# The Potential for New Latino Homeownership Among Undocumented Latino Immigrants

Prepared for

**The National Association of Hispanic Real Estate Professionals**


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## Executive Summary


Undocumented Latino immigrants are limited in their ability to purchase a home by a lack of adequate identification, insufficient participation in the financial services industry, lack of a verifiable credit history, their immigration status, and other issues. Many of these immigrants, however, have household incomes that would permit them to purchase a home if the process of obtaining a mortgage loan were opened up to them. Indeed, the spending power of undocumented Latino immigrants represents a potentially substantial economic boost to the housing industry and other sectors.

This report estimates the increased amount of homeownership that could occur among undocumented Latino immigrants were they to be able to participate in the homeownership market like other Latinos. The report employs a commonly used methodology of determining the characteristics of undocumented immigrants with census data, and sets research parameters so that estimates of increased homeownership are likely to be conservative.

The major findings include:

- There were approximately 5.8 million undocumented Latinos in the U.S. as of January 1, 2000, and about 1.5 million undocumented Latino householders.

- Undocumented immigration status creates major barriers to homeownership because the immigrants have difficulty proving their identification and credit history. The mortgage agencies Freddie Mac, Fannie Mae and Ginnie Mae do not purchase mortgages taken out by the undocumented. Increasingly, lenders are accepting Individual Taxpayer Identification Numbers, issued by the IRS, as a form of identification, but at the present time legalization is necessary to fully incorporate undocumented households into the mortgage lending industry.

- Many of the undocumented Latino householders have age and income characteristics associated with potential homeownership. Including both renters and homeowners, there are approximately 619,440 undocumented householders aged 35 years or more, and 721,304 undocumented householders with household incomes at or exceeding $30,000.

- More than 216,000 currently undocumented householders could become homeowners if they had improved access to the homeownership process.

- The youthfulness of the potential homeowners may mitigate their likelihood of purchasing a home in the near future. Some 58.7 percent were under the age of 35 at the time of the census (although four and a half years have passed since then). On the other hand, some 57.7 percent of all the potential new homeowners have household incomes at or above $30,000.

- Some 172,626 currently undocumented renter householders could potentially afford a home worth $94,500 or more.

- The purchase of affordable homes by the currently undocumented, renter households would translate into $44 billion in mortgage originations.

Table of Contents

## Introduction

Estimates of the number of undocumented immigrants in the United States range between 7 and 10 million persons (U.S. Bureau of Citizenship and Immigration Services; Passel et al.; Bean et al.). This population has grown steadily over the years, notwithstanding efforts to control the flow of illegal migrants, including increased border patrol, sanctions on employers of undocumented workers and denial of public benefits to the migrants (Singer; Calavita). Some argue that undocumented immigrants are harmful to the economy, yet it is also true that the unemployment rate in the U.S. fell over the 1990s, even while the nation received large numbers of undocumented workers.[1]

Opponents of undocumented immigrants claim that they represent a drain on the U.S. economy, given their relatively low level of income (Camarota). Yet economic benefits may result from allowing undocumented immigrants to participate more freely in the U.S. economy. An excellent example is homeownership. Owning a home is a dream of most families, and there is no reason to believe that undocumented immigrants would not eagerly purchase a home if they had the opportunity.

Increased homeownership among the undocumented brings several kinds of benefits to the nation. The immigrants themselves would enjoy the security of owning their home and the benefits of developing capital. Many homeowners use their accumulated home equity to invest in the U.S. economy by opening a new business, purchasing a car, paying for educational expenses, or making improvements to their property. These expenditures benefit the retail, construction and other industries. Most local governments would also prefer to see increased homeownership, partly because the homeownership implies higher property tax revenues but also because homeownership is associated with neighborhood stability.

Finding ways to permit homeownership among the undocumented is not the same as calling for their legalization. A legalization program that would grant permanent status to undocumented immigrants is certainly one way to improve their economic mobility. But banks, savings and loans and other lenders across the nation are increasingly helping undocumented immigrants participate in the mortgage lending market by accepting new forms of identification and using new methods of determining a mortgage applicant's ability to re-pay a loan.

Fortunately, a methodology exists to estimate how many undocumented householders might become homeowners in the event of their legalization. This method uses estimates of undocumented persons provided by the U.S. Bureau of Citizenship and Immigration Services, and data on immigrant characteristics from the 2000 census. Briefly stated, this methodology estimates current homeownership among undocumented immigrants and among a comparable population of legal immigrants. The difference in

[1] The unemployment rate at the time of the 1990 census was 6.3 percent; at the 2000 census the rate was 3.9 percent.

homeownership levels represents the potential increase in homeownership among the undocumented were they to gain legal residence.

## Undocumented Immigrants and Home Ownership

The undocumented have relatively low rates of homeownership in part because of their demographic, social and economic characteristics. Their immigration status also prevents them from freely participating in financial markets which include basic checking and savings accounts (both of which are helpful for establishing credit) and mortgage lending.

Their lack of legal status may imply that undocumented immigrants do not intend to stay in the U.S. permanently, but while immigrants may come to the U.S. with the intention of staying briefly, they often end up establishing long-term roots here (NALEO). Many if not the great majority of undocumented immigrants would likely stay in the U.S. for their working careers if they had legal status.

### *Demographic and Socioeconomic Characteristics as They Impact Home Ownership*

Demographic and socioeconomic characteristics such as age, education, length of residence in the U.S., metropolitan area of residence and income level have an effect on homeownership rates (Coulson; Borjas). Of these, two key determinants are age and income level. Age affects homeownership rates because older persons are more likely to have accumulated savings for a home and are less likely to be geographically mobile. Census data on Latinos show that the rate of household ownership increases steadily with age. Householders aged 25 to 34 years have a homeownership rate of 33.3 percent, for example, compared to a homeownership rate of 49.7 percent for persons aged 35 to 44 years. Undocumented immigrants as opposed to legal immigrants may be presumed to be relatively younger, in part because the arduousness of illegal border crossings favors younger migrants. The effect of their youth is to limit the likelihood of undocumented immigrants to be homeowners.

