latino Policy Forum and the Metropolitan Planning Council released a study on Latinos in the suburbs that placed an emphasis on Latino homeowners and wealth building opportunities generally in the Chicago area. Digging a little bit deeper, some specific context, what did that data tell us about the barriers that many Latinos face in accessing and sustaining homeownership?

Noreen Sugrue: I think what we learned from that, and another study that the Forum and MPC will be putting out specifically on homeownership, is that there's a great desire to purchase a home, and there is a lot of information that is lacking for first-time buyers. One of the data pieces that I found very illustrative of the question you're asking is, a young Latino family gathered enough to put five percent down. They had supportive family. They did not realize they had to have closing costs. They did not know they had to pay for an inspection. When they moved in the house, they realized they had not budgeted to buy dishes, beds, and ended up having to take out a high interest loan for five years so they had a bed for the baby. What you're really seeing is a lack of information about what it takes to buy a home.

The other thing we learned in staying in the home is the maintenance. Deferred maintenance is huge. Latinos live in homes that are significantly older than other groups, and older homes require a lot of upkeep. Upkeep requires money. It's the cashflow. And because a lot of the loans are not twenty percent down, what you've got is people who are putting off maintenance because they have no access to capital. They don't have what a lot of white first-time buyers assume, and that is, I've got to replace the dishwasher, the microwave, and the washer and dryer, my parents can give me \$5,000. That's not happening in many Latino families. Not because they don't want to, but because they literally don't have the cashflow. It's the maintenance that is a big issue.

Finally, what we see is the meaning of owning a home is different. Whites talk about, oh my gosh, I'm going to leave money to my children. I'm going to be able to maybe move from suburb A to suburb B and take a \$300,000 jump. It's cash building. Latinos in our work, what we found, is they talk about

home as a place of stability, a place that's theirs, a place for family to gather. It was not seen as the wealth-building tool that many policymakers assume people view it at. You've got a disconnect between the policy priorities and what the lived experience of people in the community is.

Matt Shomo: That's perfect for the next question. Meegan, looking to you. New America recently did that exactly and conducted a resident engagement session in Englewood. What did you learn from that experience?

Meegan Dugan Adell: Well, it was really illuminating, and I think it bore out a lot of what we just heard from Noreen and some other research in the field. I want to highlight one of the things that we're really excited about with this project was that the Trust was thinking about is how do we make sure the people who are already in homes are able to stay in those homes? Or pass it on as an asset to their family that could build their family's wealth, just like Noreen was talking about. That was really exciting for us to really listen to seniors in the Englewood area and find out from them what are their plans for the future? Do they want to stay there? Do they want to pass on the home? What do they plan to do with their home? What are some of the challenges that would make it hard for them to stay in place if that's what they want to do, or if they want to pass on that home to their family?

We heard some really interesting things. We were looking at two areas. We really looked at what do they feel like they need if they want to stay in that home, and what do they need to do if they want to leave that home to their family or pass on the wealth. We're looking at a lot of questions about just trying to see are there things missing in the literature, are there things missing in the other research that's been done that we haven't heard directly from the community. There are a few things that came out.

First of all, again, repairs was a big thing. There was a ton of pride in the community. A lot of people had inherited homes from their family members. If there's a community that is just not earning as much and suffers from workforce discrimination, they don't have as much cash to spend on their house. There's amazing housing stock and a lot of history in Englewood; a lot of those homes had not gotten the repairs over the years that they really needed to because their parents hadn't had the money for the repairs. We found on average that people had about six repairs, major repairs, that they needed on their home.

We also heard that one of the big challenges people were facing was the cost. This goes back to some of the things that both of you had mentioned. Not only property taxes, but insurance payments. That people were seeing their insurance payments double or triple very quickly and unexpectedly. Also, insurance companies requiring repairs that they didn't know they were going to have to make, like putting a totally different roof on their garage because that type of roof isn't covered anymore.

One of the things we found a little bit surprising was that people, and we'd heard this from some really great research that Chicago Bungalow Association had done, but people were really having trouble finding reputable people to do the repairs. It cost people more money to get repairs down on the South Side. That was a real challenge that people were facing there.

Then we found that even though there were a lot of different programs that people could tap into to get help with repairs, there just wasn't consistent follow-up. As soon as people would apply for different nonprofit or city programs to help with repairs or other things, and they would never hear back, that was a mixed bag. Some people had amazing experiences with those programs, other people had no idea why they were turned down, never heard back. It was a lottery in a way. There's just a real need for more cohesive information.

