HOMEOWNERSHIP IS STILL OUT OF REACH FOR MILLIONS OF HOUSEHOLDS

Homeownership has long been the leading source of household wealth in the U.S. However, the most recent housing crash stripped many Americans of much of their wealth, as home values plummeted and millions of homes went into foreclosure. These losses were especially painful for homeowners of color, who lost a greater share of wealth in the crash and have rebuilt their wealth more slowly in the recovery. Now, as the housing market recovers and interest rates remain low, many Americans find themselves without the savings or access to credit necessary to be able to purchase a home. Although homeownership is not the best option for every household, many Americans who could greatly benefit from it are still excluded.

NUMBERS TO KNOW:

63% of Americans own their homes.

Home equity makes up **25%** of aggregate net worth.

1.6 times as many white households are homeowners compared to households of color.

Sources: Census Bureau, 2016; Census Bureau, 2013; *Assets & Opportunity Scorecard,* 2016

FACT: Homeownership is a powerful wealth-building strategy for low- and moderate-income Americans.

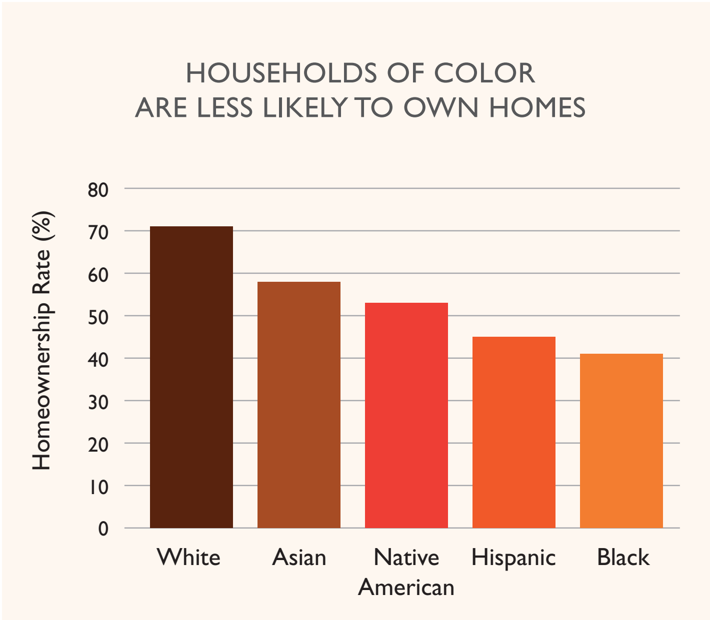
Homeownership is a mechanism for forced savings.[1] By making a monthly mortgage payment and paying down the principle on their loan, homebuyers accumulate wealth in the values of their homes over time. Homeowners don't have to think about stashing money away, and decades of behavioral economics research show that making savings automatic is one of the best ways to get people to actually save.[2]

Housing tends to appreciate—modestly—in value. Homeownership is not without risk, and housing values can fluctuate and even lose value at times. However, real home prices tend to remain fairly stable over time,[3] and even modest rates of appreciation compounded over several decades can create significant wealth gains. As one paper notes, while the Federal Housing Finance Agency (FHFA) house price index showed a compound annual growth rate in home values of just 0.8 percentage points above inflation between 1975 and 2012, this growth rate results in a real gain of 26% in the value of the home after 30 years.[4]

FACT: Homeownership remains out of reach for many Americans.

Seven years after the housing bubble burst, fewer Americans own homes. Today, just 63% of American households own their homes,[5] down from a peak of 69% in 2004.[6] Home equity has also fallen as a share of aggregate net worth, down from 30% in 2000 to just 25% in 2011.[7]

Lower-income Americans and households of color are less likely to be homeowners. Households with the highest 20% of incomes are 2.2 times more likely to own their homes than the lowest earning 20% of households.[8] There is also a deep disparity in the rates of homeownership for white households and households of color. While more than seven in 10 white households own homes, less than 45% of households of color do.[9]



Source: 2016 Assets & Opportunity Scorecard

FACT: Many Americans lack the financial resources to buy a home.

Lack of access to affordable credit makes it impossible for many Americans to finance home purchases. Today, 19 million Americans have "unscorable" credit histories and another 26 million are "credit invisible," meaning they have no credit history at all.[10] Additionally, among credit users, less than half have prime scores that can unlock the best borrowing rates.[11] However, the credit crunch that has followed the most recent housing crash has made it difficult for borrowers with less-than-perfect credit to get home loans. The Urban Institute estimates that the especially tight credit standards in recent years have resulted in 5.2 million fewer mortgages between 2009 and 2014.[12] Also, most buyers of manufactured homes, which are typically titled as personal rather than real property, do not qualify for conventional mortgage loans and instead must finance their homes with higher cost chattel loan products.[13]

Many Americans struggle to save for a down payment. Homeowners are typically advised to put down at least 20% of the purchase price of their home to avoid paying private mortgage insurance, and even buyers with Federal Housing Administration (FHA)-backed loans are required to put down 3.5%. For the 44% of Americans who do not even have enough saved to subsist at the poverty level for three months,[14] though, saving up thousands of dollars for a down payment can be daunting. Many states, municipalities and community-based organizations offer down payment assistance or individual development account (IDA) programs that can help low- and moderate-income buyers purchase homes; however, such programs do not have enough capacity to meet the demand, even though 70% of Americans are not even aware that assistance is available.[15]

FACT: Building wealth through homeownership is harder for households of color.

Homebuyers of color still face discrimination in the housing market. Real estate agents tell black homebuyers about 17% fewer homes and show them almost 18% fewer homes than comparable white homebuyers, and Asian homebuyers face similar levels of discrimination. Blacks and Hispanics are also much more likely than whites to have their mortgage applications denied, both for conventional and FHA mortgage loans.[17] One researcher also found that black and Latino mortgage applicants were 2.4 more likely than white applicants to receive a subprime loan, and that while lower-income whites were more likely to be offered subprime loans, the opposite was true borrowers of color.[18] Investigative journalists also identified a pattern of discriminatory practices at the nation's largest lender of manufactured home loans.[19]

Homebuyers of color are less likely to get assistance from family to purchase their first homes. Due in part to inheritances and money that white families are more likely to receive from family, white households buy homes on average eight years earlier than black households, allowing them to start building equity sooner.[20]

Homeownership pays off more for white homeowners than for those of color. Because of residential segregation, mortgage discrimination and other factors, homeowners of color do not build as much wealth from homeownership as white owners do. For every $1 in wealth that accrues to the median black or median Latino household from homeownership, median white households accrue $1.34 and $1.54, respectively.[21]

Over-concentration of black and Latino wealth in housing exposes families to more risk. For homeowners of color, their home tends to be their most valuable asset; homeownership accounts for 53% of black households' wealth, but just 39% for white households.[22] Having such a large share of their portfolio concentrated in housing left households of color vulnerable during the recent housing crash; the median white family lost only 16% of their wealth in the Great Recession, black families lost 53% of their portfolios and Hispanic families lost fully two-thirds.[23]

This Fact File was authored by Merrit Gillard.

Questions or Comments? Contact CFED:

David Newville, Director of Government Affairs
Email: dnewville@cfed.org Phone: 202.207.0147

Doug Ryan, Director of Affordable Housing Initiatives
Email: dryan@cfed.org Phone: 202.207.0155

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