

RESEARCH REPORT

Memphis Market

Keys Unlock Dreams Initiative

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The nonprofit Urban Institute is dedicated to elevating the debate on social and economic policy. For nearly five decades, Urban scholars have conducted research and offered evidence-based solutions that improve lives and strengthen communities across a rapidly urbanizing world. Their objective research helps expand opportunities for all, reduce hardship among the most vulnerable, and strengthen the effectiveness of the public sector.

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About Keys Unlock Dreams

Keys Unlock Dreams is a nationwide initiative led by the National Fair Housing Alliance (NFHA) to advance policies that expand equal housing opportunities and provide consumers with the resources and information they need to make homeownership a reality. Further information on NFHA's Keys Unlock Dreams Initiative is available at www.keys.nationalfairhousing.org.

Homeownership has always been at the heart of the American dream and provides secure and stable environments for families to build generational wealth. Yet today's housing and financial markets have not served everyone well. Some communities are rich with resources such as bank branches, health care facilities, well-resourced schools, healthy food centers, green spaces, and other important amenities. Other neighborhoods, though, largely communities of color and urban and rural areas, lack these critical resources. Many areas lack affordable housing options.

For millions of people of color, homeownership remains a dream. To address these inequities, Keys Unlock Dreams aims to

- remove structural barriers that perpetuate racial inequality;
- expand affordable and fair housing options;
- prevent an unbalanced recovery from the COVID-19 pandemic;
- empower consumers and stakeholders with critical information and resources; and
- help close the racial wealth and homeownership gaps.

The initiative's theory of change is to influence the way policy decisions are made at the local, regional, and federal levels by providing tools, information, and support and by building coalitions to generate solutions that create equitable opportunities for vulnerable groups. This entails supporting and urging the development of programs and policies that dismantle and disrupt systems that perpetuate inequality and replacing them with structures that create and promote fair and equitable access to housing and financial services and products.

Offering an innovative approach, the initiative also seeks to effectuate changes in jurisdictions' consolidated plans, assessments of fair housing, and community health needs assessments; ensure these plans are data-driven with up-to-date analyses; and encourage jurisdictions and communities to assess infrastructure, health, housing, finance, environment, economic, and education structures from racial equity and fair housing perspectives.

The Urban Institute is a partner in the initiative, conducting foundational research in its focus cities. Urban's five-point framework for reducing the racial homeownership gap also provides an implementation framework based on this work:

- advancing policy solutions at the local level
- tackling housing supply constraints and affordability
- promoting an equitable and accessible housing finance system
- furthering outreach and counseling for renters and mortgage-ready millennials
- focusing on sustainable homeownership and preservation

This second report in support of Keys Unlocks Dreams is for the Memphis market. It is intended as a first step to informing local housing policies with a profile of homeownership barriers and opportunities, offering an evidence-based framework for policymakers and for stakeholders such as consumers and housing market industry constituents as they seek to affirmatively further fair housing to close racial homeownership and wealth gaps.

Executive Summary

Colloquially called the “Home of the Blues” for its influential music scene, Memphis has for decades faced stagnant population growth, disinvestment and a lack of new construction, aging household infrastructure, and exclusionary housing policies that perpetuate gentrification and distress in the city’s housing market for Black households. Throughout the city of Memphis and the Memphis metropolitan statistical area (MSA), Black households, for example, have significantly lower homeownership rates and live in less expensive homes relative to Asian and white households.

To evaluate these trends, this chartbook provides a comprehensive overview of racial disparities in homeownership in the city of Memphis and the Memphis MSA by analyzing household socioeconomic characteristics, mortgage and credit, home prices, and housing supply in Memphis that are all related to the lower Black homeownership rate and housing wealth in the region. The figures and tables aim to help local decisionmakers identify and evaluate solutions to racial housing wealth disparities in their area and to offer metrics and benchmarks toward progress. Key findings are summarized below.

Key Observations

Lower household incomes and home values, coupled with a lack of new homes, create a unique situation in Memphis that poses several obstacles to supporting borrowers and increasing homeownership. The following findings show how effective policies could increase Black homeownership and housing wealth in Memphis. Despite numerous national and city-specific challenges and hardships, we identify areas in housing finance that might help local decisionmakers and stakeholders address racial disparities preventing Black borrowers in Memphis from unlocking their full homeownership potential.

Population and Housing Trends in Memphis

Memphis continues to recover from decades of disinvestment and was hit especially hard by the Great Recession. The city of Memphis had a population of 651,932 and 251,732 households, according to the 2019 American Community Survey. The Memphis MSA had a population of 1,339,632 and 497,232 households. The city’s population is more than 74 percent people of color, while the MSA’s population is approximately 53 percent people of color. Black-white residential segregation is higher in the city as a whole than in the MSA. The homeownership rate in the city of Memphis dropped significantly following the Great Recession, from 80.3 percent (2005–09) to 46.6 percent (2015–19). The drop in homeownership in the Memphis MSA was much smaller than in Memphis but still considerably more than the national average. From 2015 to 2019, the homeownership rate in Memphis was 17 percentage points lower than the national average, and the rate in the Memphis MSA was 5 percentage points lower than the national average.

Home prices in Memphis were hit hard in the 2008 housing bust, losing significantly more value than the US market; they have since recovered and have gained steadily along with the US market. Since 2018, median property values of purchased homes have increased for all racial and ethnic groups in Memphis and the MSA, reflecting rising home prices. Households of color are still more likely to buy cheaper homes. Meanwhile, household incomes in Memphis have not fully recovered to their prerecession levels.

Race, Ethnicity, and Homeownership

Memphis’s racial and ethnic composition differs substantially from that of the Memphis MSA and the nation. Almost three quarters of the city population is people of color. In the MSA, home values have recovered for all racial and ethnic groups over the past 10 years, but Black and Hispanic households still have the lowest median home values, indicating substantial disparities in housing wealth even among homeowners.

Homeownership rates in the city dropped substantially during the Great Recession for all racial and ethnic groups, and continuously dropped in 2015–19 for all groups except for Hispanic households. The greatest drop between 2005–09 and 2010–14 was among Black and Hispanic households. From 2005 to 2009, 73 percent of

Black households owned a home in the city compared with 84 percent of white households, but by 2015–19, these shares dropped to 39 percent and 65 percent, respectively. Meanwhile, Hispanic homeownership dropped from 70 percent to 38 percent during these periods but are showing signs of recovery. The Black homeownership rate in the MSA (44 percent) is higher than in the city (39 percent), compared with white homeownership rates in the MSA (75 percent) and the city (65 percent), indicating that Black households are struggling to become homeowners at both geographic levels.

Furthermore, compared with the MSA, a greater share of households in the city are housing cost burdened (i.e., paying more than 30 percent of their income for housing expenses), especially among renters. In the city, 56 percent of renters were cost burdened between 2015 and 2019, compared with 51 percent in the MSA and 47 percent in the nation as a whole. The Black share of cost-burdened households is the highest of all racial and ethnic groups in both the city (31 percent of owners and 60 percent of renters) and the MSA (29 percent of owners and 57 percent of renters), reflecting their lower median income.

Mortgage Denial and Readiness

A little less than 10 percent of mortgage applicants in the city and a little more than 10 percent of those in the MSA were denied loans. Denial rates were highest for Black and Hispanic applicants. About 16 percent of Black mortgage applicants were denied in the city and the MSA. This number is lower than the national denial rate, but this may include only households less likely to apply for mortgages in Memphis. The number of mortgage applications relative to total households or total renters is lower for Black and Hispanic households and renters in Memphis relative to other racial and ethnic groups. This number is smallest among Black households and renters in the city. Lower applications among Black households and Black renters could be partially explained by the increased difficulty in obtaining a mortgage through the Federal Housing Administration (FHA) channel with such tight supply. Moreover, the high share of investor activity partially explains this phenomenon. In 2020, almost 25 percent of property purchases in Memphis were made by investors, compared with 14 percent in the MSA and 6 percent in the US.

For those who were denied a mortgage to purchase homes, debt-to-income (DTI) ratio was the most frequently mentioned reason. More than 28 percent of Black applicants in the city and 32 percent in the MSA were denied because of their DTI ratio. Despite the significantly higher share of households of color, the DTI and LTV ratios as well as the share of borrowers who use FHA mortgages to buy a home in Memphis were comparable with the US as a whole. This indicates that the mortgage activity in Memphis does not reflect the characteristics of its population and is serving only households above certain threshold. With rising home prices and slow income growth, the rent-burdened share of households was 7 percentage points above the national share between 2015 and 2019. Unless we find a way for Memphis residents to own their home, they will continue to struggle paying high portions of their income on rent.

To evaluate those who might be eligible for a mortgage, Freddie Mac categorizes “mortgage readiness” as borrowers ages 45 and younger who do not have a mortgage but have the credit characteristics to qualify for one. As of January 2021, there were more than 111,000 mortgage-ready consumers, including 38,400 Black consumers, in the Memphis MSA. This 16 percent share of Black mortgage-ready consumers in the MSA is lower than the nation’s 22 percent share, which can be explained by differences in credit scores and incomes. Black consumers, for example, have the lowest median credit score in both the nation (629) and the Memphis MSA (609), but this number is even lower in the Memphis MSA. As credit is the second-most-common reason for mortgage denial among Black applicants, improving credit and considering alternative ways to evaluate credit will be necessary to increase Black homeownership.

Because homes are less expensive in Memphis, however, a greater share of the mortgage-ready population can afford to buy median-price homes, especially with current low interest rates. Assuming a 2.9 percent interest rate, almost 77 percent of mortgage-ready Black households can afford a mortgage, compared with 45 percent nationally. Additionally, Freddie Mac shows that it takes less time for Black mortgage-ready consumers to save for a 3 percent down payment in the Memphis MSA (1.77 years) than nationally (2.71 years). To move the needle on Black homeownership in Memphis, increasing the number of borrowers who qualify as mortgage ready and supporting their home purchases will be essential.

About the Data

This report uses multiple datasets, including the American Community Survey, property records, Home Mortgage Disclosure Act data, Black Knight data, and the Building Permit Survey. We also obtain credit characteristics and credit history data by race and ethnicity from Freddie Mac and housing inventory data from Zillow. Because we know a small sample size could lead to statistical inaccuracy, especially at the city level, we use the five-year American Community Survey sample data instead of the one-year sample data. For 2010–14 and 2015–19, city values from the American Community Survey were aggregated at the census-designated public use microdata area (PUMA) level with allocation factors provided by the Missouri Census Data Center. The US Census Bureau confirmed the accuracy of figures from this methodology.

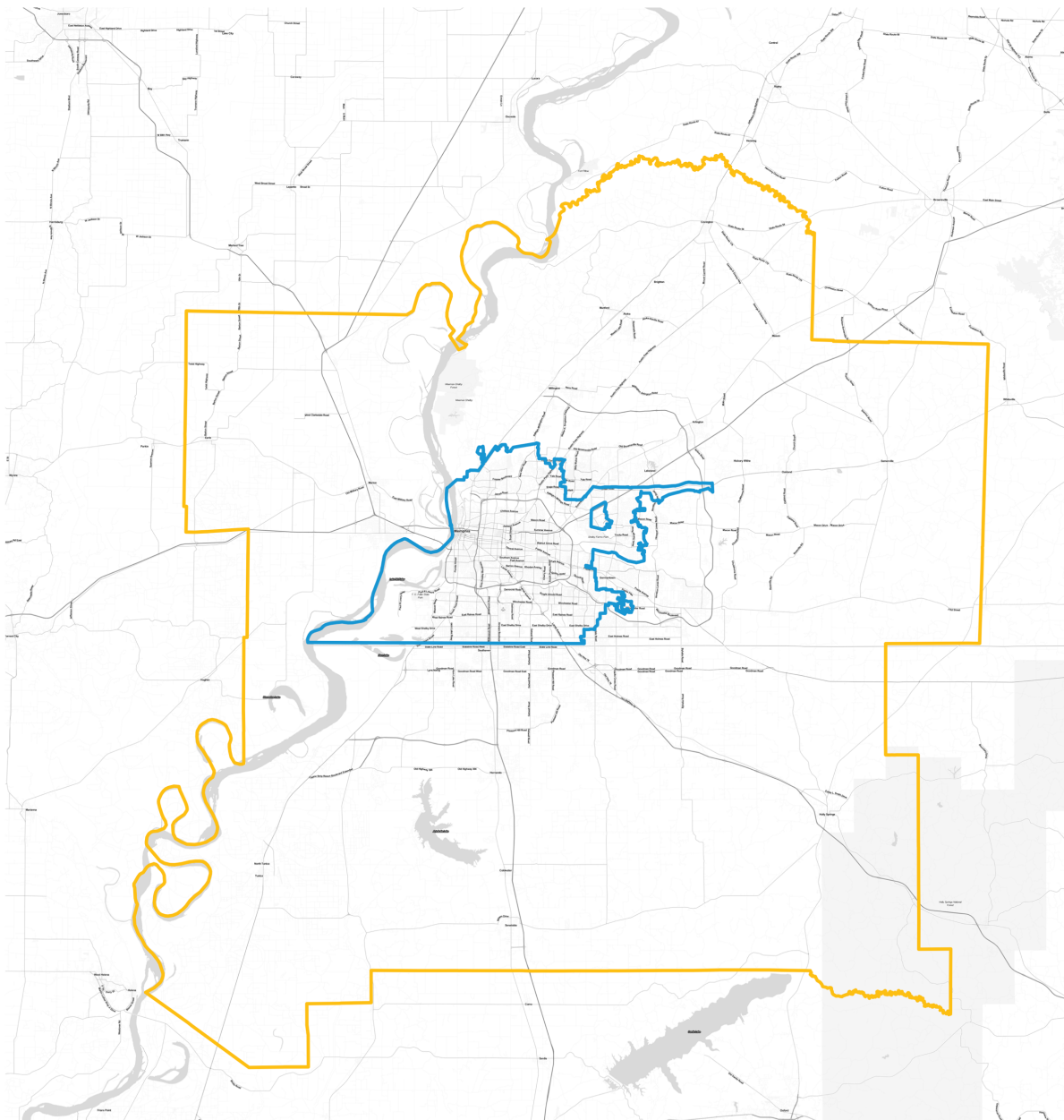
About Memphis

Population and Households

The city of Memphis had a population of 651,932 and 251,732 households, according to the 2019 American Community Survey. The Memphis MSA had a population of 1,339,632 and 497,232 households, making it Tennessee's second-largest metropolitan area after the Nashville MSA, and the nation's 44th-largest metropolitan area. The MSA encompasses eight counties that expand across three states, including Arkansas and Mississippi. Its urbanized area covers primarily Shelby County along the Mississippi River at the southwest border of Tennessee.

Map of Memphis

City of Memphis Memphis MSA



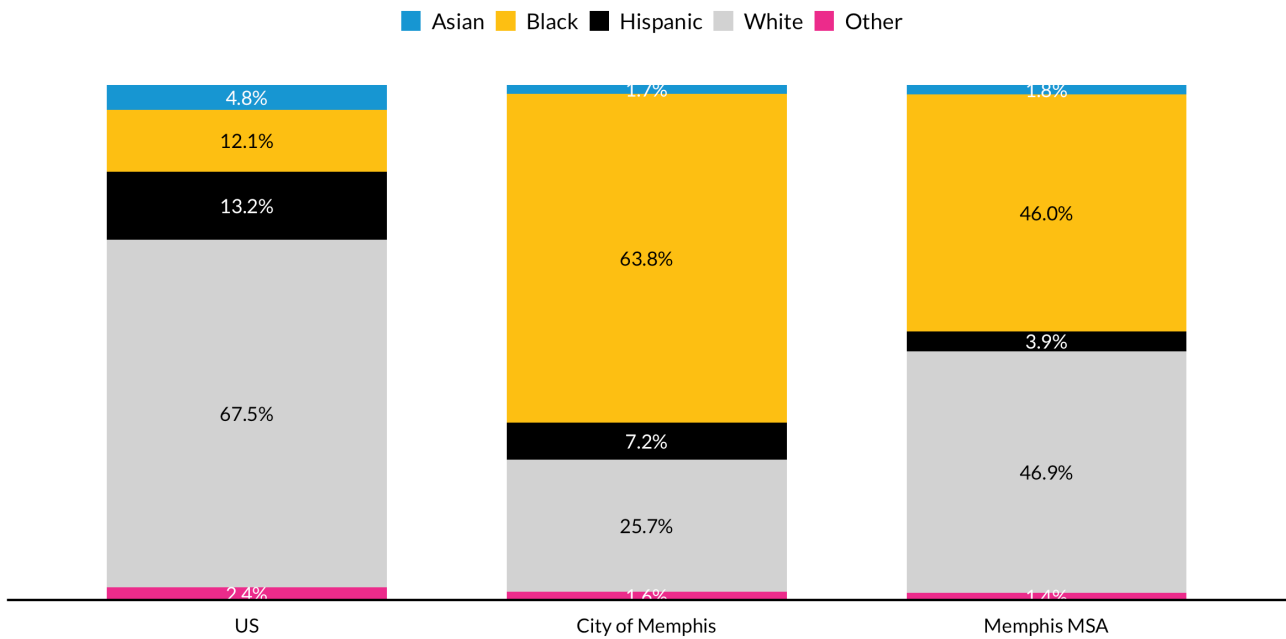
Source: Google Maps.