One of the other things we also heard that was a little bit surprising. People just felt like they weren't quite sure when to make repairs. They sometimes would get important repairs they thought were

needed, but then they'd find out, oh, they should have done this other repair first. A lot of that information is lacking.

Matt Shomo: I think it's really important for us to start this conversation, Meegan, with your work, talking about resident experience and the importance of that as data itself and not just a nice component to the story. Pulling back just a little bit, how does that experience compare with other things that you've seen in and around Chicago? New America is a national organization, you're based in Chicago. What did the experience in Englewood for you connect to other things that you've seen in the city?

Meegan Dugan Adell: Yeah, I think there's just so much great research out there, what Latino Policy Forum is doing, what Institute for Housing Studies is doing. What we saw really confirmed what we heard from other researchers with a little more detail. We found that some of the challenges are not uncommon challenges for seniors everywhere, but they were just exacerbated by where they lived. In fact, there were more schemes and scams where people had paid for people to come do repairs on their house and those people never showed up. I think there were just some challenges that they faced specific to where they lived.

The fact that they lived in Englewood. That Englewood, even though it has all these wonderful attributes, this wonderful history, it has a reputation and that was playing into their experiences. That they weren't able to get the help they needed in different ways, that insurance was going higher. I think it's really consistent with what we've heard from other places. We're about to do an engagement with property owners in Pilsen and some of the things we've been hearing from the nonprofits there, it's the flip side of the coin, just a different community, similar challenges. I think it's really like what other people have shared.

Matt Shomo: Yeah, we'll talk about this a little bit later in the conversation, but recognizing that there isn't necessarily a one size fits all solution to this. Noreen, Latino Policy Forum, as the name suggests is focused on Illinois' Latino population. What do we know about the different challenges facing different communities in and around the city and Cook County speaking to that?

Noreen Sugrue: I think one thing in the Latino community that you don't necessarily find in a lot of other communities is because of the multi-generational living, there is shared buy-in into a home. You have one or two, sometimes even three families purchasing a home, whether it is a three-flat or a large single-family home. That's great to get into the home, it may even actually help with some of the cost of maintaining the home. However, if you think of homes as wealth accumulation, I'm making up a number, you sell the house for \$300,000, you've got taxes in arrears, you've got to fix stuff, everybody's walking away, assuming the house is paid off, with less than \$100,000. That is not necessarily wealth accumulation. Not to say that isn't a lot of money, but it's not going to give anybody a nest egg for retirement.

I think the other thing, the other challenge is how do you work with people in the community. The narratives that we heard and the qualitative data, which is so important, really underscores the disconnect between the quantitative data story, which tends to drive policy, and the lived experience of the community. We have to somehow have to figure out, particularly because policy cannot target one demographic group over another, what we are missing. What are we seeing with poor rural whites, what are we seeing with the poor whites on the Southeast side of Chicago, the Black community, and the Latino community where they're economically marginalized. Where are the commonalities of the lived experience that can speak to public policy?

Looking at the demographic data, looking at the quantitative data is great, and it gives you a macro-level picture. It is the micro-level picture that really peels away at the challenges and helps understand how the structural racism is being reified with public policy.

Matt Shomo: I think one thing you're talking about there, Noreen, is how we share those lessons. The research itself, the lived experience, how organizations talk to one another. Paul, I'm going to go to you, does some of the lessons learned in Chicago, in your experience, from initiatives like 3C, connect to challenges that you've seen on a bigger scale? Chicago is doing a lot of things really well in this space, there are also a lot of challenges to address. How do we have that type of mutual learning opportunity across cities, across regions, across the country?

Paul Hawkinson: Yeah. I think the benefit of the 3C Initiative is working mutually with other groups and other cities. You learn about policy differences. Other states, as an example, have restricted home insurance carriers from using credit as a tool in pricing policies.

But a couple elements come to mind from elsewhere. Seattle 3C team has done some really interesting work. There's actually statewide legislation on flexible down payment assistance for legacy Black families and other debt mitigation tools. The Miami 3C team has worked with a really broad set of diverse developers, looking at the way they use capital and has developed more flexible forms of capital that lower the soft costs to therefore lower the price of entry for affordable housing.

Then for our Chicago team, I think a couple of points of strength that others are learning from. We have a team that's been working on bridging vouchers into ownership. And also, working on a proprietary lending model to provide mortgages at three and a half percent in a way that radically reduces the AMI required to get into housing and has more flexible underwriting standards. It's been a really hopeful thing to learn from the work of others.

Matt Shomo: That's great. Meegan, rounding out with you, in addition to the work in Englewood that you mentioned previously, New America, as I mentioned, is a national organization and has done a lot of great research outside of Chicago. What opportunities do you think exist to scale the lessons learned from this very hyper-local work in Englewood and Pilsen to work that happens on a state level, a national level? How do we grow the lessons that we've learned here?