**Homeownership Rate of Latino Householders by Age: 2000**

| | |
|---|---|
| 15 to 24 years | 15.3% |
| 25 to 34 years | 33.3% |
| 35 to 44 years | 49.7% |
| 45 to 54 years | 57.2% |
| 55 to 64 years | 63.0% |
| 65 years and over | 62.7% |

Household income also clearly affects homeownership rates. A low income negatively affects a household's ability to meet housing costs. Census data on Latinos shows that their homeownership rate increases steadily with their income level. The household incomes of undocumented persons are relatively low (Camarota; Clark et al.), in part because they are often relegated to jobs in the low-wage sector of the economy. The undocumented, in other words, pay a penalty for their immigration status in terms of lost income, and this translates into lower homeownership rates.

**Homeownership Rate of Latino Householders by Income Level: 2000**

| | |
|---|---|
| Less than $5,000 | 22.5% |
| $5,000 to $9,999 | 24.4% |
| $10,000 to $14,999 | 28.6% |
| $15,000 to $19,999 | 32.1% |
| $20,000 to $24,999 | 35.9% |
| $25,000 to $29,999 | 39.3% |
| $30,000 to $34,999 | 43.3% |
| $35,000 to $39,999 | 47.0% |
| $40,000 to $44,999 | 50.5% |
| $45,000 to $49,999 | 53.9% |
| $50,000 to $74,999 | 61.2% |
| $75,000 to $99,999 | 70.8% |
| $100,000 to $149,999 | 76.0% |
| $150,000 or more | 76.2% |

Another major demographic impact on the likelihood of undocumented immigrants being homeowners is the percent of undocumented immigrants who are householders. Given their youth and the fact that many undocumented immigrants enter the U.S. as individuals, rather than as family units, it may be expected that a relatively small percent of undocumented immigrants are actually householders as opposed to unmarried younger persons. An estimate of potential homeownership among unauthorized immigrants will need to account for the income, age, and household formation characteristics of these persons.

*Participation by the Undocumented in Financial Markets*

Homeownership in the United States is closely linked to participation in financial markets. Few persons purchase a home with cash, and few obtain a loan outside of the mainstream mortgage lending system. Yet immigrants use financial accounts at a much lower rate than the native born. Some 32 percent of foreign-born households in the U.S. do not have financial transaction accounts, compared to only 18 percent of the U.S.-born (Newberger, Rhine and Chiu). Immigrants and the undocumented may be described as relatively "unbanked."

In the case of immigrants, including the legal immigrants, they may not attempt to open savings, checking and other accounts because they lack familiarity with the American financial system (which in turn may lack familiarity with the immigrants, failing to adequately communicate with the population). Undocumented immigrants have further constraints, as many financial service institutions require both a social security number to open an account as well as other identification issued in the U.S. Not having acceptable identification also can prevent the undocumented from participating in other types of credit arrangements such as those offered by public utilities providing electricity, gas and telephone access. (Kessler).

Financial service institutions are increasingly accepting consular identity cards as a form of identification. These are identification cards issued by consulates to their nationals residing in the U.S. The most widely issued card is that of Mexican consulates. This card is often referred to by its Spanish name of *matricula* card. The Mexican Consulate *matricula* card has been used to open tens of thousands of bank accounts in Texas, while 50,000 accounts have been opened with *matricula* cards in the Midwest in recent years (Texas Appleseed and Community Resource Group).

Still another type of identification gaining wider use is the Individual Taxpayer Identification (ITIN) number. The Internal Revenue Service offers ITINs to persons who are not eligible for a social security number but need identification for tax administration purposes. Some 900,000 ITINs were issued by the IRS in 2003 alone (U.S. Internal Revenue Service). ITINs may be used to establish credit for mortgage loans as they can help provide information on the income history of a loan applicant.

### *Barriers to Mortgage Lending*

Undocumented immigrants seeking a home mortgage loan may be prevented from getting a loan because of their lack of identification, as described above. Furthermore, because of their low participation in the financial services markets, undocumented immigrants may have little credit history on which the lender can make a decision whether to extend a loan. Persons with little credit history are known as “thin-file” applicants in the lending industry. These potential borrowers must locate an institution that that will base its lending on alternative factors such as whether the applicant has any existing financial accounts with the lender, like checking and savings accounts. Some lenders can use private vendors to develop further information on a potential buyer. These vendors use a wide variety of databases such as vehicle registrations, Nielsen media data, employment data, asset ownership, and data on account openings and closings (Kessler). The process of using these vendors to decide on the creditworthiness of thin-file applicants is still new, however, and not widely used.

Assuming that an undocumented immigrant meets test of creditworthiness, he or she may still be unable to get a loan. In the home mortgage industry, the federally chartered Freddie Mac, Fannie Mae and Ginnie Mae institutions purchase the majority of home loans made by banks and other lenders. When a bank sells its loan to Freddie Mac, Fannie Mae, or Ginnie Mae, the bank closes that loan and can dedicate its capital to new loans. These institutions, however, will not purchase home loans made to undocumented immigrants. This seriously reduces the capital available for these loans, as financial service institutions are reluctant to tie up their assets in too many loans that they cannot sell.

Discrimination that is unrelated to immigration status may prevent the undocumented from getting a home loan. Undocumented immigrants often belong to racial or ethnic minorities that are disproportionately denied loans due to credit underwriting models built on discriminatory assumptions (Chandrasekhar). On balance, however, identification-related problems and lack of credit history are likely to far outweigh discrimination as the reason that the undocumented are ineligible for loans with many banks and savings and loans.

While financial service institutions are taking steps to bring the undocumented into the home lending market, such as by accepting ITINs, they can only go so far given the fact that Freddie Mac, Fannie Mae and Ginnie Mae will not purchase their loans. Other mortgage lenders will continue to be reluctant to make loans based on ITINs. Also, some undocumented immigrants will always avoid using financial services as long as there is a perceived or real threat that their identity could be revealed to the government. For these reasons, the best path to participation in the home mortgage market for the undocumented is via their legalization.