Race and Segregation in Memphis

Situated on a Mississippi River bluff, Memphis is the “Birthplace of Rock ‘n Roll” and “Home of the Blues,” referring to the founding of new musical genres and the start of many successful artists and musicians in the 20th century. Despite the population growth since its founding and success in its music industry, Memphis was disproportionately affected by the Great Recession and continues to live with the impact of redlining by the Home Owners’ Loan Corporation that has devastated reinvestment and further compromised access to homeownership in particular for communities of color.

Memphis’s racial and ethnic composition is substantially different from that of the nation and its MSA. In the city, almost 64 percent of the population is Black. This share is significantly higher than in the nation and the MSA, where Black households account for 12 percent and 46 percent of the population, respectively. Relative to the US, where 32.5 percent of the population identifies as people of color, Memphis is very diverse. The city’s population is about 74 percent people of color, while the MSA’s population is almost 53 percent people of color.

Racial and Ethnic Composition Comparison

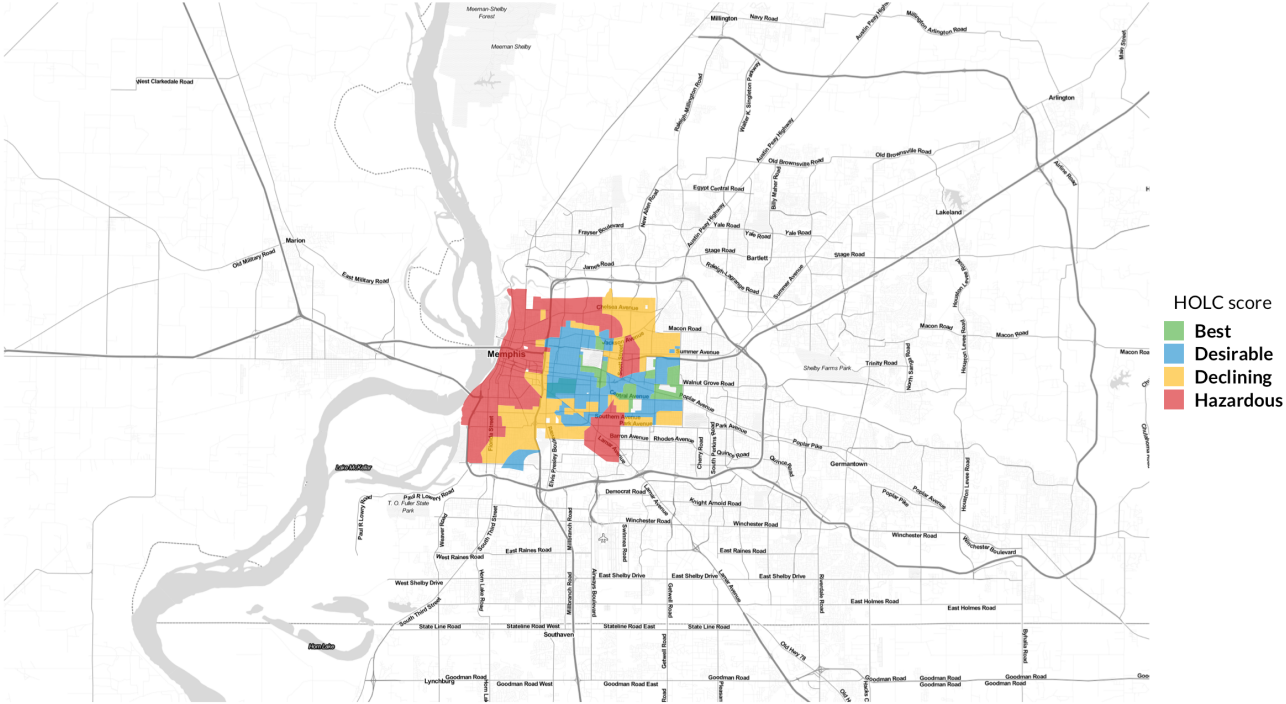


Source: American Community Survey.
Note: MSA = metropolitan statistical area.

Neighborhood Racial Segregation

Memphis was one of around 150 cities to have the Home Owners' Loan Corporation (HOLC) "Residential Security" rankings, mapped below, in the presuburbanization surge of the 1930s. Much research has been done on the relationship between HOLC grades and race, or "redlining," which denied neighborhoods of color access to credit for home purchases. Redlined areas in Memphis continue to be among the most disinvested.

Historical HOLC Scoring Map: Memphis MSA

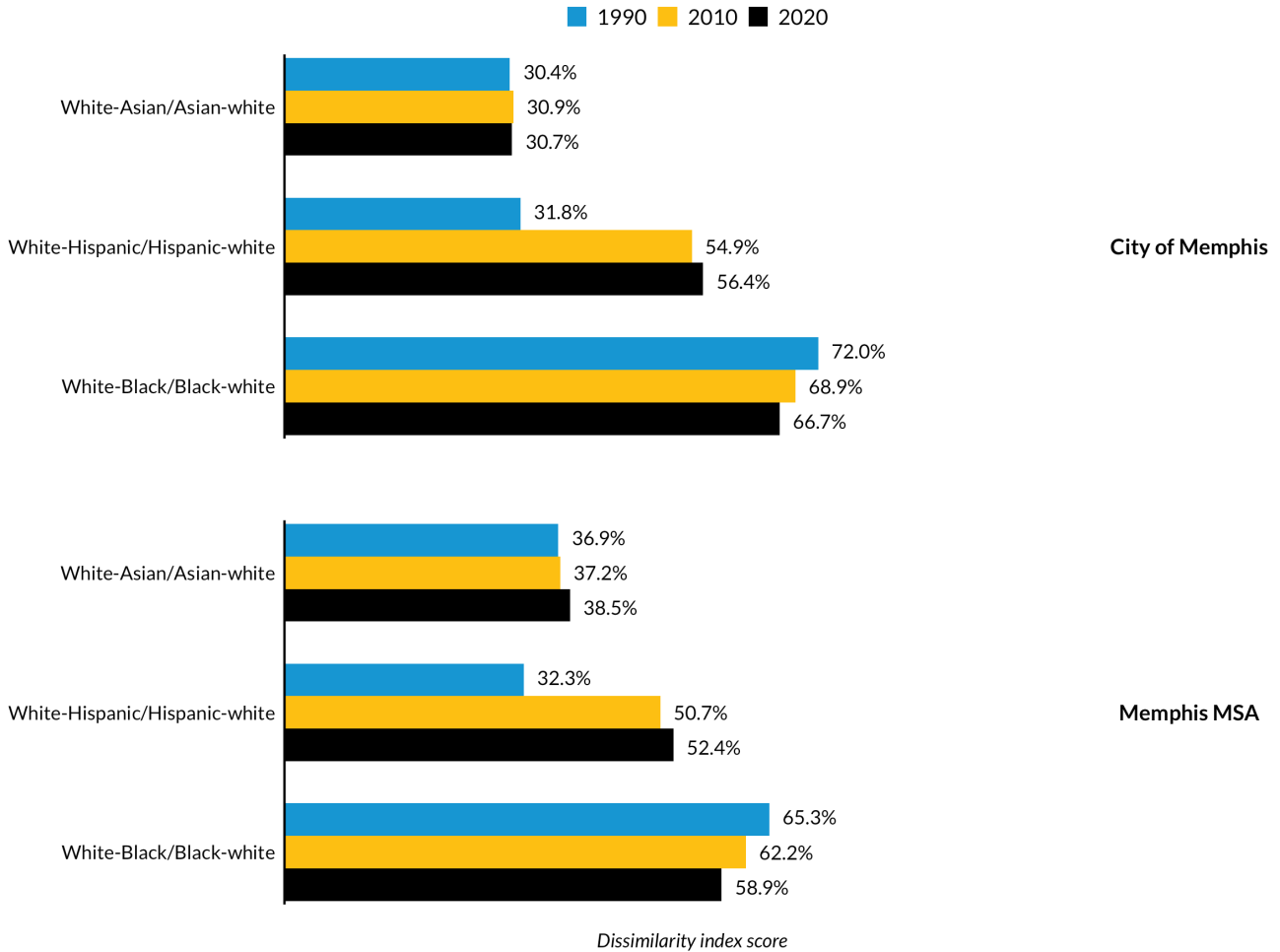


Source: Mapping Inequality, University of Richmond.
Notes: HOLC = Home Owners' Loan Corporation; MSA = metropolitan statistical area.

Neighborhood Racial Segregation (continued)

The dissimilarity index calculates the degree of symmetry between two groups by measuring whether one group is distributed across census tracts in the same way as another group. On a scale from 0 to 100, a high value indicates that the two groups tend to live in different census tracts. For example, in 2020, 67 percent of Black residents would need to move to a different neighborhood for Black and white people to be equally distributed across Memphis neighborhoods. Black-white racial segregation in Memphis remains high, though there has been some improvement. The dissimilarity index between Black and white residents and Hispanic and white residents decreases marginally when we expand the coverage to the MSA.

Dissimilarity Index Comparison



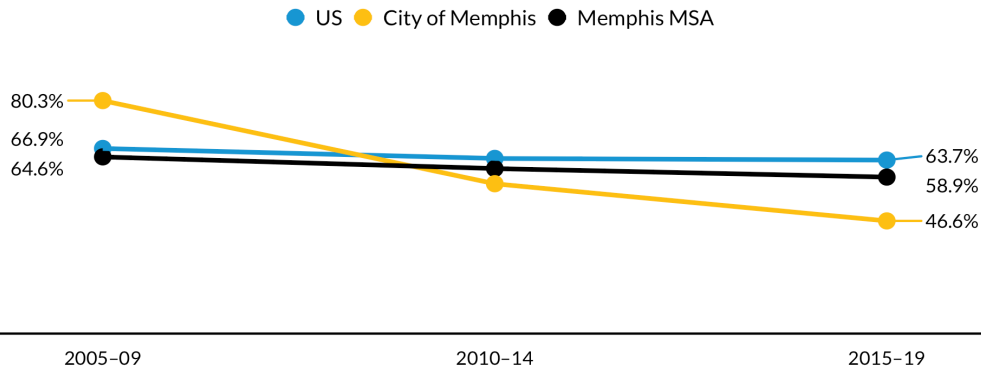
Source: Brown University: Diversity and Disparities.
 Note: MSA = metropolitan statistical area.

Household Characteristics

Homeownership Rate

Following the Great Recession, Memphis experienced a significant homeownership rate decline, from 80 percent in 2005–09 to 47 percent in 2015–19. The Memphis MSA homeownership rate dropped far less than Memphis itself, but the 5.9 percentage-point drop was far higher than the national drop of 3.2 percent. Despite moderate home prices, in 2015–19, both Memphis and the Memphis MSA have homeownership rates lower than the national rate.

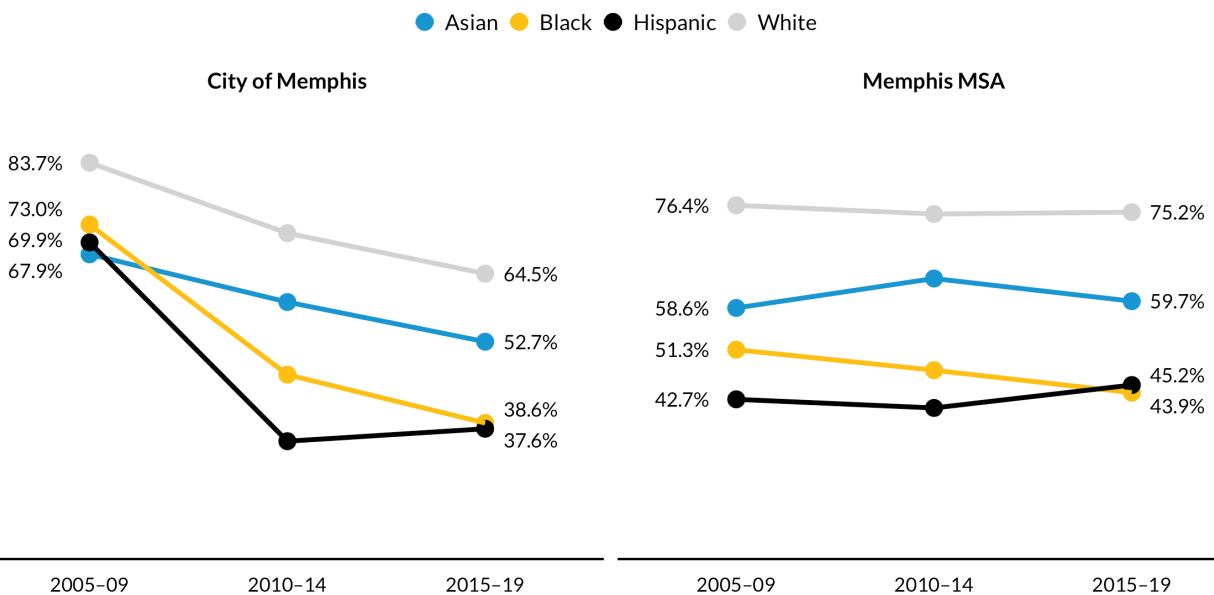
Homeownership Rate Comparison



Source: American Community Survey.
Note: MSA = metropolitan statistical area.

The homeownership rates for all racial and ethnic groups except Hispanic households in Memphis have dropped continuously since 2005–09. The greatest drop was Black households in both Memphis and its MSA. The Black homeownership rate in the Memphis MSA is only slightly higher than that in the city, showing that Black households are struggling to become homeowners at both geographic levels.

Homeownership Rates, by Race or Ethnicity

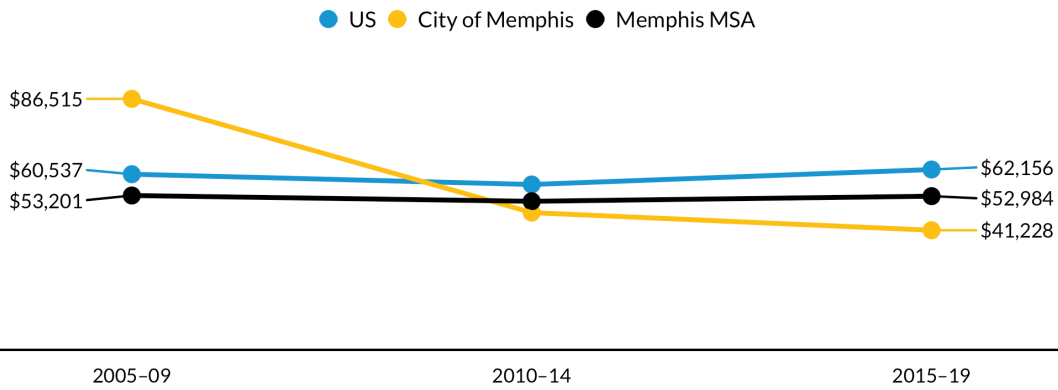


Source: American Community Survey.
Notes: MSA = metropolitan statistical area. Values calculated using allocation factors provided by the Missouri Census Data Center.

Household Income

The median household income in Memphis significantly dropped following the Great Recession and has continued to decline after 2010–14. In contrast, the median US household income in 2015–19 fully recovered and exceeded 2005–09 levels, while the Memphis MSA median household income was roughly constant. The median household income in Memphis is about \$12,000 less than in the MSA.