Meegan Dugan Adell: Yeah, I think what Noreen said was really important, about finding commonalities across communities. That's something we really try to think about in our civic space work. Is how is what we're seeing in this neighborhood in Chicago, how does that match or how is that different from, say a rural white area? Where are the commonalities where we could build more support for solutions that could be tailored to meet the need in different places? Just thinking about some of the challenges that we're hearing about in Englewood, they are not necessarily different from challenges you will see on the AARP site for the entire country.

I think that there's a need at the federal, state, or local level, whoever can get it done fastest, let's be realistic, for more flexible funding. For example, in Chicago, there's some policies to help elderly people with property tax increases, but once their children inherit the house, that doesn't necessarily extend to them. Having local policies that make sure legacy owners don't have to face maybe the same property taxes, even if it's their family has been there for a long time. Or that other newcomers, who maybe are tearing down a little workman's cottage and building a huge condo, that they don't have to face the same kind of property tax increases. That can help keep families in the same spaces, and make sure also that the children can actually benefit from the increase in value in the home.

I started to talk a little bit about more flexible funding. If you think about a lot of programs that are designed to help people are targeted at really specific needs, but maybe we need to give people support, give elderly people support. Give them the flexibility to use it for what they need it for. If they need it for a repair or they need it for paying their insurance, that they have some flexibility with whatever they need to stay in their home.

I think there's a lot of room also for big partnerships. If you think about this challenge of not being able to find affordable people who can fix your home on the South Side, that's probably a challenge elsewhere. Connecting that work to, just as you were saying earlier, Matt, that the Trust is doing work also on workforce development and other areas, connecting with unions and their apprenticeship programs, connecting with Habitat for Humanity, connecting with AARP to get that information out to people. But also, connecting with community colleges that have these wonderful training programs and making sure that people are able to access affordable, but also reputable repair is a model that really could be done across the country and has a lot of potential for replicability.

Matt Shomo: And I think it's a particular focus that philanthropy could have specifically, the Trust, as an organization, has an ability to bring those organizations and those people together to help tackle some of those challenges. I think that's a great toss up for this first open question for folks. What are important things for philanthropy to consider? When we ask residents for their stories and input, how do we make sure that those engagements and interactions are additive and not extractive?

Noreen Sugrue: From the data that we've gathered and when I read the New America study, and talking to Paul as well, I think one thing that the Trust could actually do and philanthropy in general is figure out a way to get people A-paper mortgages. Among the Latinos, the data that we looked at, nearly fifty percent is not A-paper mortgage. That means the interest is high, the points are expensive, the closing costs are high, and people are ending up having to pay private mortgage insurance because they're not putting twenty percent down. Wouldn't it be wonderful if philanthropy were able to partner with some of the big lenders, like Chase and say, we're going to look at what happens when you give folks access to this kind of capital at a reasonable rate. You don't charge a PMI because that's \$300-400 a month that's basically giving money to the bank, and instead could allow owners to put that money in an account to help pay for repairs.

Philanthropy has a way I think to nudge banks and lenders to try small programs. Denver has done a lot of that. They've worked with a small pilot group to see how it worked and move forward.

Paul Hawkinson: It's an interesting segue to our work at Transform Capital. We call ourselves the lending movement that makes no cents, C-E-N-T-S, pun fully intended. We pay our investors back, who are purely philanthropic, we pay them back with stories. I think what's important about stories which is so powerful is the community must lead. If the community leads, and in North Chicago, we've created this fully recyclable pool of capital where, as a neighbor pays it, they're paying it forward for the benefit of the next neighbor. When you have the community at the center of it, people want to tell their stories because they feel empowered as a part of the solution.

For us, more in the 3C program, making sure that the community is really leading the process and seeing that it's really in their hands to prove the success of the pilot so that another neighbor can benefit. There's something really powerful about getting that flywheel going.

Meegan Dugan Adell: You all are talking about amazing ideas. I want to go more practical. You were asking about just how to make the research less extractive.

We have really intentionally, our model is we specifically pay people for their time. Yeah, it sounds like Noreen's team does that, too. It doesn't always work in a journalistic, so when you're trying to find a story for the newspaper, you cannot pay people for their time. But we feel like they are the experts, and we want to recognize they're giving us something that we can't get from anybody else. We give them a gift card to thank them for volunteering their time, as Noreen's group also does.