**Legalization Proposals**

As described earlier, legalization of undocumented immigrants is not a prerequisite to increasing their homeownership rate. It would, however, be a powerful stimulus to investment on the part of the immigrants, and thus it is worthwhile to review the proposed legalization programs. In January 2004, for example, President Bush called for a new program that would allow currently undocumented workers to obtain a temporary legal status. The President's proposal would allow otherwise undocumented workers to remain in the U.S. and work legally for three and perhaps six years. Immigrants enrolled in the temporary worker program would not be eligible for any special permanent immigrant visas, i.e., there would be no open-ended "amnesty" for these persons (The White House). This implies that after the temporary period, the undocumented would once again be subject to deportation. It is unclear whether a temporary immigrant would have access to the home loan market, i.e., whether federally chartered institutions like Freddie Mac and Fannie Mae would purchase their loans from the lending agencies that made them. Certainly, a temporary immigrant expecting his or her stay in the U.S. to be short would be less likely to consider purchasing a home than a legal permanent resident.

Democratic members of the U.S. House and Senate have introduced their own legalization measures. In April 2004 Senator Edward Kennedy of Massachusetts, U.S. Representative Luis V. Gutierrez and others jointly introduced the Safe, Orderly, Legal Visas and Enforcement (SOLVE) Act (S. 2381/H.R. 2381), an immigration reform bill that would make immigrants eligible for legalization if they have lived in the U.S. for five years, have worked for an aggregate of two years, and have paid taxes. The bill creates provision for additional guest-worker programs. Also pending in Congress is the Agricultural Job Opportunity, Benefits, and Security Act (AgJOBS, S. 1645 and H.R. 3142), that would legalize as many as 500,000 farm workers. The SOLVE Act would seem to hold out the potential of legalizing many of the undocumented immigrants who have been in the U.S. for at least five years. The AgJOBS bill, meanwhile, would affect only a portion of the undocumented (those working in agriculture). Other bills to grant some type of legal status to the undocumented have been introduced in the Congress.

## Methodology

The methodology of this report assumes a broad-based scenario in which nearly all of the undocumented Latino immigrants present in the U.S. in 2000 would be eligible to take out a home mortgage loan. A methodology for estimating the number of these new homeowners requires several pieces of information, including:

- the number of undocumented Latino householders,
- the characteristics of the householders, such as their income levels and age,
- the extent to which they currently own homes,
- a target level that they may be assumed to attain if they receive legal residence.

Estimates of the geographic areas of residence of the potential new homeowners would further illustrate the scope and impact of the new homeownership.

This report employs a methodology that arrives at the above estimates using data from the USCIS and the 2000 Census. The USCIS provides the number of undocumented immigrants in the year 2000 by country of origin (U.S. Immigration and Naturalization Services). The census reports the income and age characteristics of noncitizen immigrants, a population that includes large numbers of undocumented immigrants. In the state of Illinois, for example, of Mexican immigrants who responded to the 2000 census and reported that they arrived in that state in the 1990s, approximately three-quarters appear to be undocumented, given that their presence cannot be accounted for by legal immigrant visas (Norkewicz and Paral). Furthermore, the fact that most undocumented immigrants appear to be included in the census is bolstered by the Accuracy and Coverage Evaluation conducted by the U.S. Census Bureau after the 2000 census. The Bureau estimates that 2.85 percent of the Hispanic population was missed by the 2000 Census (Farber). This argues that the great majority of undocumented Latino immigrants were counted by the census.

### *USCIS and Other Estimates of the Size of the Undocumented Population*

Undocumented immigrants may be defined as foreign-born persons who are not U.S. citizens or do not have a legal immigration status. It is impossible to precisely measure the size of the undocumented population, yet demographers arrive at an estimate typically by using a reductive process that begins with the size of the foreign-born population as counted by the census or other surveys, and which proceeds by subtracting out the number of immigrants known to reside legally in the U.S. The estimate may be supplemented by accounting for emigration and mortality rates of the undocumented population, and for other factors. Several credible estimates of the undocumented population have been made in recent years. The U.S. Immigration and Naturalization Service produced estimates of the size of the undocumented immigrant population in 2000 (U.S. Immigration and Naturalization Service). The INS calculated a population size of 7,000,000 persons. For 2001, Frank Bean and colleagues estimated a population size of 7.8 million (Bean et al.), while Urban Institute researchers calculated a population size of 9.3 million in 2002 (Passel et al.).

The three estimation procedures reviewed here produced numbers of undocumented persons by country or region of origin and, in the case of two of them, by state and region in the U.S. With regard to country and region of origin, each set of estimates found Latino immigrants to constitute the great majority of the undocumented. The Spanish-Speaking Latin American nations in the INS estimates represent about four-fifths of the overall estimate. This is true for the other estimates as well. Numerically, the INS estimate suggests some 5.8 million Latino undocumented, the Bean estimate about 6.0 million, and The Urban Institute estimate about 7.5 million Latino undocumented.

**Estimates of Undocumented Immigrants (Numbers in Millions)**

| | U.S. Immigration and Naturalization Service: 2000 (a) | Bean, Van Hook and Woodrow-Lafield: 2001 (b) | Passel, Capps and Fix: 2002 |
|---|---|---|---|
| Total | 7 | 7.8 | 9.3 |
| Mexico | 4.8 | 4.5 | 5.3 |
| Central America | 0.5 | 1.5 | - |
| Latin America minus Mexico | - | - | 2.2 |
| South America | 0.4 | - | - |
| Caribbean | 0.1 | - | |
| Latino Portion of Total | 83% | 77% | 81% |

(a) Central and South America here defined as the Spanish-speaking nations of those regions

(b) Based on authors' "mid-range" estimates

These estimation procedures do not use the same methodologies and are produced for different years. This explains some of the discrepancy in the results. What all of these estimates share in common are results that show that the undocumented population is quite large and in the range of seven to ten million persons. This report bases its estimate of the undocumented population on the USCIS data for three reasons. First, this report provides data for the year 2000, which coincides with the time for which the census data on immigrant characteristics were produced. Second, the USCIS data provide estimates for all Spanish-speaking countries. Finally, the USCIS data represent official federal estimates.