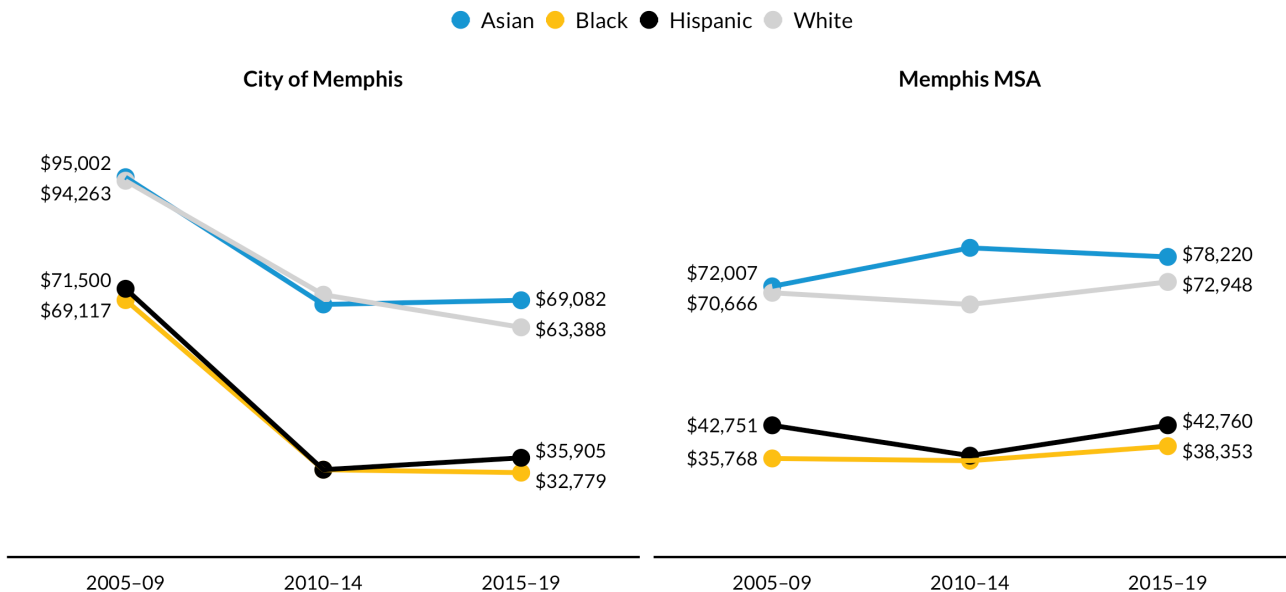
Median Household Income Comparison



Source: American Community Survey.
Notes: MSA = metropolitan statistical area. Values are in 2019 inflation-adjusted dollars and calculated using allocation factors provided by the Missouri Census Data Center.

There are noticeable disparities in the median household income by race and ethnicity in both Memphis and its MSA, though the gap is slightly wider in the MSA than in the city. In both areas in 2015–19, Black and Hispanic households have the lowest median household income: about \$33,000 and \$36,000 in the city and more than \$38,000 and almost \$43,000 in the MSA, respectively.

Median Household Income, by Race or Ethnicity

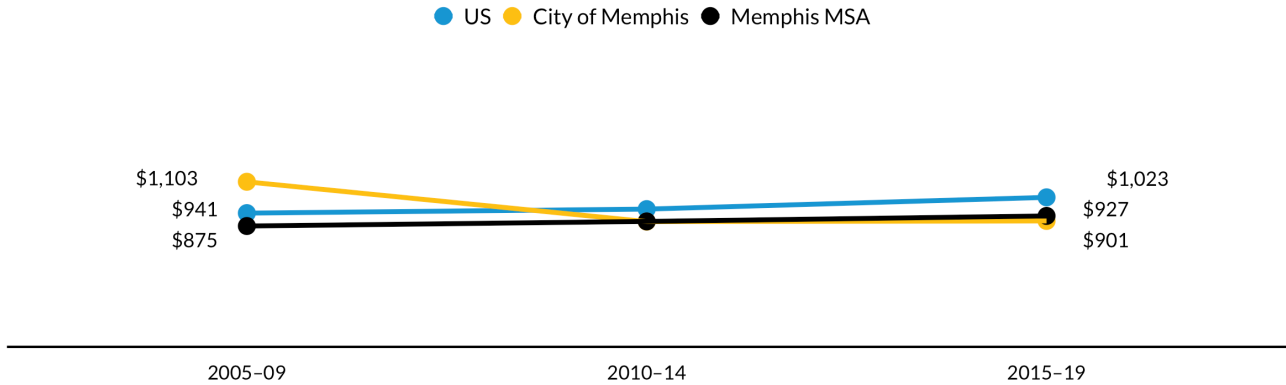


Source: American Community Survey.
Notes: MSA = metropolitan statistical area. Values are in 2019 inflation-adjusted dollars and calculated using allocation factors provided by the Missouri Census Data Center.

Gross Rent

Gross rent adds utility payments to contract rent. The median gross rent in the city in 2015–19 was \$901, \$26 lower than for the MSA and \$122 lower than for the national figure. The median rent gap is smaller in all three geographies than the home value gaps (page 20).

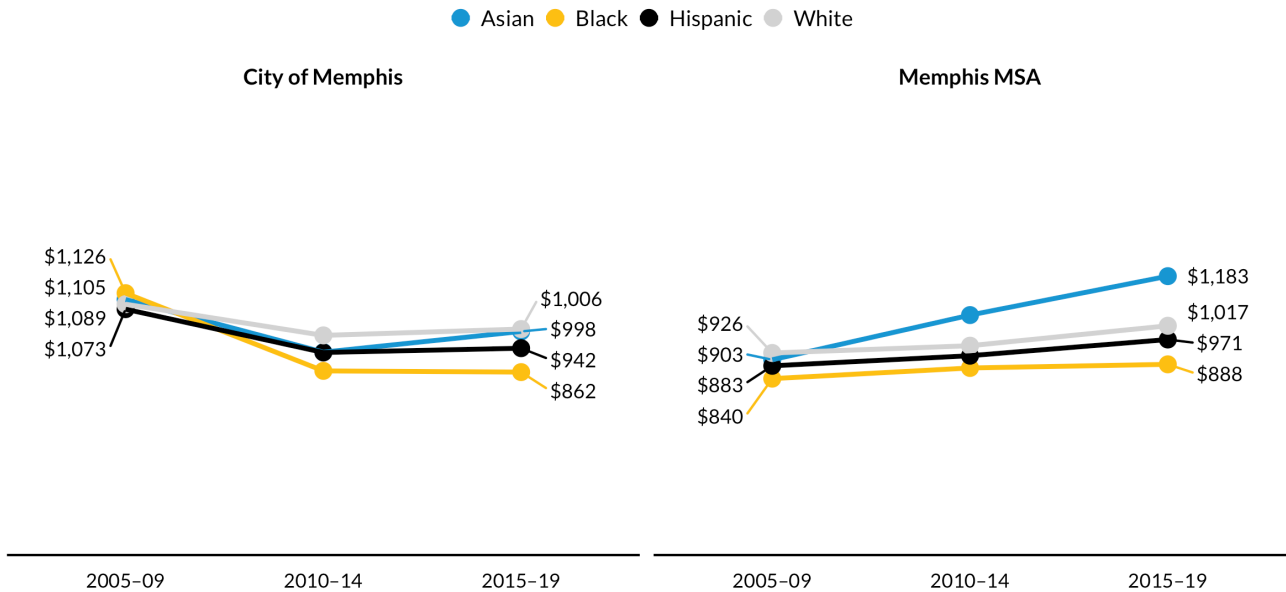
Median Rent Comparison



Source: American Community Survey.
Notes: MSA = metropolitan statistical area. Values are in 2019 inflation-adjusted dollars and calculated using allocation factors provided by the Missouri Census Data Center.

There are racial and ethnic disparities in the median rent for both Memphis and its MSA, but the gap is smaller relative to other figures in this report. In the city, between 2005–09 and 2015–19, median rent overall decreased 18 percent from \$1,103 to \$901.

Median Rent, by Race or Ethnicity

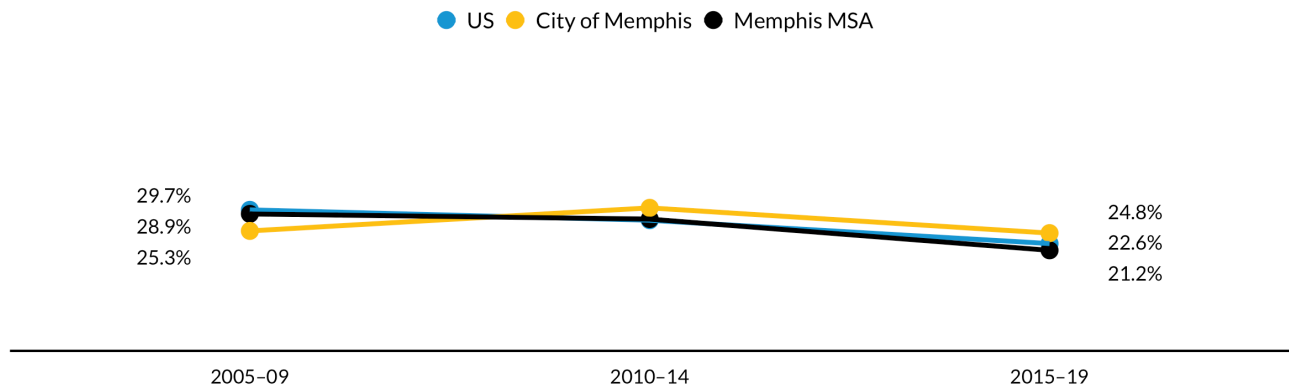


Source: American Community Survey.
Notes: MSA = metropolitan statistical area. Values are in 2019 inflation-adjusted dollars and calculated using allocation factors provided by the Missouri Census Data Center.

Housing Cost Burden among Homeowners

The housing cost burden for homeowners is the monthly payment for housing—which includes the mortgage payment, property taxes, insurance, and utility payments—divided by monthly household income. If this number exceeds 30 percent, the household is considered housing cost burdened. The housing cost-burdened share of homeowners has dropped with mortgage interest rate declines, as new homeowners were able to buy homes with lower interest rates and existing homeowners could refinance. In 2015–19, slightly less than one-quarter of homeowners in Memphis were housing cost burdened, 2 percentage points higher than the national share and nearly 4 percentage points higher than the share in the Memphis MSA. Between 2005–09 and 2015–19, the city experienced nearly a 2 percentage-point decrease in the housing cost-burdened share of homeowners, whereas the US experienced a 7 percentage-point decrease.

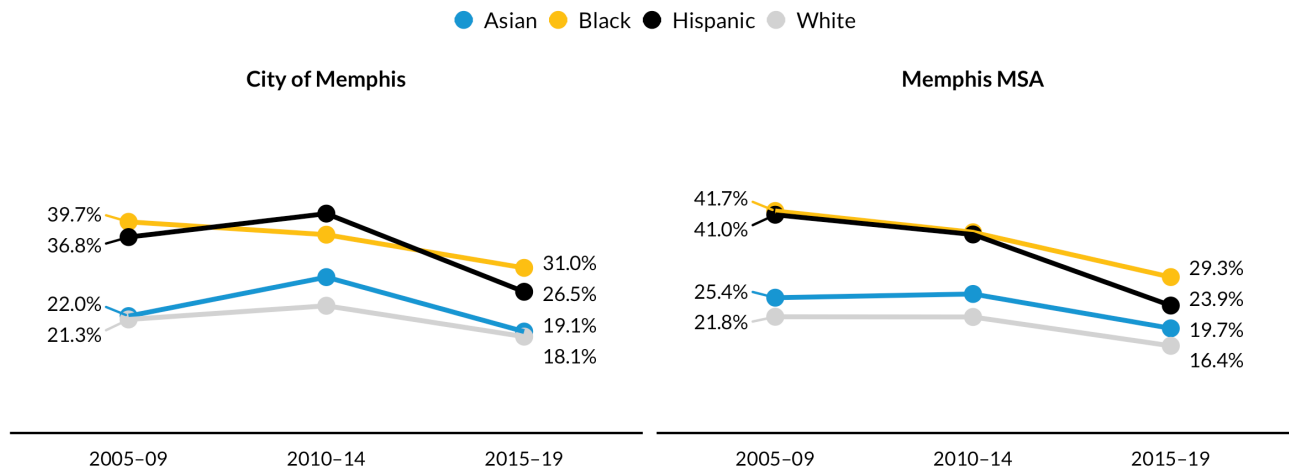
Housing Cost Burden Comparison among Homeowners



Source: American Community Survey.
Notes: MSA = metropolitan statistical area. Values calculated using allocation factors provided by the Missouri Census Data Center.

Overall, the housing cost burden for homeowners has dropped for all racial and ethnic groups in both areas. Nevertheless, in Memphis and its MSA, Black households are more likely to experience housing cost burden than households of other racial and ethnic groups.

Housing Cost Burden among Homeowners, by Race or Ethnicity

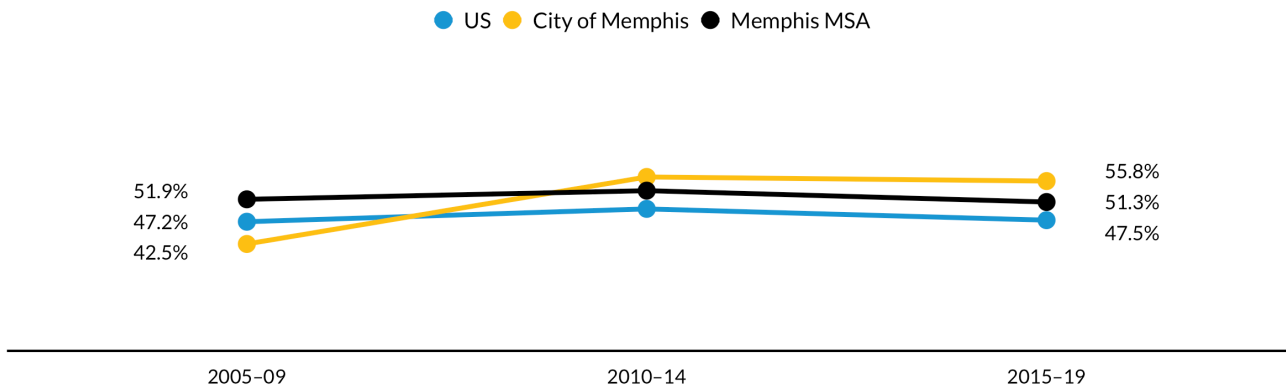


Source: American Community Survey.
Notes: MSA = metropolitan statistical area. Values calculated using allocation factors provided by the Missouri Census Data Center.

Housing Cost Burden among Renters

Renter households are considered housing cost burdened if they spend more than 30 percent of their income on rent. The share of housing cost-burdened renters is substantially higher compared with that for homeowners, shown on the previous page. In Memphis, the rent-burdened share of households has increased more than both the MSA and the US as a whole. As of 2019, the city has the highest share of rent-burdened households among the three comparison geographies, despite having the lowest median gross rent. The substantial drop in income is in line with this change.

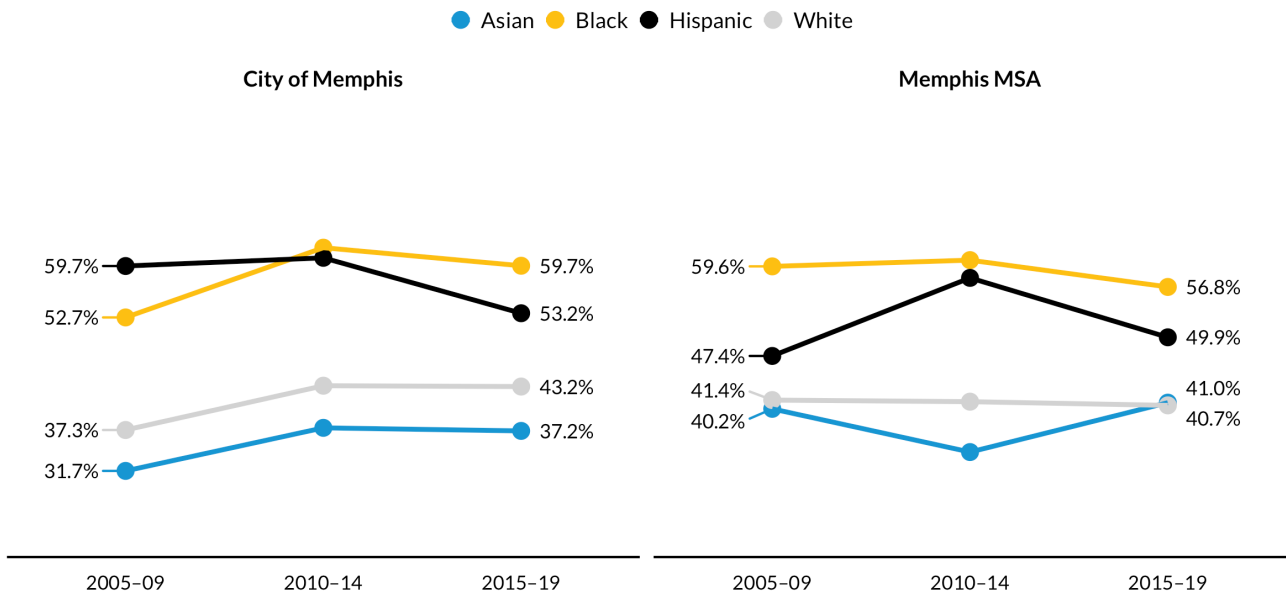
Housing Cost Burden Comparison among Renters



Source: American Community Survey.
Notes: MSA = metropolitan statistical area. Values calculated using allocation factors provided by the Missouri Census Data Center.