I think one of the other things that we hear a lot, and we are actually due to do this soon, Matt, for the Englewood group, is getting back to people about how you heard them, if you heard them right. But also, just sharing what are you doing with it, how are you going to use it. That, people really love. Actually, when we do community design sessions, people love it. They just love getting together and being able to share ideas, and really be the expert in their life and their community, which they don't necessarily get a lot of chances to do.

Matt Shomo: I think we're going to try and end on an optimistic high note here. We've talked a lot about there's not a one size fits all solution. You have to understand community perspective, you have to look at the data, you have to inform policy. You all are in charge for a day. What's the first big solution that comes to mind? That you say, this is the number one priority for me in our work to be a positive for change for the widest range of Chicago homeowners.

Paul Hawkinson: The scale over impact dialogue is a tough one. Much of philanthropy and all of us are drawn to scale. But the worst thing we can do is scale something that's not working. We see it all the time. But I think through our lens, specifically to homeownership, there has been a lot of innovation around developer structures, building, discussion of ADUs, other concepts. There's been a lot of innovation in consumer education pathways.

Where I see a lower level of innovation has been on the tired consumer financing products that we're throwing people to. Incredible potential clients throwing to FHA, very expensive products. More innovation in flexible forms of capital, better underwriting standards that capture more wonderful families, to look a little bit more at their story. I think if you add a little more innovation on the consumer finance side, it inures to the benefit of everyone. Developers can capture more return. We can serve families at lower levels of AMI. That's one of the boxes that we spend a lot of time in.

Noreen Sugrue: I think, along those lines, is in a lot of the focus groups and interviews, we heard stories that were encapsulated by one woman's statement, "we don't take out 30-year mortgages, we take out 50-year mortgages and we leave our children a home with debt." If we could find a way to get people to be able to get in a home and be able to maintain it without having to use the home as an ATM, I think that would go a long way.

I think flexible and innovation about how you think about that. Even something as simple as, okay, you can only put ten percent down. Instead of paying private mortgage insurance or PMI, half of that amount of money has to go into an escrow account that you use for either a spike in insurance that you didn't expect or a home repair. Because everybody's HVAC system goes out. Something along those lines I think would help bring people along the path that I know the Trust, the Forum, New America, the list goes on, where wealth accumulation and closing the wealth gap is so important. This is one tool in the quiver, but it's a place to start.

Matt Shomo: We have two votes for better access to capital. Do I hear three?

Meegan Dugan Adell: I have a two-part answer, no surprise. My first more boring answer would be really targeted better partnership between the city, philanthropy, and financial institutions to get really

creative. Making sure the financing and the capital is supported with policy that helps make it easier for people to build wealth, and live in their homes and pass them on.

My second more interesting, but weird answer is for this particular challenge we're looking at, to me one of the biggest challenges the South Side faces is just its reputation. I lived on the South Side for a long time and it gets such a bad rap for no reason. The South Side is an amazing, diverse, huge space. There's so many amazing people. And it just keeps getting disinvested. It hurts people's property values, it hurts all kinds of things. That's a weird answer, but there's so many times when I've thought, I wish we could just change the way people see the South Side and it would make such a huge difference in all kinds of things. Anyway, that's my weird answer.

Matt Shomo: I don't think that's weird at all. I think that's really important. You have to tell the story. I think the Trust is very actively trying to work with organizations like the Chicago Bungalow Association, like New America that have an ability to tell that story in an impactful way. Thank you, everybody.

To our wonderful guests Paul, Meegan, Noreen, this has been a delight. We appreciate your time. If you're interested in learning more about their work, please find Transform Capital, New America Chicago, Latino Policy Forum online. Quick plug for websites or new reports coming out, anything you want to mention?

Noreen Sugrue: The Forum and the Metropolitan Planning Council are releasing shortly a report just on housing. Also, a report on the state of Latinos in Illinois where housing is featured as part of the story of the wealth gap and wealth accumulation.

Paul Hawkinson: Brand new website created by the sister of one of our clients at tccommunity.org.

Meegan Dugan Adell: We will be putting out this research in addition to the community design session we're going to be doing in June in Pilsen area. In the summer, we also did a really interesting session which we've put out a little bit on, but we're going to do more on with community members on the South Side helping to figure out how to deal with climate change and how the community could be prepared for climate change as it happens, and what people want to see in their own community.

Matt Shomo: Do we just want to go another 45 minutes on climate change?

Noreen Sugrue: Sounds good.

Matt Shomo: If you feel compelled to learn more about what the Trust is doing to support programs and organizations designed to address these barriers, please visit www.cct.org. I think it's clear from our time today that no one institution can solve these problems alone. It will truly take collaboration at every step of the way to build a better future for Chicago. Thanks, everybody.