*Census Data on Immigrants and Selection of Proxy Population for the Undocumented*

Along with demographic and socioeconomic characteristics of the population such as household formation, age and income, the 2000 census defines respondents by their nativity (native or foreign born), their citizenship status (e.g., naturalized immigrant or noncitizen) and the year that an immigrant respondent arrived in the U.S. The information on citizenship and year of immigration are often used by researchers to proxy the characteristics of the undocumented (Camarota; Clark et al.).

In this study, the characteristics of undocumented immigrants are proxied using records from the Public Use Microdata Samples of the 2000 Census. The 5-percent PUMS were used, which represent census forms for one of twenty persons in the U.S. This report proxies undocumented immigrants using records for noncitizens who arrived in the U.S. in 1980 or later. It can reasonably be assumed that most undocumented immigrants came to the U.S. in recent years. Most of those who came prior to 1982 could have participated in the amnesty programs of the Immigration Reform and Control Act of 1986, while many of those who didn't qualify for amnesty at that time would by now have found another means to adjust their status, i.e., their visa application was finally adjudicated, they married a U.S. citizen, or they found some other means to get legal permanent residence, such as having their residence sponsored by an employer. To proxy the characteristics of legal Latino immigrants who otherwise are of the same arrival cohort as the undocumented, this report uses PUMS records of naturalized Latino immigrants who arrived in the U.S. beginning in 1980.

### *Latino National-Origin Groups*

Census data identify Latino national-origin groups corresponding to each of the Spanish-speaking nations of Latin America. Some of these nations, such as Mexico, contribute a large portion of the nation's undocumented population, while others, such as Uruguay, contribute little and furthermore have few members counted by the census. To capture the characteristics of major sources of undocumented immigrants, this report uses census records and USCIS data for five groups: Mexicans, Central Americans, South Americans, Cubans and Dominicans. Separate estimates of potential homeownership among undocumented householders were computed for each of these groups, according to the methodology described below. By calculating estimates for each Latino group, the findings are sensitive to their different characteristics.

### *Step-by-Step Methodology*

In preparing this report, I apply census characteristics to an estimate of the undocumented population for each of five Latino national-origin categories according to the following steps:

<u>Step 1. Estimating Household Formation.</u> I estimate the number of Latino undocumented householders by using USCIS numbers of undocumented immigrants from Spanish-speaking nations. I apply a census-based percentage of Latino noncitizens who arrived since 1980 and are householders to the USCIS data to derive an estimate of householders.

<u>Step 2. Estimating Number of Undocumented Householders by Income and Age Categories.</u> I distribute the estimate of undocumented Latino householders across a

matrix of six income categories and fourteen income categories using census data for the proxy population.

Step 3. Estimating Home Ownership Rates of Undocumented. I use the census proxy data to determine the homeownership rate of the undocumented householders in each of the age and income categories. This provides an estimate of current homeowners among the undocumented. By distributing the homeownership rate across age and income cells, I provide a means to account for the fact that the undocumented may be younger and less wealthy than the legal immigrants.

Step 4. Estimating Home Ownership Rate of Legal Immigrant Homeowners. I use the proxy data for legal immigrants to develop homeownership rates for this population, again stratified by income level and age.

Step 5. Estimating the Increase in Homeownership if All Undocumented Immigrants Could Obtain Mortgage Loans. I separately apply the rates found in Step 3 and Step 4 to the number of undocumented householders in Step 2. The difference in the resulting estimates represents the potential growth in numbers of homeowners in the event that these householders are legalized.

One other estimate is made of the potential new homeowners:

By Region

The regions in which currently undocumented, potential homeowners live was estimated by distributing the final estimate of the potential Latino homeowners, arrived at in the step-by-step method, across the four major regions of the U.S. -- Northeast, South, Midwest and West – and the fifty states. This distribution was done on the basis of census data showing the location of Latino noncitizen renters who arrived in the U.S. in the 1990s. The definitions of East, South, Midwest and West are those of the U.S. Census Bureau, and are found in the appendix to this report.

## Findings

*Undocumented Householders*

The U.S. Bureau of Citizenship and Immigration Services estimates a Latino undocumented population of approximately 5,818,000 persons in the year 2000. Applying the proxy population's rate of household formation in that same year (i.e., the percent of persons who are householders) reveals an estimated total of 1,483,821 Latino undocumented householders in the year 2000. Overall, slightly more than a quarter of the undocumented Latinos are estimated to be householders. The largest number of undocumented householders is for Mexico: 1,187,181 persons or about 80 percent of all the undocumented Latino householders.

**Estimation of Undocumented Householders**

| | 2000 Undocumented Resident Population (USCIS, former INS) | Householders as Percent of Population (Census) | Estimated 2000 Undocumented Householders |
|---|---|---|---|
| Mexican | 4,808,000 | 24.7% | 1,187,181 |
| Cuban | 7,000 | 35.8% | 2,507 |
| Dominican | 91,000 | 30.7% | 27,942 |
| Central American | 520,000 | 29.5% | 153,187 |
| South American | 392,000 | 28.8% | 113,003 |
| Total | 5,818,000 | 26.2% | 1,483,821 |

*Age and Income Characteristics*

The table below shows the estimated age and income distribution of undocumented householders, using persons from Mexico as an example. Well over a third of the Mexican householders (38.8 percent) are 35 years of age or older, while nearly half (47.2 percent) have household incomes over $30,000. Thus a substantial portion of the population has relatively high age and income characteristics that are associated with homeownership or potential homeownership. These data are for the year 2000. Assuming that the same population has remained in the U.S., in undocumented status, their age and possibly their income level will have advanced.