A higher share of Black and Hispanic renters in the Memphis MSA are rent burdened, reflecting their relatively low incomes. In 2015-19, about 56 percent of all renters in Memphis and 51 percent of those in the MSA were rent burdened.

Housing Cost Burden among Renters, by Race or Ethnicity



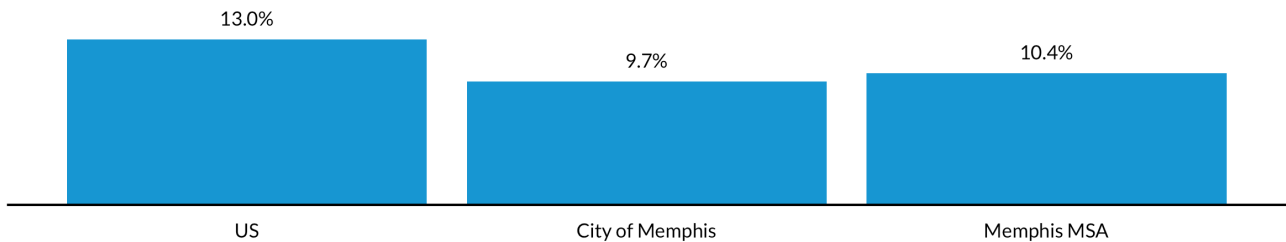
Source: American Community Survey.
Notes: MSA = metropolitan statistical area. Values calculated using allocation factors provided by the Missouri Census Data Center.

Mortgage and Credit

Denial Rates

Homebuyers may see their mortgage application rejected for reasons related to their financial portfolio, but trends suggest that some groups experience rejection more often. In 2019, almost 10 percent of borrowers who applied to purchase a home in Memphis were denied a mortgage. In comparison, the mortgage denial rate was 13 percent in the US and more than 10 percent in the Memphis MSA. The lower denial rates in Memphis compared with the US might be explained by lower application rates, particularly among Black households and renters (page 11).

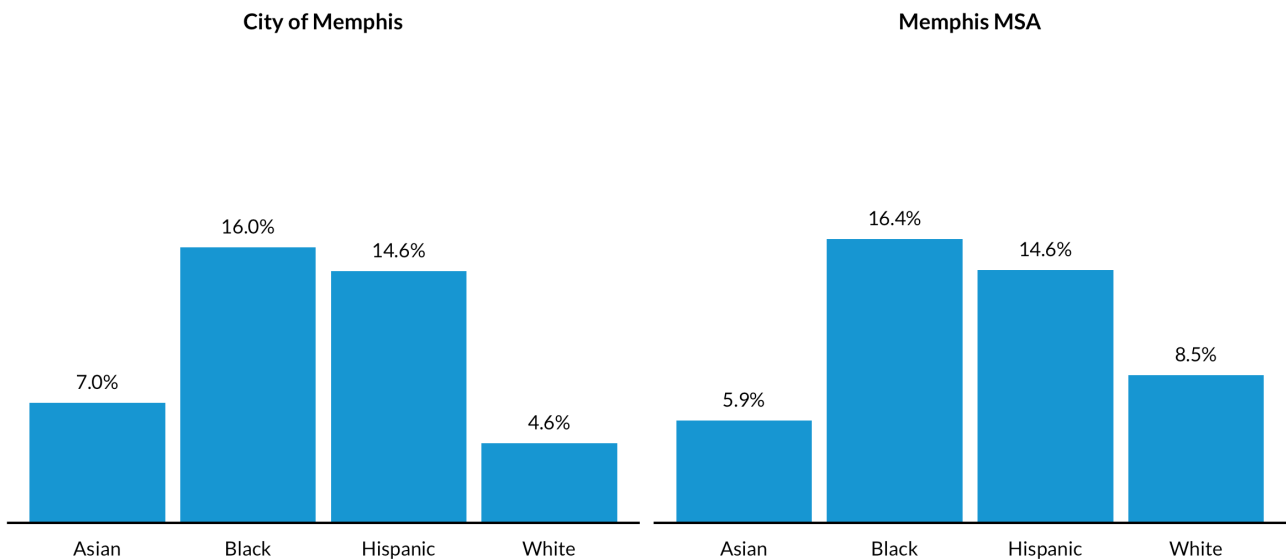
Denial Rate Comparison



Source: 2019 Home Mortgage Disclosure Act data.
Notes: MSA = metropolitan statistical area. Data are for purchase loans only.

Black and Hispanic homebuyers in Memphis and in the MSA were more likely to get their mortgage application rejected than white or Asian applicants. About 16 percent and 15 percent of Black and Hispanic mortgage applicants in Memphis were denied, respectively.

Denial Rates, by Race or Ethnicity



Source: 2019 Home Mortgage Disclosure Act data.
Notes: MSA = metropolitan statistical area. Data are for purchase loans only.

Denial Rates (continued)

Credit history, debt-to-income (DTI) ratio, and collateral were the three most frequently mentioned reasons for mortgage denial. Compared with other racial and ethnic groups, credit history was more likely to be mentioned as the reason for denial for Black applicants, which reflects their lower credit score. DTI ratio was the main reason for denial for almost 29 percent of Black applicants in Memphis and 32 percent of Black applicants in the MSA.

Reason for Denial

Reason	City of Memphis				Memphis MSA			
	Asian	Black	Hispanic	White	Asian	Black	Hispanic	White
Credit history	-	24.1%	6.8%	13.1%	7.3%	27.1%	21.2%	24.4%
DTI ratio	33.3%	28.8%	30.5%	26.1%	38.4%	32.0%	32.5%	33.2%
Collateral	23.8%	14.9%	15.3%	26.1%	21.9%	13.7%	11.3%	17.6%

Source: 2019 Home Mortgage Disclosure Act data.

Notes: DTI = debt-to-income; MSA = metropolitan statistical area. Data are for purchase loans only.

Application Share

The number of mortgage applications relative to total households or total renters is lower in Memphis compared with the US. Compared with other racial and ethnic groups, this number is much smaller among Black households and renters in the city. In Memphis, more than 1 percent of Black households and 2 percent of Black renters applied for a mortgage, compared with about 4 percent of white households and almost 10 percent of white renters. Lower applications among Black households and Black renters could be partially explained by the increased difficulty in obtaining a mortgage through the Federal Housing Administration (FHA) channel with such tight supply (page 15).

Mortgage Application Rate Relative to the Total Household Population

Area	Asian	Black	Hispanic	White	Total
City of Memphis	7.2%	1.3%	2.8%	3.9%	2.4%
Memphis MSA	6.7%	2.1%	3.9%	4.6%	3.4%
United States	4.7%	2.4%	3.3%	3.7%	3.5%

Sources: 2019 Home Mortgage Disclosure Act data and 2015–19 American Community Survey data.

Notes: MSA = metropolitan statistical area. Data are for purchase loans only.

Mortgage Application Rate Relative to the Total Renter Population

Area	Asian	Black	Hispanic	White	Total
City of Memphis	14.5%	2.2%	4.9%	10.0%	4.5%
Memphis MSA	14.0%	3.7%	7.9%	18.8%	8.2%
United States	12.0%	4.1%	6.4%	13.4%	9.6%

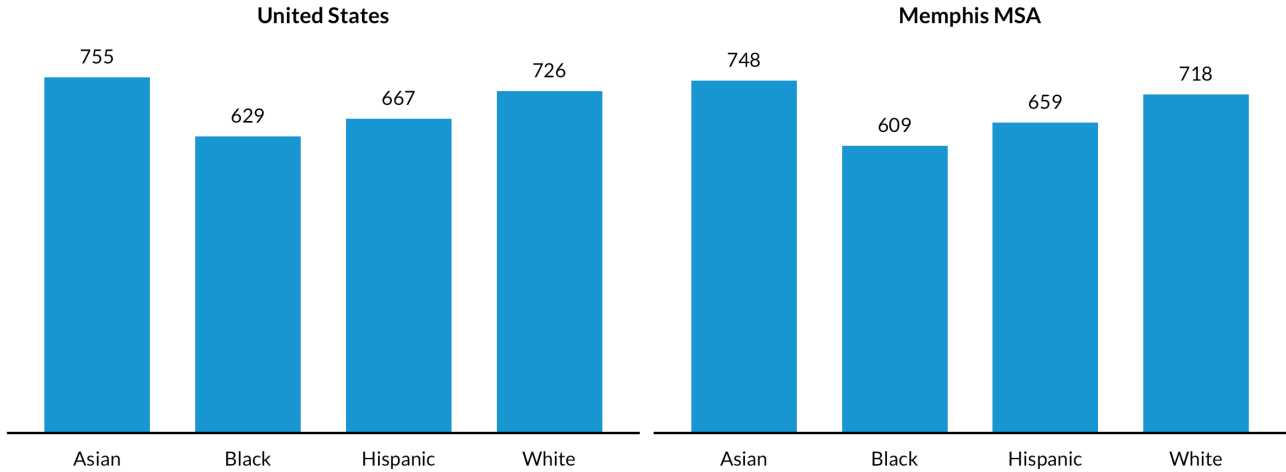
Sources: 2019 Home Mortgage Disclosure Act data and 2015–19 American Community Survey data.

Notes: MSA = metropolitan statistical area. Data are for purchase loans only.

Credit Scores

Black consumers had the lowest median credit score in both the nation (629) and the Memphis MSA (609) in January 2021, compared with scores of 726 and 718, respectively, for white consumers.

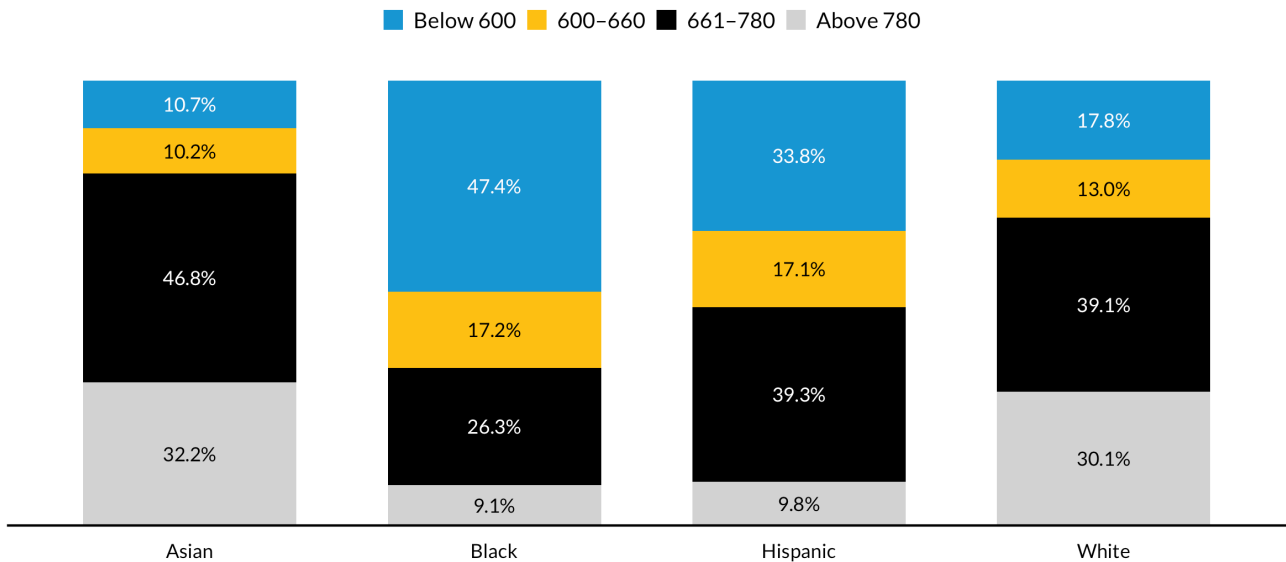
Credit Score Comparison



Source: 2021 Freddie Mac data.
Note: MSA = metropolitan statistical area.

In the Memphis MSA, close to half of Black consumers have a VantageScore below 600, the highest share among all racial and ethnic groups. Credit is the second most frequently mentioned reason for mortgage denial, particularly for Black households, and it is concerning that so many Black consumers have low credit scores.

Credit Scores, by Race or Ethnicity, in the Memphis Metropolitan Statistical Area

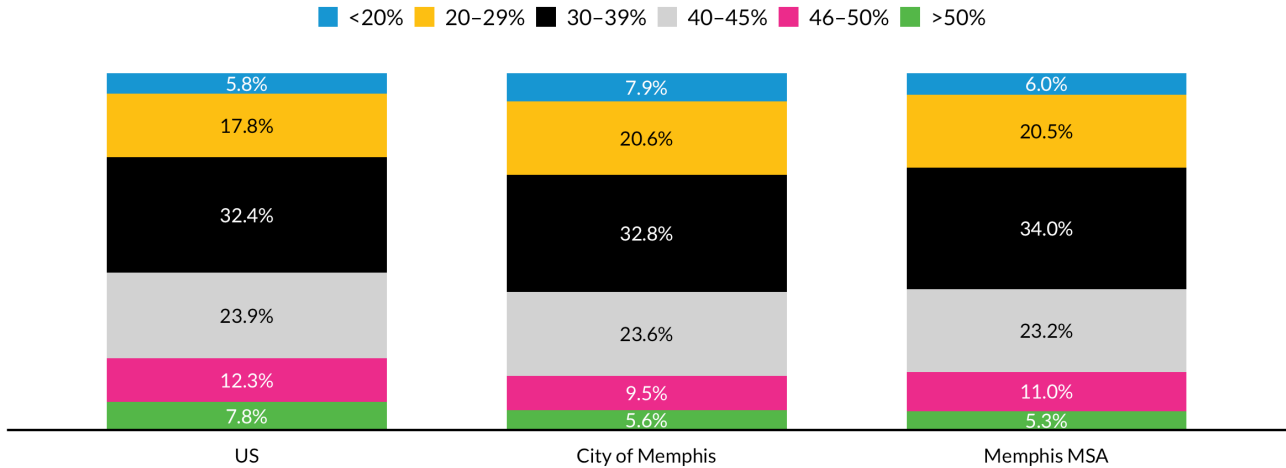


Source: 2021 Freddie Mac data.

Debt-to-Income Ratios

Potential lenders calculate an applicant's DTI ratio to compare how much an applicant owes each month with how much an applicant makes each month. The ratio of an applicant's recurring monthly debt to their monthly gross income is a common parameter to secure a lender's approval and to qualify for a mortgage. The share of borrowers with a high DTI ratio in Memphis is slightly lower compared with the US. About 39 percent of homebuyers in the city, more than 40 percent in the MSA, and 44 percent in the US had a DTI ratio of 40 percent or higher.

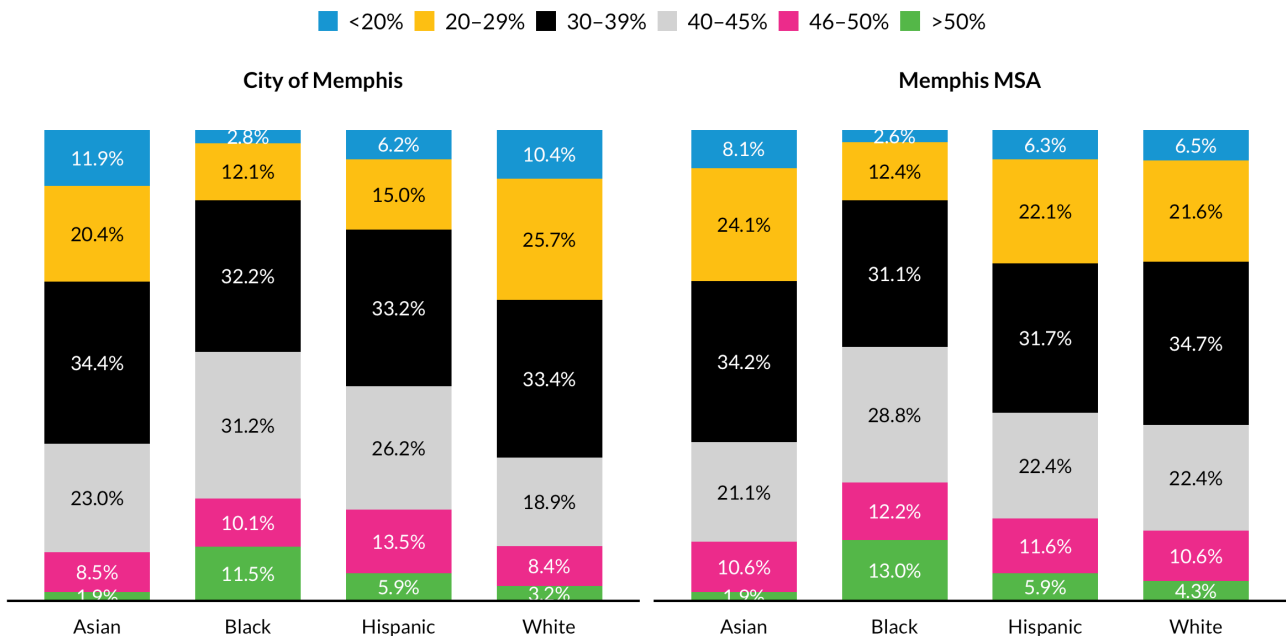
DTI Ratio Distribution Comparison



Source: 2019 Home Mortgage Disclosure Act data.
Notes: DTI = debt-to-income; MSA = metropolitan statistical area. Data are for purchase loans only.

Despite having lower property values, Black borrowers in Memphis, on average, have higher DTI ratios compared with other races and ethnicities, reflecting their low incomes. In both the city and the MSA, Black homebuyers have the highest share of DTI ratios above 40 percent across all racial and ethnic groups. The share of DTI ratios above 40 percent in the city is slightly lower (53 percent) than in the MSA (54 percent).

DTI Ratio Distribution, by Race or Ethnicity

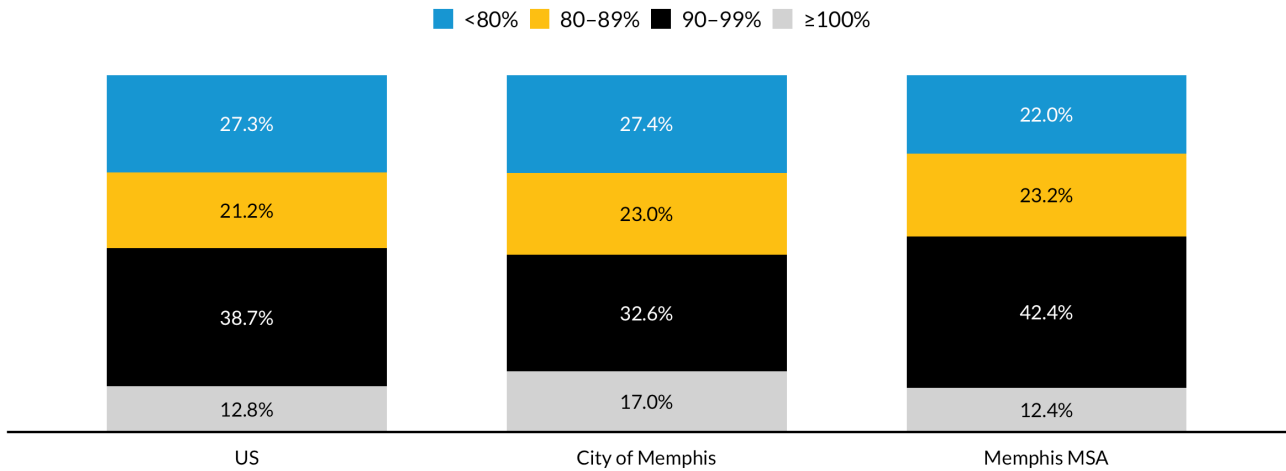


Source: 2019 Home Mortgage Disclosure Act data.
Notes: DTI = debt-to-income; MSA = metropolitan statistical area. Data are for purchase loans only.

Loan-to-Value Ratios

Homebuyers in Memphis purchased homes with loan-to-value (LTV) ratios comparable with both the Memphis MSA and the US. About 50 percent of households have an LTV ratio of 90 percent and above, compared with 55 percent in the MSA and about 51 percent in the US. A higher LTV ratio is associated with greater risk, and homeowners with high LTV ratios take longer to build wealth because they have put less equity down at purchase.

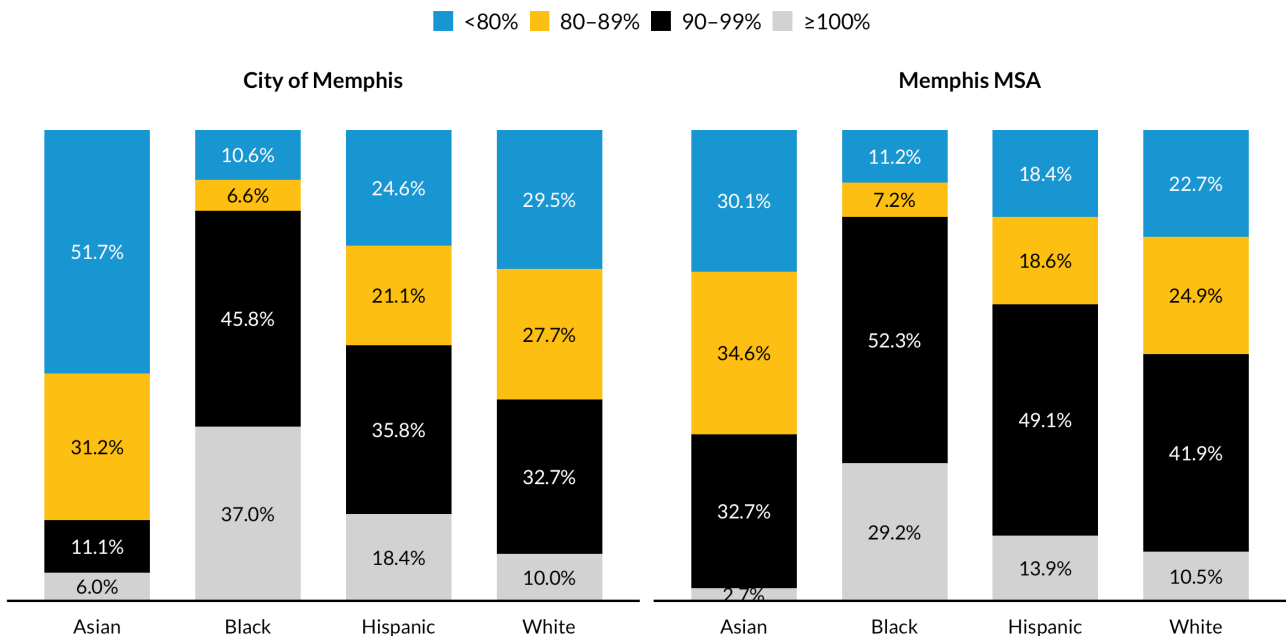
LTV Ratio Distribution Comparison



Source: 2019 Home Mortgage Disclosure Act data.
Notes: LTV = loan-to-value; MSA = metropolitan statistical area. Data are for purchase loans only.

Black homebuyers have higher LTV ratios than homebuyers of other races and ethnicities. The share of Black borrowers with LTV ratios of 90 percent and above is more than 83 percent in the city and 82 percent in the MSA. In comparison, the share of white borrowers with LTV ratios of 90 percent and above is 43 percent in the city and about 53 percent in the MSA.

LTV Ratio Distribution, by Race or Ethnicity

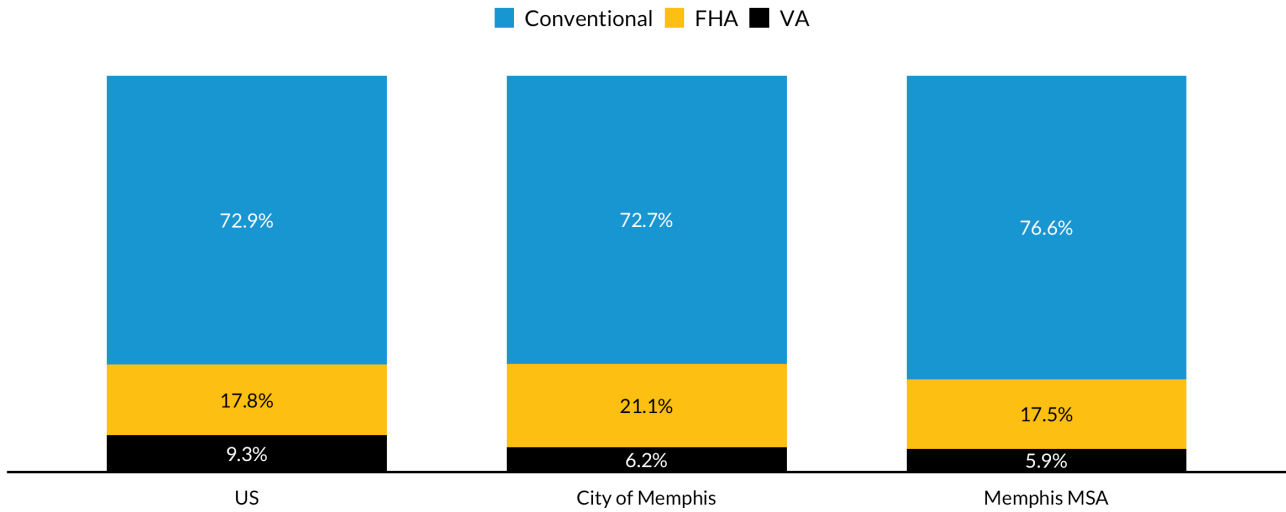


Source: 2019 Home Mortgage Disclosure Act data.
Notes: LTV = loan-to-value; MSA = metropolitan statistical area. Data are for purchase loans only.

Loan Channels

Among those who purchased homes in 2019, a larger share of borrowers in Memphis used FHA loans compared with those in the US. The share of conventional loans was similar in all three regions, while the share of US Department of Veterans Affairs (VA) loans was higher nationally.

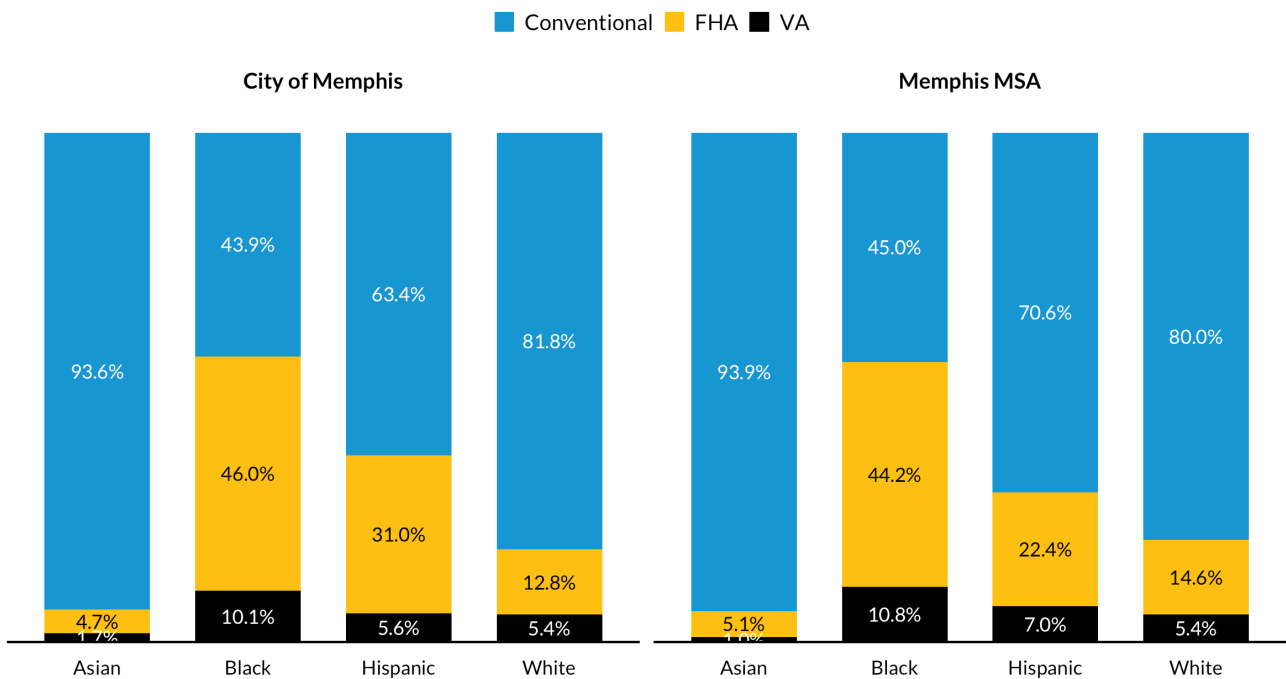
Loan Channel Comparison



Source: 2019 Home Mortgage Disclosure Act data.
Notes: FHA = Federal Housing Administration; MSA = metropolitan statistical area; VA = US Department of Veterans Affairs. Data are for purchase loans only.

In both Memphis and its MSA, FHA loans account for a higher share of loan channel composition for Black households than for any other racial or ethnic group. In 2019, the FHA share of loans for Black households was 46 percent in Memphis and more than 44 percent in the MSA. This share is higher than the national rate of 38 percent.

Loan Channel, by Race or Ethnicity

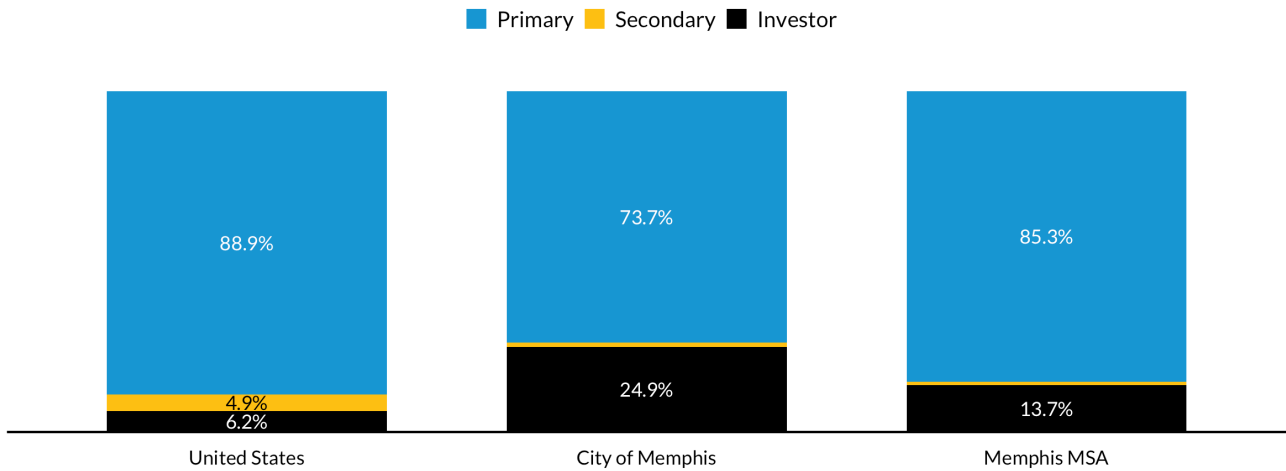


Source: 2019 Home Mortgage Disclosure Act data.
Notes: FHA = Federal Housing Administration; MSA = metropolitan statistical area; VA = US Department of Veterans Affairs. Data are for purchase loans only.