**Estimated Distribution of Undocumented Householders by Age and Household Income Categories (Mexico Example)**

| | 15 to 24 years | 25 to 34 years | 35 to 44 years | 45 to 54 years | 55 to 64 years | 65 years and over | Total |
|---|---|---|---|---|---|---|---|
| Under $5,000 | 1.1% | 2.7% | 1.5% | 0.4% | 0.2% | 0.1% | 6.1% |
| $5,000 to $9,999 | 0.9% | 2.3% | 1.4% | 0.4% | 0.2% | 0.2% | 5.4% |
| $10,000 to $14,999 | 1.6% | 4.5% | 2.6% | 0.7% | 0.3% | 0.1% | 9.7% |
| $15,000 to $19,999 | 1.5% | 5.2% | 2.9% | 0.8% | 0.2% | 0.1% | 10.7% |
| $20,000 to $24,999 | 1.5% | 5.3% | 3.0% | 0.8% | 0.2% | 0.1% | 10.9% |
| $25,000 to $29,999 | 1.3% | 4.8% | 2.8% | 0.7% | 0.2% | 0.1% | 9.9% |
| $30,000 to $34,999 | 1.2% | 4.0% | 2.3% | 0.7% | 0.2% | 0.0% | 8.4% |
| $35,000 to $39,999 | 0.9% | 3.5% | 2.0% | 0.6% | 0.1% | 0.0% | 7.1% |
| $40,000 to $44,999 | 0.7% | 2.9% | 1.7% | 0.4% | 0.1% | 0.0% | 5.9% |
| $45,000 to $49,999 | 0.6% | 2.3% | 1.3% | 0.5% | 0.1% | 0.0% | 4.9% |
| $50,000 to $74,999 | 1.7% | 6.1% | 3.4% | 1.3% | 0.4% | 0.1% | 12.9% |
| $75,000 to $99,999 | 0.6% | 2.0% | 1.2% | 0.5% | 0.2% | 0.0% | 4.5% |
| $100,000 to $149,999 | 0.3% | 1.0% | 0.7% | 0.3% | 0.1% | 0.0% | 2.4% |
| $150,000 or more | 0.1% | 0.5% | 0.4% | 0.2% | 0.1% | 0.0% | 1.2% |
| Total | 14.0% | 47.2% | 27.1% | 8.2% | 2.6% | 0.9% | 100.0% |

*Number of Undocumented Householders*

The 1,483,821 estimated undocumented Latino householders are distributed across age and income categories as seen below. This table uses age and income distributions calculated separately for each of the five national-origin groups (as described above for Mexicans). The table includes 619,440 undocumented householders aged 35 or more years, and 721,304 undocumented householders with household incomes at or exceeding $30,000.

**Estimated Number of Undocumented Householders by Age and Household Income Categories**

| | 15 to 24 years | 25 to 34 years | 35 to 44 years | 45 to 54 years | 55 to 64 years | 65 years and over | Total |
|---|---|---|---|---|---|---|---|
| Under $5,000 | 16,896 | 39,432 | 22,911 | 7,629 | 3,406 | 1,887 | 92,161 |
| $5,000 to $9,999 | 12,322 | 32,557 | 21,940 | 7,122 | 2,412 | 3,345 | 79,699 |
| $10,000 to $14,999 | 21,416 | 61,679 | 38,014 | 11,571 | 4,215 | 1,777 | 138,673 |
| $15,000 to $19,999 | 19,993 | 71,426 | 43,206 | 12,309 | 3,651 | 1,642 | 152,227 |
| $20,000 to $24,999 | 21,231 | 73,948 | 44,487 | 12,313 | 3,581 | 1,278 | 156,838 |
| $25,000 to $29,999 | 18,191 | 66,464 | 41,603 | 11,946 | 3,669 | 1,046 | 142,919 |
| $30,000 to $34,999 | 15,929 | 56,217 | 35,036 | 11,871 | 2,597 | 855 | 122,507 |
| $35,000 to $39,999 | 12,348 | 49,317 | 29,969 | 9,674 | 2,178 | 741 | 104,228 |
| $40,000 to $44,999 | 10,338 | 41,935 | 26,074 | 8,168 | 2,281 | 752 | 89,549 |
| $45,000 to $49,999 | 8,782 | 33,426 | 21,059 | 7,600 | 2,221 | 526 | 73,615 |
| $50,000 to $74,999 | 23,670 | 90,064 | 56,495 | 22,605 | 6,562 | 1,535 | 200,931 |
| $75,000 to $99,999 | 7,846 | 30,851 | 19,978 | 9,538 | 2,910 | 579 | 71,702 |
| $100,000 to $149,999 | 4,062 | 15,042 | 12,237 | 5,155 | 1,892 | 398 | 38,787 |
| $150,000 or more | 1,648 | 7,347 | 6,623 | 3,161 | 927 | 280 | 19,985 |
| Total | 194,675 | 669,705 | 419,633 | 140,663 | 42,502 | 16,643 | 1,483,821 |

*Estimate of Current Undocumented Homeowners*

Applying homeownership rates of the proxy population for undocumented immigrants to the estimates of undocumented householders leads an estimate of current undocumented homeowners. Note that the numbers of homeowners estimated here may be high to the extent that homeowners in the proxy population are disproportionately legal immigrants.[2] The effect of this is to create a relatively high estimate of currently undocumented homeowners. This is a desirable outcome, as it means that our overall estimate of potential new homeowners will be conservative.

**Estimated Number of Current Undocumented Homeowners**

| | 15 to 24 years | 25 to 34 years | 35 to 44 years | 45 to 54 years | 55 to 64 years | 65 years and over | Total |
|---|---|---|---|---|---|---|---|
| Under $5,000 | 1,129 | 5,339 | 3,949 | 1,481 | 969 | 426 | 13,292 |
| $5,000 to $9,999 | 1,081 | 3,842 | 4,274 | 1,253 | 766 | 719 | 11,933 |
| $10,000 to $14,999 | 1,535 | 8,720 | 6,937 | 2,763 | 1,304 | 489 | 21,747 |
| $15,000 to $19,999 | 1,928 | 14,335 | 10,855 | 3,523 | 1,261 | 529 | 32,431 |
| $20,000 to $24,999 | 2,502 | 16,151 | 14,316 | 3,602 | 1,298 | 399 | 38,268 |
| $25,000 to $29,999 | 2,936 | 16,637 | 14,434 | 4,145 | 1,241 | 344 | 39,737 |
| $30,000 to $34,999 | 2,429 | 15,868 | 13,479 | 4,589 | 993 | 274 | 37,633 |
| $35,000 to $39,999 | 1,391 | 15,927 | 12,734 | 3,977 | 851 | 318 | 35,197 |
| $40,000 to $44,999 | 1,832 | 13,812 | 11,663 | 3,563 | 1,006 | 429 | 32,304 |
| $45,000 to $49,999 | 1,241 | 11,287 | 9,795 | 3,599 | 975 | 190 | 27,086 |
| $50,000 to $74,999 | 4,849 | 33,603 | 27,602 | 10,345 | 3,399 | 691 | 80,489 |
| $75,000 to $99,999 | 1,990 | 12,688 | 11,079 | 4,841 | 1,693 | 226 | 32,518 |
| $100,000 to $149,999 | 749 | 5,971 | 6,510 | 3,002 | 849 | 220 | 17,301 |
| $150,000 or more | 316 | 2,827 | 3,093 | 1,612 | 604 | 205 | 8,658 |
| Total | 25,907 | 177,006 | 150,718 | 52,297 | 17,207 | 5,458 | 428,593 |

[2] It is not possible with census data to determine the homeownership rate of undocumented householders, separate from legal immigrants. As the estimate of 428,593 homeowners is derived from a sample of both documented and undocumented householders, it cannot be taken as a portion of the overall undocumented population.

*Target Estimate of Potential Homeowners*

An estimate of the number of householders who *would* be homeowners were it not for their undocumented immigration status provides a target against which to compare the previous estimate of how many undocumented householders currently own their homes. I estimate this target population of potential homeowners by using the homeownership rate of naturalized citizens who entered the U.S. in the 1980-2000 period. I stratify the homeownership rates of these naturalized citizens by income and age to account for the fact that many of the undocumented are found in the lower age and income ranges. (I.e., by stratifying the rates in this way, I adjust for the potentially different age and income characteristics of the undocumented and the naturalized.)

The results are seen below. I estimate that the target number of homeowners among the Latino undocumented householders is 658,274.

**Estimated Potential Homeowners**

| | 15 to 24 years | 25 to 34 years | 35 to 44 years | 45 to 54 years | 55 to 64 years | 65 years and over | Total |
|---|---|---|---|---|---|---|---|
| Under $5,000 | 3,158 | 11,301 | 8,105 | 2,403 | 1,348 | 544 | 26,859 |
| $5,000 to $9,999 | 1,833 | 6,928 | 6,942 | 1,783 | 893 | 782 | 19,160 |
| $10,000 to $14,999 | 1,987 | 15,742 | 13,095 | 3,664 | 1,335 | 737 | 36,561 |
| $15,000 to $19,999 | 3,512 | 25,792 | 18,142 | 4,003 | 1,636 | 792 | 53,878 |
| $20,000 to $24,999 | 3,581 | 29,698 | 19,490 | 5,624 | 1,582 | 613 | 60,588 |
| $25,000 to $29,999 | 2,700 | 27,024 | 20,472 | 5,147 | 1,661 | 581 | 57,585 |
| $30,000 to $34,999 | 3,960 | 26,060 | 18,768 | 5,834 | 1,861 | 333 | 56,817 |
| $35,000 to $39,999 | 3,309 | 24,785 | 16,206 | 5,648 | 1,148 | 481 | 51,576 |
| $40,000 to $44,999 | 3,405 | 20,504 | 16,548 | 4,110 | 1,517 | 467 | 46,551 |
| $45,000 to $49,999 | 2,012 | 19,582 | 13,724 | 4,508 | 1,490 | 283 | 41,600 |
| $50,000 to $74,999 | 6,411 | 52,665 | 39,163 | 14,158 | 4,304 | 1,023 | 117,724 |
| $75,000 to $99,999 | 2,552 | 22,159 | 14,691 | 6,599 | 2,426 | 432 | 48,859 |
| $100,000 to $149,999 | 1,253 | 10,661 | 9,226 | 4,178 | 1,411 | 319 | 27,048 |
| $150,000 or more | 701 | 4,541 | 5,005 | 2,258 | 692 | 270 | 13,467 |
| Total | 40,374 | 297,442 | 219,578 | 69,917 | 23,305 | 7,656 | 658,274 |

*Potential Increase in Undocumented Homeowners*

The potential growth in homeowners that might occur if current undocumented householders could obtain home mortgage loans is simply the mathematical difference between the two previous tables. This difference is seen below. The methodology suggests that 229,680 currently undocumented householders could become homeowners if they had legal status.

The youthfulness of the potential homeowners may mitigate their likelihood of purchasing a home in the near future. Some 58.7 percent were under the age of 35 at the time of the census (four and a half years ago at the time of this writing). On the other hand, some 57.7 percent of all the potential new homeowners have household incomes at or above $30,000.