Property Purchase Types

Prospective homebuyers may purchase a property as a primary or secondary residence. Investors may purchase a property to rent it out or to resell it. In 2020, almost 25 percent of property purchases with a mortgage were made by investors in Memphis, which is almost double that of the MSA (13.7 percent) and four times that of the US (6.2 percent).

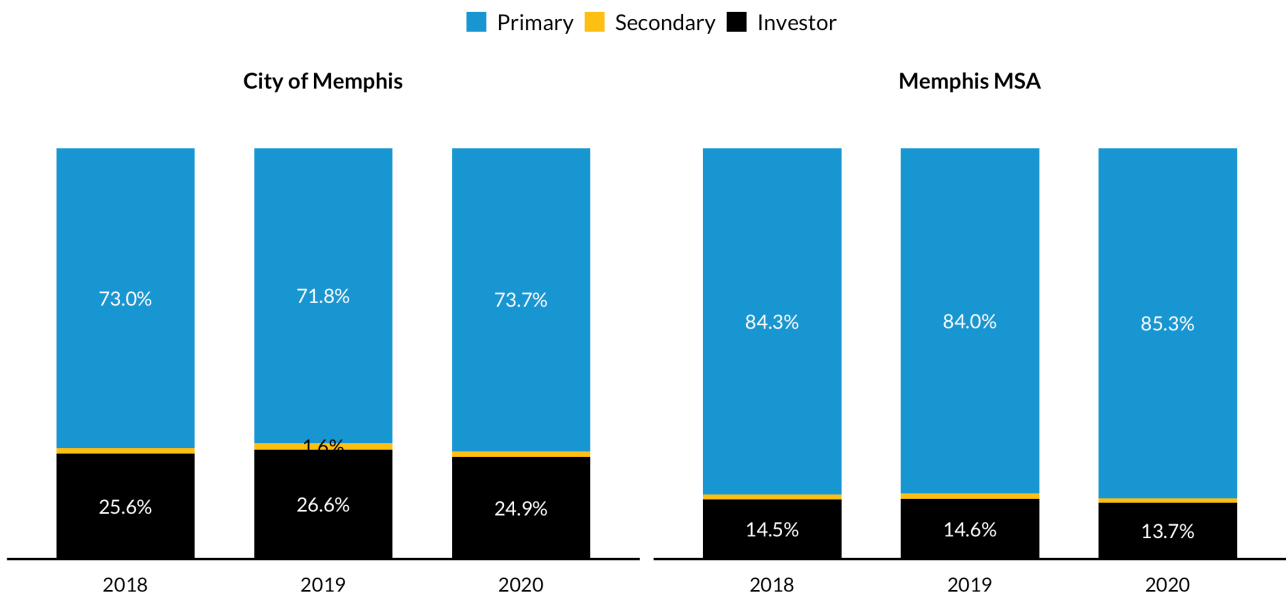
Property Purchase Types Comparison



Source: 2020 Home Mortgage Disclosure Act data.
Notes: MSA = metropolitan statistical area. All-cash investors are not included in the data.

Over the past several years, investor purchases have accounted for about a quarter of all purchases in Memphis. This high share could partially explain why the homeownership rate continues to remain low in Memphis.¹ As these figures account only for mortgage data while most investor purchases are cash purchases, the investor share is substantially higher than these estimates.

Property Purchase Types, by Year



Source: Home Mortgage Disclosure Act data.
Notes: MSA = metropolitan statistical area. All-cash investors are not included in the data.

¹ Jeni Diprizio, "Just Who Are These Investment Firms Buying Thousands of Memphis-Area Homes?," *Local Memphis*, October 14, 2021, <https://www.localmemphis.com/article/news/investigations/i-team/investment-firms-buying-thousand-memphis-homes-what-does-that-mean/522-22f14ac0-581e-460d-9fca-43f313de45c6>.

Mortgage Readiness

The mortgage-ready population, calculated by Freddie Mac, includes borrowers ages 45 and younger who do not have a mortgage but have the credit characteristics to qualify for one. Freddie Mac uses credit scores, DTI ratios, and delinquency histories to estimate this number. As of January 2021, the mortgage-ready population in the US housing market was about 41 million, including 3.4 million Black consumers. In the MSA, the mortgage-ready population is close to 112,000, including more than 38,000 Black consumers.

Mortgage-Ready Count, by Race or Ethnicity

	Asian	Black	Hispanic	White	Other	Total
Memphis MSA	8,900.0	38,408.0	10,381.0	52,120.0	1,858.0	111,667.0
United States	4,995,056.0	3,404,153.0	8,260,804.0	23,440,086.0	988,013.0	41,088,112.0

Source: 2021 Freddie Mac data.

Notes: MSA = metropolitan statistical area. Data are for purchase loans only. The mortgage-ready population, calculated by Freddie Mac, includes borrowers ages 45 and younger who do not have a mortgage but have the credit characteristics to qualify for one.

Fewer Black consumers in the Memphis MSA are mortgage ready than consumers of other races and ethnicities. Among people ages 45 and younger, the Black share of mortgage-ready consumers in the Memphis MSA (16 percent) is lower than in the nation (22 percent). In contrast, the Hispanic share of mortgage-ready consumers in the Memphis MSA (35 percent) is comparable with the nation (34 percent). This is consistent with the lower credit scores and incomes among Black residents in Memphis. Despite the lower share of mortgage-ready consumers in the Memphis MSA, there is a higher share of those who can afford a mortgage among mortgage-ready consumers. Nationally, 45 percent of mortgage-ready Black consumers can afford median-price homes assuming a 2.9 percent interest rate, as compared with about 77 percent in the Memphis MSA. This is because home prices are relatively lower in the Memphis MSA than in the nation. Also, because of lower home prices, it takes less time to save for a 3 percent down payment in the Memphis MSA than in the nation. In the Memphis MSA, it would take about 1.77 years for a mortgage-ready Black borrower to save for a 3 percent down payment, compared with 2.71 years nationally.

Mortgage Readiness, by Race or Ethnicity

Race or ethnicity	Mortgage-Ready Share		Mortgage Affordability at 2.9% Interest		Years to Save a 3% Down Payment	
	United States	Memphis MSA	United States	Memphis MSA	United States	Memphis MSA
Asian	60.8%	59.4%	34.0%	94.8%	3.59	1.39
Black	21.8%	16.0%	45.2%	76.5%	2.71	1.77
Hispanic	34.1%	34.5%	27.7%	82.9%	3.74	1.83
White	35.9%	32.0%	51.5%	82.2%	2.46	1.50

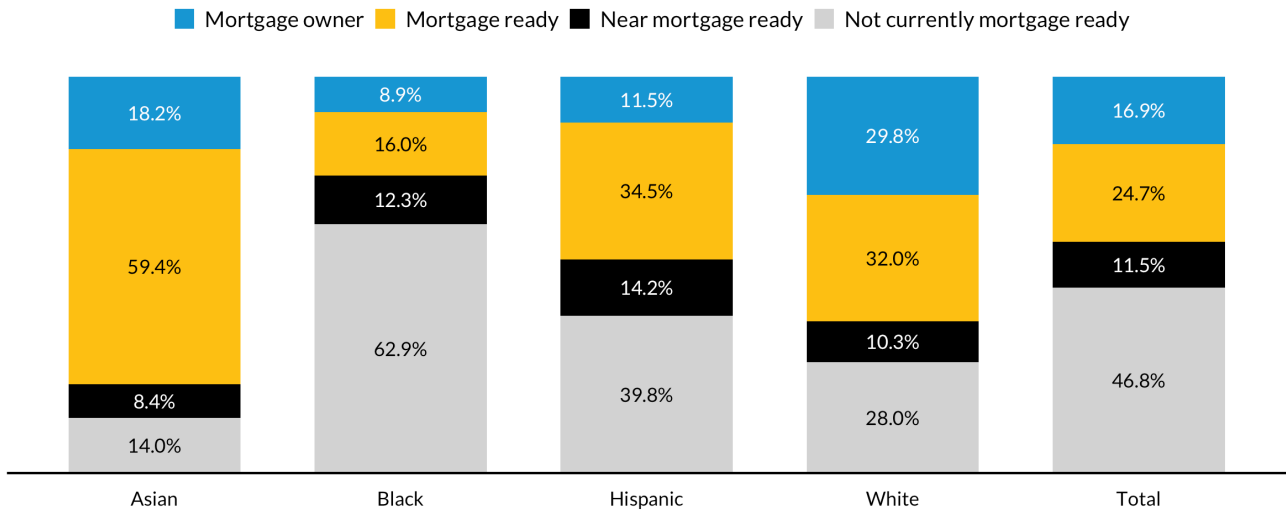
Source: 2019 Home Mortgage Disclosure Act data.

Notes: MSA = metropolitan statistical area. Data are for purchase loans only. The mortgage-ready population, calculated by Freddie Mac, includes borrowers ages 45 and younger who do not have a mortgage but have the credit characteristics to qualify for one.

Mortgage Readiness (continued)

Among consumers who have credit visibility or who have a credit history, only about 9 percent of Black consumers ages 45 and younger are mortgage owners, compared with 30 percent of white consumers in the Memphis MSA. Moreover, 63 percent of Black consumers are not currently mortgage ready, significantly higher than the total credit-visible population.

Mortgage Readiness, by Race or Ethnicity, in the Memphis Metropolitan Statistical Area

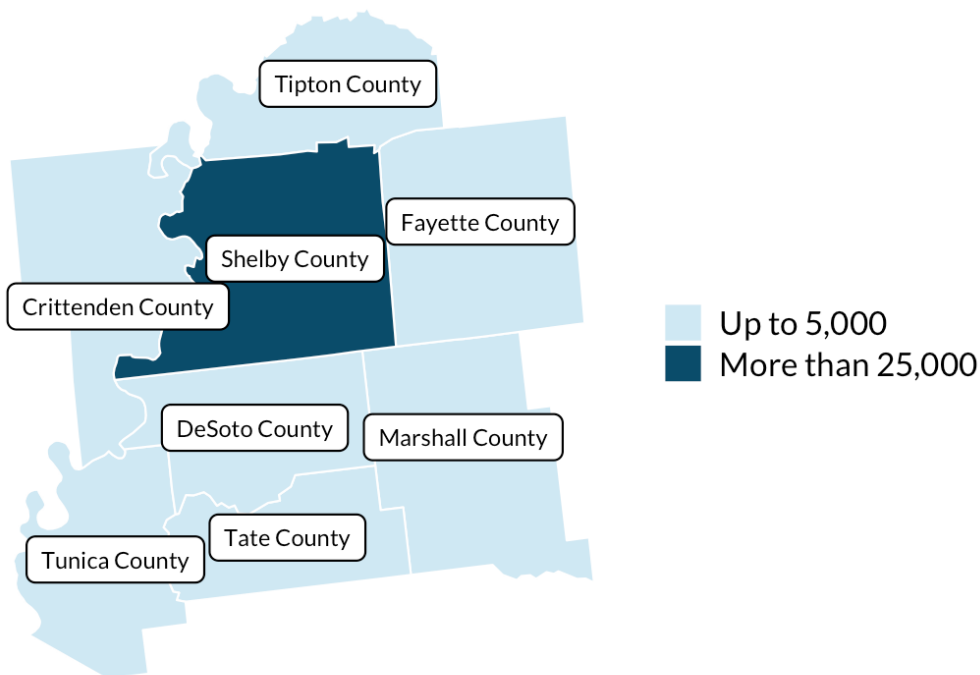


Source: 2021 Freddie Mac.

Note: The mortgage-ready population, calculated by Freddie Mac, includes borrowers ages 45 and younger who do not have a mortgage but have the credit characteristics to qualify for one.

In the MSA, the mortgage-ready Black population is concentrated in Shelby County, where more than half the population is Black.

Size of the Mortgage-Ready Black Population Ages 45 and Younger, by County



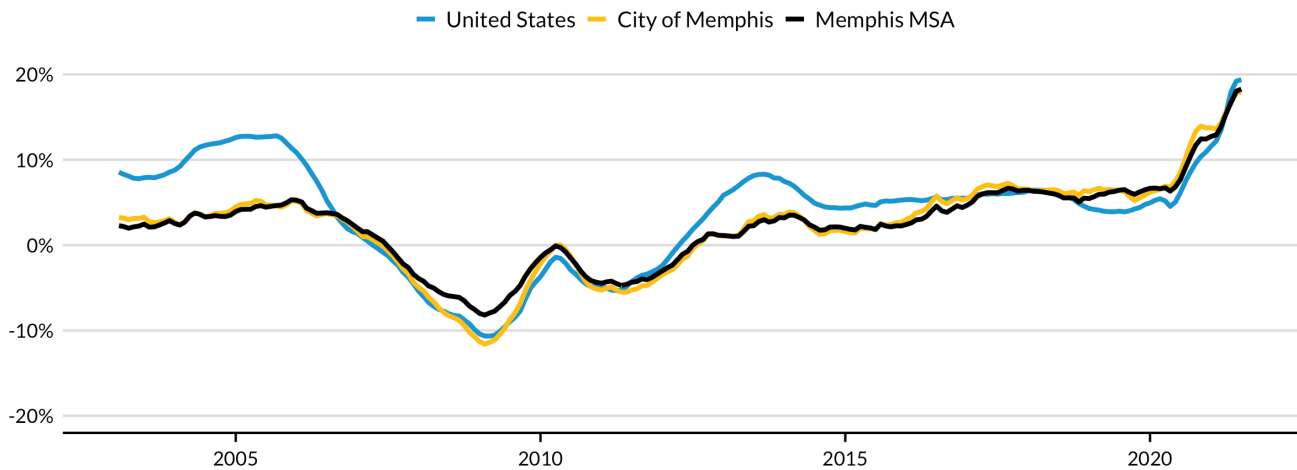
Source: 2021 Freddie Mac data.

Home Prices

Home Price Appreciation

Home prices in Memphis experienced upheaval in the wake of the 2008 housing bust and the years immediately following but have gained steadily along with the US market.

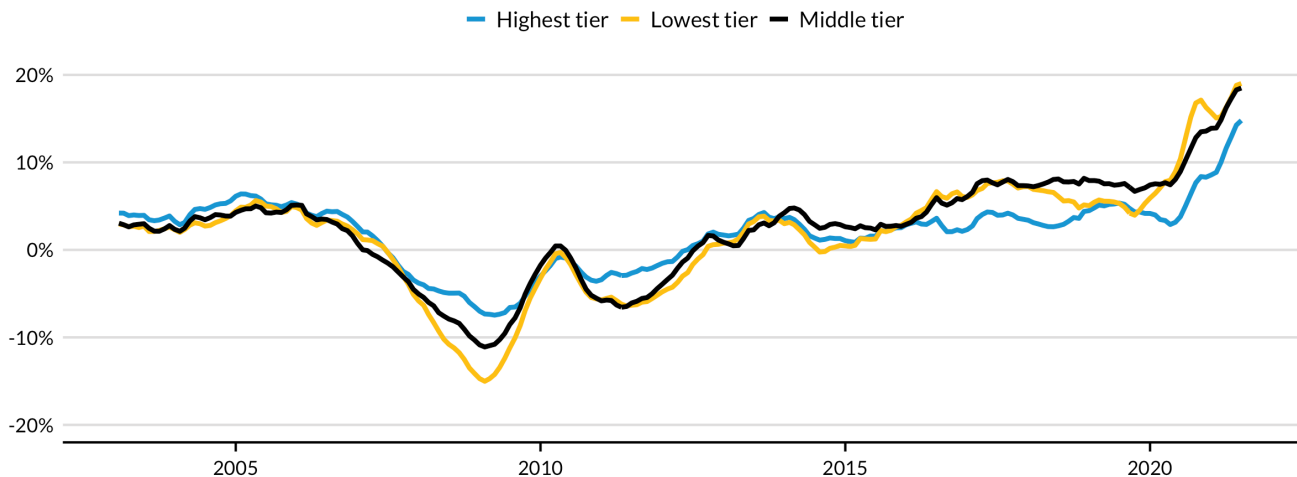
Year-over-Year Price Changes



Source: Black Knight.
Note: MSA = metropolitan statistical area.

In Memphis, prices for homes in the lowest price tier—the bottom 20th percentile—dropped the most during and immediately following the Great Recession. But since 2012, these homes showed higher appreciation rates than higher price tiers because of an acute supply shortage in the lowest price tiers.