**Estimated Potential Increase in Homeowners**

| | 15 to 24 years | 25 to 34 years | 35 to 44 years | 45 to 54 years | 55 to 64 years | 65 years and over | Total |
|---|---|---|---|---|---|---|---|
| Under $5,000 | 2,029 | 5,963 | 4,155 | 922 | 379 | 119 | 13,567 |
| $5,000 to $9,999 | 752 | 3,086 | 2,668 | 530 | 127 | 63 | 7,227 |
| $10,000 to $14,999 | 452 | 7,022 | 6,159 | 901 | 31 | 249 | 14,813 |
| $15,000 to $19,999 | 1,583 | 11,458 | 7,287 | 480 | 375 | 263 | 21,447 |
| $20,000 to $24,999 | 1,079 | 13,547 | 5,175 | 2,021 | 284 | 214 | 22,320 |
| $25,000 to $29,999 | (236) | 10,387 | 6,038 | 1,002 | 420 | 237 | 17,847 |
| $30,000 to $34,999 | 1,531 | 10,192 | 5,290 | 1,244 | 868 | 59 | 19,184 |
| $35,000 to $39,999 | 1,918 | 8,858 | 3,472 | 1,671 | 297 | 163 | 16,379 |
| $40,000 to $44,999 | 1,574 | 6,692 | 4,885 | 547 | 512 | 38 | 14,247 |
| $45,000 to $49,999 | 772 | 8,295 | 3,930 | 910 | 515 | 93 | 14,514 |
| $50,000 to $74,999 | 1,562 | 19,062 | 11,561 | 3,812 | 905 | 333 | 37,235 |
| $75,000 to $99,999 | 562 | 9,470 | 3,612 | 1,758 | 733 | 207 | 16,342 |
| $100,000 to $149,999 | 504 | 4,690 | 2,717 | 1,176 | 562 | 98 | 9,748 |
| $150,000 or more | 385 | 1,714 | 1,912 | 646 | 88 | 64 | 4,809 |
| Total | 14,467 | 120,436 | 68,860 | 17,620 | 6,098 | 2,199 | 229,680 |

*What Could the New Homeowners Afford?*

I estimate the amount of mortgage that homeowners may borrow for each income range of the potential 229,680 new homeowners. First, I assume that no more than 35 percent of household income should be devoted to mortgage payments. The monthly equivalent of this amount is in the first column of the table below. I deduct an estimate of monthly real estate taxes based on taxes paid by Latino immigrant homeowners in each income range. I then use a current 6.0 percent mortgage rate for a 30-year mortgage to estimate the maximum loan amount for householders within a given income range.

For example, I estimate householders with incomes in the $5,000 to $9,999 range to have a monthly affordable housing cost of $219. Net of taxes, this equals $146, which would maximally leverage a $24,400 loan. Obviously, few homes are available at this amount, but the great majority of undocumented households appear to have incomes that would permit them to purchase a home of higher value. For example, 172,626 householders could potentially afford a home worth $94,500 or more.

This methodology finds no householder with incomes below $5,000 to be able to afford a home, as estimated real estate taxes exceed affordable housing cost. This lowers the total estimate of potential new homeowners to 216,113 from 229, 680.

**Maximum Loan Amount Available, by Income Level**

| | Monthly affordable housing cost | Estimated taxes (a) | Affordable housing cost net of taxes | Maximum loan amount | # Households that can afford the loan amount (b) |
|---|---|---|---|---|---|
| $5,000 to $9,999 | $ 219 | $ 73 | $ 146 | $ 24,400 | 7,227 |
| $10,000 to $14,999 | 365 | 71 | 294 | 49,000 | 14,813 |
| $15,000 to $19,999 | 510 | 72 | 438 | 73,000 | 21,447 |
| $20,000 to $24,999 | 656 | 89 | 567 | 94,500 | 22,320 |
| $25,000 to $29,999 | 802 | 89 | 713 | 119,000 | 17,847 |
| $30,000 to $34,999 | 948 | 96 | 852 | 142,100 | 19,184 |
| $35,000 to $39,999 | 1,094 | 101 | 993 | 165,600 | 16,379 |
| $40,000 to $44,999 | 1,240 | 111 | 1,129 | 188,300 | 14,247 |
| $45,000 to $49,999 | 1,385 | 123 | 1,262 | 210,500 | 14,514 |
| $50,000 to $74,999 | 1,823 | 137 | 1,686 | 281,200 | 37,235 |
| $75,000 to $99,999 | 2,552 | 156 | 2,396 | 399,600 | 16,342 |
| $100,000 to $149,999 | 3,646 | 169 | 3,477 | 580,000 | 9,748 |
| $150,000 or more | 4,375 | 237 | 4,138 | 690,200 | 4,809 |
| | | | | | 216,113 |

(a) based on monthly avg. real estate taxes paid by foreign-born Latino homeowners who entered in the 1980-1989 period.

(b) not a cumulative number; refers to housholds within a given income range

We arrive at an estimate of 216,000 potential new homeowners by applying census-based age, income and homeownership characteristics to an estimate of Latino undocumented households. The homeownership characteristics are based on our census-based proxy population of noncitizen Latino immigrants who arrived in the 1980-2000 period. Alternatively, and as a check on the validity of our findings, we could estimate potential homeowners using the overall Latino homeownership rate of 45.7 percent in the year

2000. Applying this latter rate to our estimate of undocumented households, and using the age and income characteristics of our proxy population, suggests as many as 234,767 potential new homeowners among the undocumented.

*Regional Distribution*

As described in the Methodology section, I estimate the geographic location of the potential new homeowners by distributing their total number across regions and states of the U.S. based on the location of Latino noncitizen renter householders who entered the U.S. in the 1990s.[3] This method finds that nearly three quarters of the potential homeowners are in the South and West regions. California alone has 24.0 percent of the potential homeowners, while Florida and Texas each have more than ten percent.