Year-over-Year Price Changes in the City of Memphis, by Price Tier

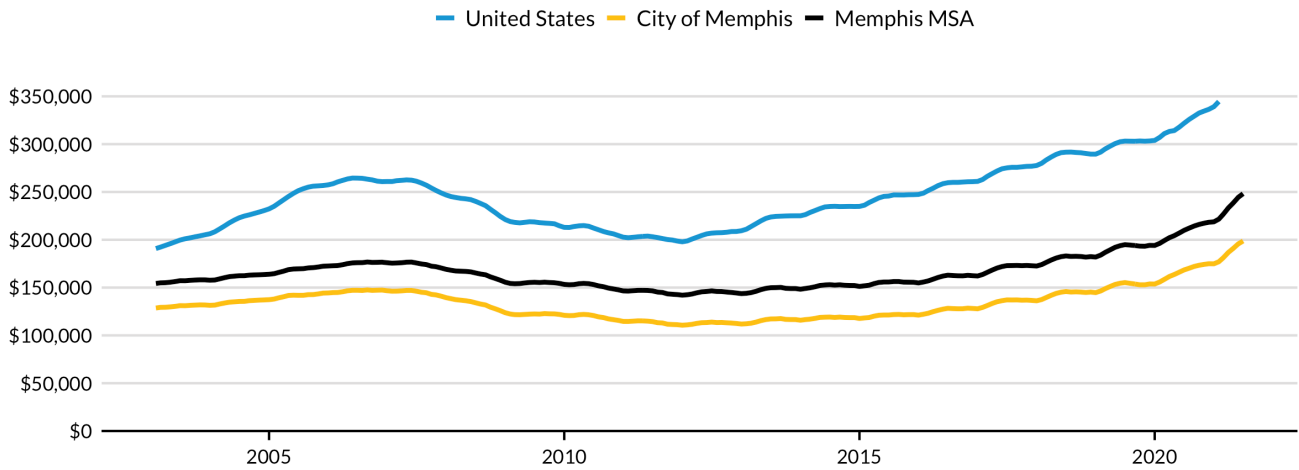


Source: Black Knight.

Home Price Appreciation (continued)

Nationally, average home prices are 29 percent above where they were during the prior peak, but average home values in the city are nearly 35 percent above their peak values in 2006 and 80 percent above their nadir in 2012.

Average Home Price Estimate

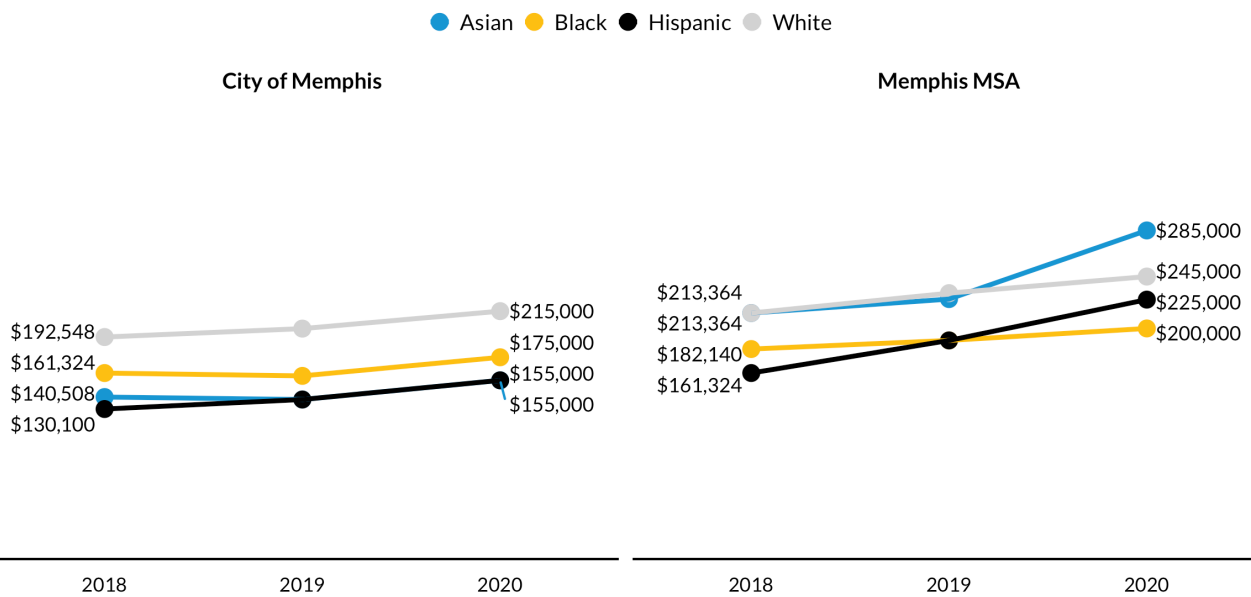


Source: Black Knight.
Note: MSA = metropolitan statistical area.

Property Values, by Race and Ethnicity

Since 2018, median property values of purchased homes have increased for all racial and ethnic groups in Memphis and the MSA, reflecting rising home prices. Although property values in the MSA are slightly higher, substantial racial disparities in the purchased home prices exist for both geographies. Households of color are more likely to buy cheaper homes. Black homebuyers had the smallest difference between the median purchase home price between the city and the MSA. Interestingly, the median property value of purchased homes for Asian homebuyers is the lowest in the city, but it is highest in the MSA.

Median Property Values, by Race or Ethnicity

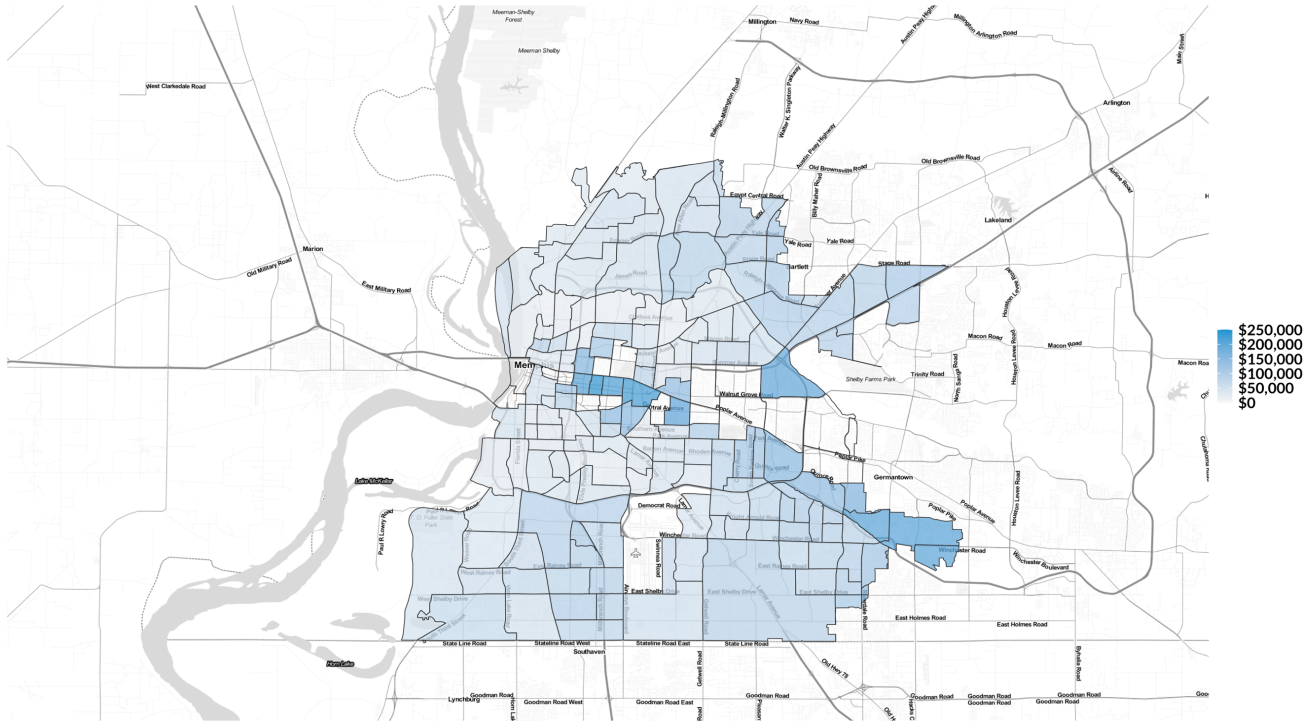


Source: Home Mortgage Disclosure Act data.
Notes: MSA = metropolitan statistical area. Values are in 2020 inflation-adjusted dollars. Original, unadjusted reported values rounded to the midpoint of the nearest \$10,000 interval.

Home Values, by Neighborhood

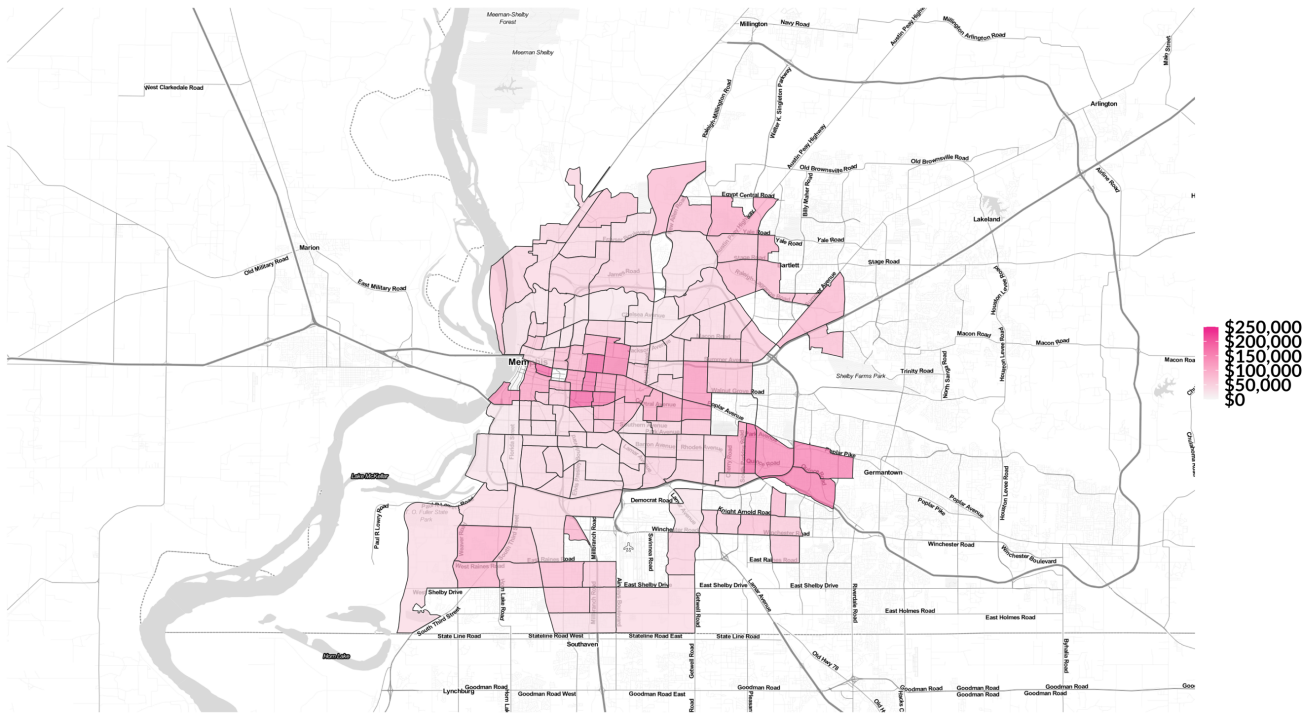
The market value of homes differs dramatically by neighborhood. Neighborhoods with higher single-family home prices also have higher prices for duplexes. The highest-value homes are concentrated around East Memphis, Orange Mound along with Poplar Avenue and Parkway Village, as well as Southeast Memphis around Buckingham Farms.

Mean Tract-Level Market Values of Single-Family Homes in Memphis



Source: Property records.

Mean Tract-Level Market Values of Duplexes in Memphis



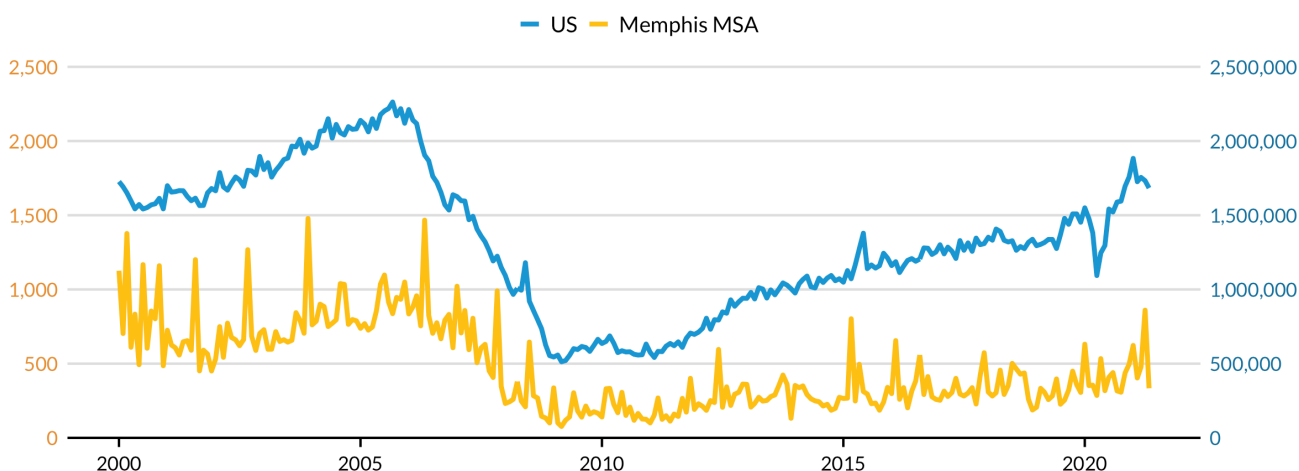
Source: Property records.

Housing Supply

Building Permits

In the past decade, the US has experienced significant housing supply shortages. In the MSA, the number of new private housing units authorized by building permits dropped significantly following the Great Recession. This number has slowly recovered but dipped when the COVID-19 pandemic hit. The numbers have gone up in recent months but are still considerably lower than in the years before the Great Recession. This is similar to the national trend, but growth in the recent years has been slower.

New Housing Units Authorized by Building Permits



Source: US Census Bureau.
Note: MSA = metropolitan statistical area.

Housing Inventory

Housing inventory has dropped during the pandemic because the housing shortage continued while demand increased (mortgage interest rates dropped, and millennials entered their prime homebuying ages). Between January 2018 and May 2021, housing inventory dropped almost 31 percent in the US, compared with nearly a 10 percent inventory drop in the city of Memphis and more than 35 percent in the MSA. Although the inventory drop was more muted, the annual inventory per household, which is total inventory over total number of households, was lower in the city than in the MSA and nationally.

Changes in Housing Inventory

Time frame	United States	City of Memphis	Memphis MSA
Jan. 2018–May 2021	-30.9%	-9.8%	-35.3%

Source: Zillow.
Note: MSA = metropolitan statistical area.

Inventory per Household

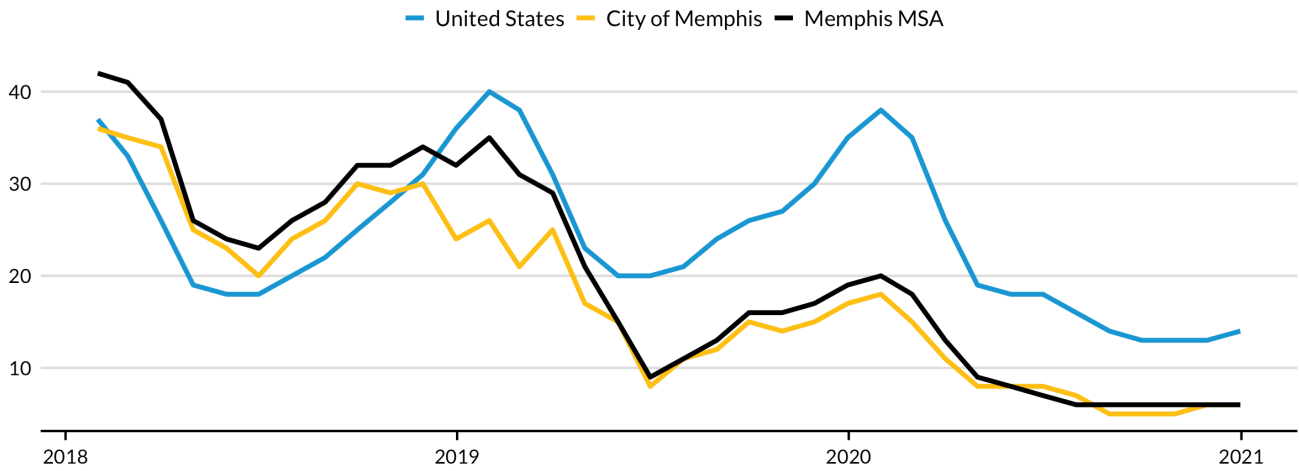
Year	United States	City of Memphis	Memphis MSA
2018	16.0%	10.0%	15.6%
2019	16.1%	10.0%	15.2%
2020	13.5%	7.6%	11.7%

Source: Zillow.
Note: MSA = metropolitan statistical area.

Days to Pending

The time frame between a homeowner accepting a buyer's offer to the home closing is referred to as "days to pending." How short or long this time frame is can suggest how competitive the market is. Homes sold faster in 2020 and 2021 than in past years. In other years, average days to pending dropped during the first half of the year and then went up, reflecting seasonal differences in market activity. In 2021 for both Memphis and the MSA, the average days to pending steadily declined throughout the year. As a whole, average days to pending in the US increased in the fourth quarter.

Days to Pending Comparison

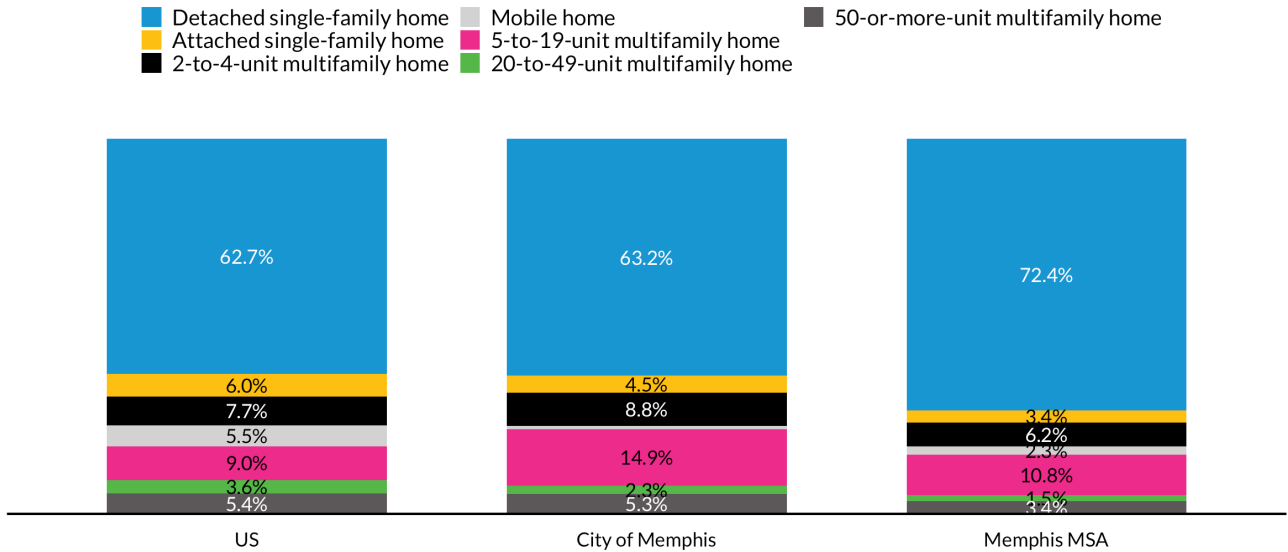


Source: Zillow.
Note: MSA = metropolitan statistical area.

Housing Type

Similar to the nationwide composition of housing structure types, households in both the city and the MSA largely live in single-family units. Among households living in multifamily units, a significant proportion in Memphis, primarily renters, reside in buildings with 5 to 19 units, which make up around 15 percent of the overall composition. In the MSA, buildings with 5 to 19 units also make up the largest share of multifamily units and account for around 11 percent of the overall composition.

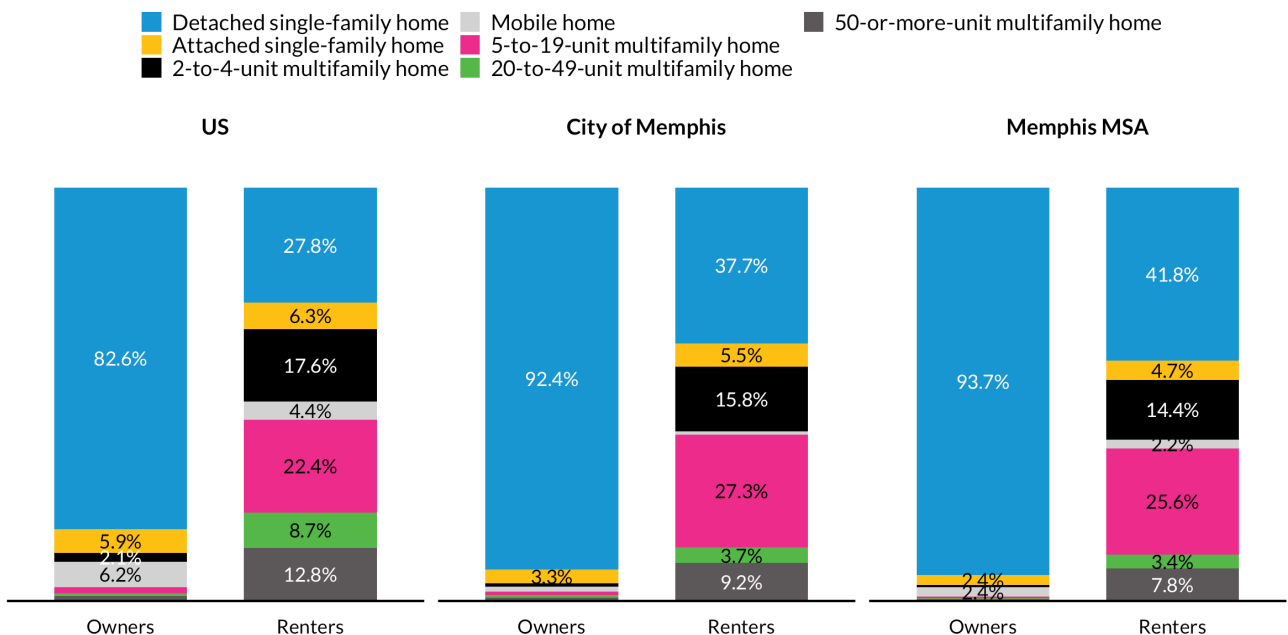
Housing Structure Type Comparison



Source: 2015–19 American Community Survey.
Note: MSA = metropolitan statistical area.

For homeowners, the most common property types in Memphis are single-family homes. Single-family housing (attached plus detached) dominates the homeownership market in Memphis, making up 96 percent of the total—a higher share compared with the US as a whole. For renters, the most common property types are single-family homes and 5-to-19-unit multifamily homes.

Housing Structure Type: Owners and Renters

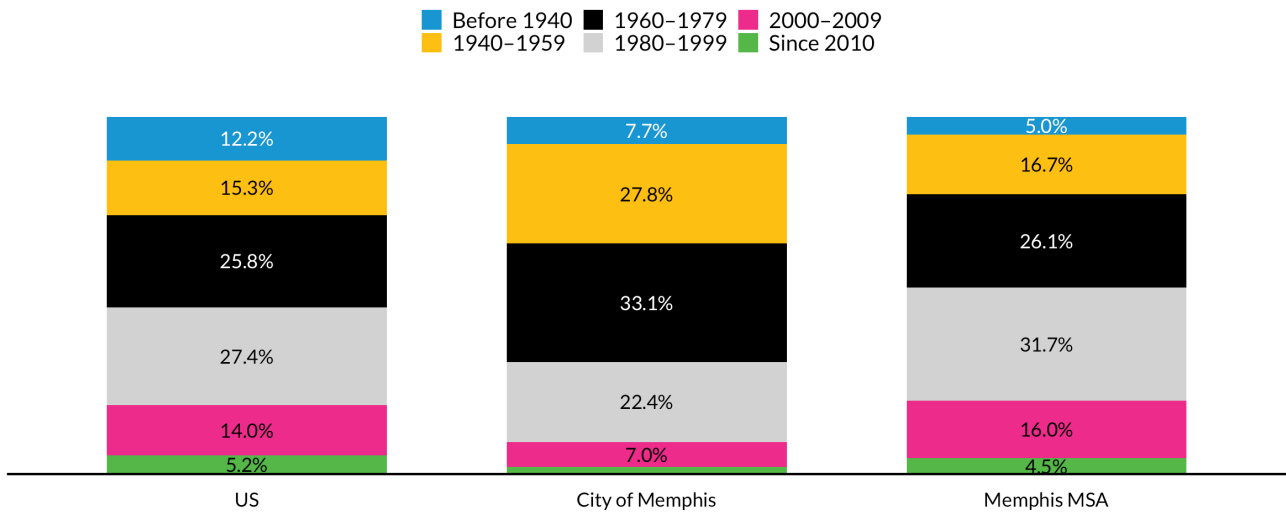


Source: 2015–19 American Community Survey.
Note: MSA = metropolitan statistical area.

Age of Housing

Depending on its age, an older home may require significant upkeep or extensive repairs, which raises the user costs of homeownership. Homes in Memphis are, on average, older than either nationally or in the Memphis MSA. Nationwide, 53 percent of households live in homes built before 1980, compared with 69 percent in Memphis and 48 percent in its MSA. Although new construction has slowed dramatically across the nation since the Great Recession, only 9 percent of households living in Memphis reside in homes built since 2000, compared with 21 percent in the MSA and 19 percent nationally.

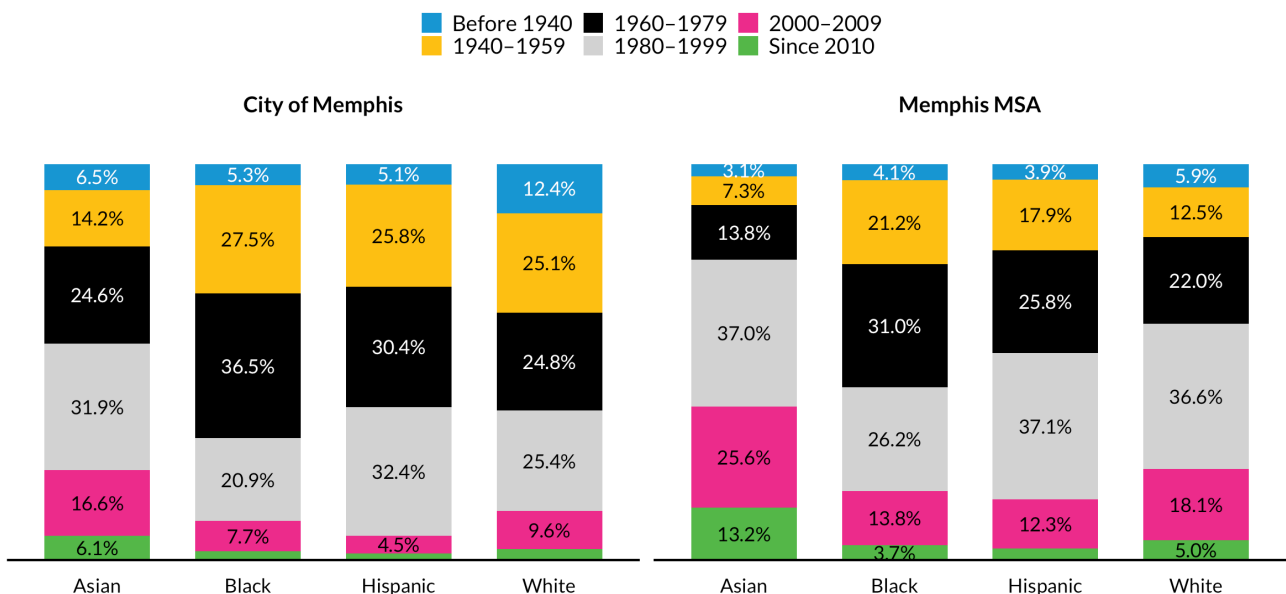
Year Built Comparison



Source: 2015–19 American Community Survey.
Note: MSA = metropolitan statistical area.

In both the city and the MSA, higher shares of Black and Hispanic households live in homes built before 1980, compared with Asian and white households. In the MSA, 56 percent of Black households live in homes built before 1980, compared with almost 40 percent of white households.

Year Built Comparison, by Race or Ethnicity



Source: 2015–19 American Community Survey.
Notes: MSA = metropolitan statistical area. Values calculated using allocation factors provided by the Missouri Census Data Center.

Conclusion

This report, in support of the Keys Unlocks Dreams Initiative for the Memphis market, is intended as a first step toward informing local housing policies with a profile of homeownership barriers and opportunities. It offers an evidence-based framework for policymakers and stakeholders, such as consumers and housing market industry constituents, as they seek to further fair housing and close racial homeownership and wealth gaps.

Although no city has closed the Black-white homeownership gap (Choi et al. 2019), Memphis has unique challenges that need tailored solutions. Given the rate of investor purchases and declining market values in the city, these solutions must be actionable and proactive. For example, Memphis has a sizable number of vacant, multifamily properties. In 2018, the city purchased one property in the East Binghamton neighborhood and collaborated with a developer to convert it into a mixed-used project with affordable housing (Innovate Memphis 2020). Although the project has continued even through the COVID-19 pandemic, it may take several years to evaluate how this development alone improved housing affordability in this neighborhood.

Our report highlights that home prices in Memphis are affordable compared with the national average. Additionally, many homes in Memphis, especially those owned by Black homeowners, are older and require renovation. But financing for both low-cost properties and for renovation is challenging because of the lack of small-dollar mortgages (McCargo et al. 2018) and because of the cumbersome nature of renovation financing (Kaul, Goodman, and Neal 2021). Expanding and improving financing for small-dollar mortgages and for renovation finance would help Black households in Memphis access credit for purchasing and rehabilitating homes.

The COVID-19 pandemic has disproportionately affected communities of color. Black homeowners and renters are more likely than homeowners and renters of other racial and ethnic groups to be behind on their housing payments, which could increase the racial homeownership and wealth gap postpandemic.² Many Black homeowners could fail to sustain homeownership, and many Black renters could be left in a financial situation where homeownership is further out of reach. Timely and adequate policy changes are needed to prevent this from happening.

These are just some of the policy issues suggested by this snapshot on homeownership conditions in Memphis. The Urban Institute seeks to contribute the research to inform policy changes, new products and programs, education and outreach campaigns, and other partnerships for action. This work can help remove structural barriers that perpetuate inequality, expand affordable and fair housing options, prevent an unbalanced recovery from the COVID-19 pandemic, empower consumers and stakeholders with critical information and resources, and help close the racial wealth and homeownership gaps. We look forward to engaging on the data and on ideas for solutions in each of the places the Keys Unlock Dreams Initiative takes us in support of this work.

² Solomon Greene and Alanna McCargo, "New Data Suggest COVID-19 Is Widening Housing Disparities by Race and Income," *Urban Wire* (blog), Urban Institute, May 29, 2020, <https://www.urban.org/urban-wire/new-data-suggest-covid-19-widening-housing-disparities-race-and-income>.

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Janneke Ratcliffe is vice president for housing finance policy at the Urban Institute. She joins the Housing Finance Policy Center's leadership team to manage execution of the center's mission. Over a career that spans industry, the nonprofit sector, academic research, and the federal government, her work focuses on increasing access to financial systems that foster economic security and prosperity. Ratcliffe came to Urban from the Consumer Financial Protection Bureau, where she served as assistant director, leading its Office of Financial Education. Previously, she was the executive director of the University of North Carolina Center for Community Capital, leading "transformative research on how mortgage markets and financial services can better promote financial security and economic opportunity." Ratcliffe has also served at GE Capital Mortgage, the Center for American Progress, and Self-Help, where she was instrumental in high-impact programs in affordable and Community Reinvestment Act mortgages and community development finance. Ratcliffe serves on the Consumer Affairs Advisory Council of the Mortgage Bankers Association. She is a graduate of the University of North Carolina at Chapel Hill, where she studied economics and French.

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