**Regional Distribution of Potential Homeowners by Loan Amount**

| Household Income | Loan Amount | Households that Can Afford This Loan Amount (a) | Northeast | Midwest | South | West |
|---|---|---|---|---|---|---|
| Under $5,000 | $ 12,200 | - | | | | |
| $5,000 to $9,999 | $ 24,400 | 7,227 | 17.0% | 6.6% | 40.2% | 36.2% |
| $10,000 to $14,999 | $ 49,000 | 14,813 | 13.6% | 8.6% | 37.8% | 40.0% |
| $15,000 to $19,999 | $ 73,000 | 21,447 | 13.3% | 10.1% | 38.5% | 38.0% |
| $20,000 to $24,999 | $ 94,500 | 22,320 | 13.6% | 9.3% | 40.3% | 36.8% |
| $25,000 to $29,999 | $ 119,000 | 17,847 | 15.7% | 9.0% | 37.8% | 37.5% |
| $30,000 to $34,999 | $ 142,100 | 19,184 | 16.0% | 10.5% | 37.0% | 36.5% |
| $35,000 to $39,999 | $ 165,600 | 16,379 | 16.1% | 11.2% | 36.9% | 35.7% |
| $40,000 to $44,999 | $ 188,300 | 14,247 | 18.7% | 10.1% | 38.4% | 32.7% |
| $45,000 to $49,999 | $ 210,500 | 14,514 | 18.4% | 12.1% | 37.7% | 31.9% |
| $50,000 to $74,999 | $ 281,200 | 37,235 | 20.0% | 11.5% | 36.4% | 32.1% |
| $75,000 to $99,999 | $ 399,600 | 16,342 | 23.2% | 11.0% | 35.8% | 30.1% |
| $100,000 to $149,999 | $ 580,000 | 9,748 | 26.8% | 11.6% | 34.1% | 27.5% |
| $150,000 or more | $690,200 and over | 4,809 | 17.9% | 12.1% | 35.7% | 34.3% |
| Total | | 216,113 | 16.6% | 9.9% | 38.2% | 35.3% |

Regional distribution made on basis of all Latino immigrants entering the U.S. in the 1990s

**Distribution of Potential Homeowners by Region and Selected States**

| | |
|---|---|
| Northeast | 16.6% |
| New York | 8.9% |
| New Jersey | 4.3% |
| Midwest | 9.9% |
| Illinois | 4.7% |
| South | 38.2% |
| North Carolina | 3.4% |
| Georgia | 3.0% |
| Florida | 10.2% |
| Texas | 15.1% |
| West | 35.3% |
| Arizona | 3.6% |
| California | 24.0% |

Note: Table includes states with at least 3.0 percent of potential homeowners

[3] An appendix to this report lists the U.S. regions with their constituent states.

**Discussion**

Many persons imagine undocumented immigrants to be "living in shadows" and marginalized from American life. It is true that their immigration status prevents them from enjoying full social and economic participation in our society. But the data in this report present a picture of a population that includes a wide range of income levels and includes not only younger persons but many individuals in their 30s, 40s and 50s: highly productive periods of life. Given their incomes and age, it may be more appropriate to view these immigrants not as a hidden group with little ability to succeed but rather as a potential source of economic growth and development. There is no telling how long it would take for the currently undocumented to buy homes, but if the 216,000 households ultimately owned affordable homes, as calculated earlier in this paper, the result would be $44 billion in mortgage originations.[4] This amount could reach $48 billion if the currently undocumented eventually reached the homeownership rate of the Latino population overall (45.7 percent).[5]

The effects of immigrants being able to take out mortgage loans would be felt by their families who would gain security, by their communities that would reap tax and other benefits of increased homeownership and by the American industries that would prosper by serving the newly legalized as they navigate their new options for savings and investment: the financial services industry, the real estate industry, and the remodeling and construction industry. In fact, the new energy and economic growth to come from immigrant legalization would occur in many of the urban areas that policymakers most often cite as needing stimulus, areas like the West Side of Chicago, East Los Angeles, the West Side of San Antonio and other places where immigrants have come to fill jobs yet have been stymied in their efforts to fully contribute and participate. It should be noted that the effects of providing a chance at homeownership to 216,000 Latino households affects a larger number of family members. Latino households have about 3.8 persons per household, meaning that more than 820,000 Latino household members could potentially live in owner-occupied housing.

Home lending policies that are broadly inclusive of the currently undocumented population would most fully unlock the economic contributions of undocumented Latino immigrants. To the extent that legalization is selective, the economic growth in Latino communities will be mitigated. Other things would have to happen to allow the immigrants to purchase homes. The lending industry would need to increase its understanding of and ability to communicate with Latino immigrants. The immigrants themselves will need time to establish the credit histories that they have had to minimize to date. In the context of a legalization program, the Internal Revenue Service should

[4] This estimate is derived by multiplying the maximum loan amount by the number of householders for each income range on page 18.
[5] The estimate of $48 billion assumes that the undocumented achieve the overall Latino homeownership rate of 45.7 percent, and have the age and income characteristics of the 1980-2000 noncitizen arrivals used to proxy the undocumented in this study.

assist the formerly undocumented immigrants to establish their history of tax contributions so that they can prove to lenders that they have been paying into the system.

Moving 216,000 households from renter- to owner-occupied units raises the question of whether existing stock is sufficient to absorb the new owners. The market seems equipped to handle the newcomers at the national level. The potential new homeowners represent only 0.3 percent of the 73.4 million owner-occupied units that exist in the U.S. (U.S. Department of Commerce). Of course, in areas of immigrant concentration, there could be more significant competition for owner-occupied housing that would have effects (potentially upward) on the sale price of those units and on the rental cost (potentially downward) of the units being vacated. At any rate, these processes would occur over years and the impact would be mitigated by time.

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Appendix

Census Regions, Census Divisions, and Their Constituent States

Northeast Region
New England Division:
Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut
Middle Atlantic Division:
New York, New Jersey, Pennsylvania

Midwest Region
East North Central Division:
Ohio, Indiana, Illinois, Michigan, Wisconsin
West North Central Division:
Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas

South Region
South Atlantic Division:
Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina,
South Carolina,
Georgia, Florida
East South Central Division:
Kentucky, Tennessee, Alabama, Mississippi
West South Central Division:
Arkansas, Louisiana, Oklahoma, Texas

West Region
Mountain Division:
Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada
Pacific Division:
Washington, Oregon, California, Alaska, Hawaii