

What role should homeownership play in an asset-building strategy?



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Summary

1. Homeownership is a double-edged sword

- One of the most important asset-building opportunities
- Can be risky, especially for low/mod households

2. Policy innovations can help make homeownership a safer, more reliable asset-building vehicle

- Prohibit abusive terms; encourage use of safer mortgage products
- Homeownership education, counseling & retention strategies

3. Need to focus on strengthening the ladder for sustainable homeownership for VLI households

Sources of Wealth

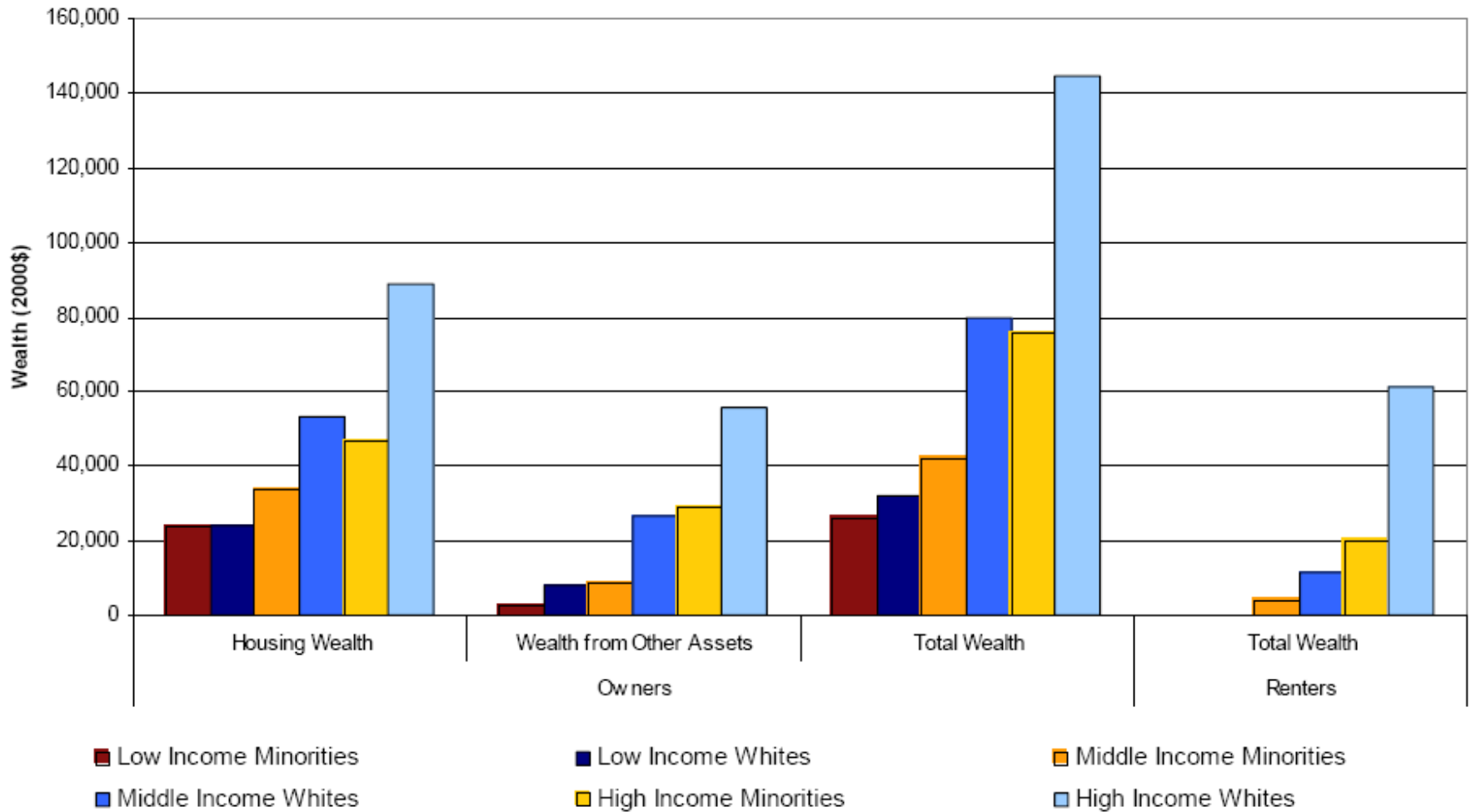


Figure 20: Differences in Household Wealth, Renters versus Owners, 1994

Source: Carolina Katz Reid, *Achieving the American Dream? A Longitudinal Analysis of Homeownership Experiences of Low-Income Households*

Benefits of sustainable homeownership

- Opportunity to build wealth through forced savings and leverage
- Security of tenure (cannot be evicted if pay housing costs on time)
- Freedom to shape immediate physical environment
- Housing costs often become more affordable over time due to fixed-rate mortgage.
- May be only way to access neighborhoods with certain desirable features (e.g., good schools)

Risks for low/mod households

- Risk of default and foreclosure, particularly when purchasing homes through unsustainable products
- Purchases may take place in areas with stagnant or declining home values,
 - . . . or in distressed neighborhoods w/o supports
- Homeownership may turn out to be more costly than renting
- May impede mobility

New Challenges

- Foreclosures
- Increases in required down payments
- Increases in required credit scores
- Problems of damaged credit
- Appraisals

**CAN / SHOULD WE HELP FAMILIES OVERCOME
CHALLENGES AND ATTAIN SUSTAINBLE
HOMEOWNERSHIP?**

Key considerations

- Despite increased interest in rental housing, about 70% of non-owners aspire to own a home someday (MacArthur 2014 survey)
 - Concerns about pursuing homeownership in short-term may be affected by belief that U.S. is still in midst of housing crisis.
- **Decision is not binary on / off**
 - We can and should promote policy innovations to make homeownership safer
- Equity concerns weigh in favor of expanding asset-building opportunities through sustainable homeownership.

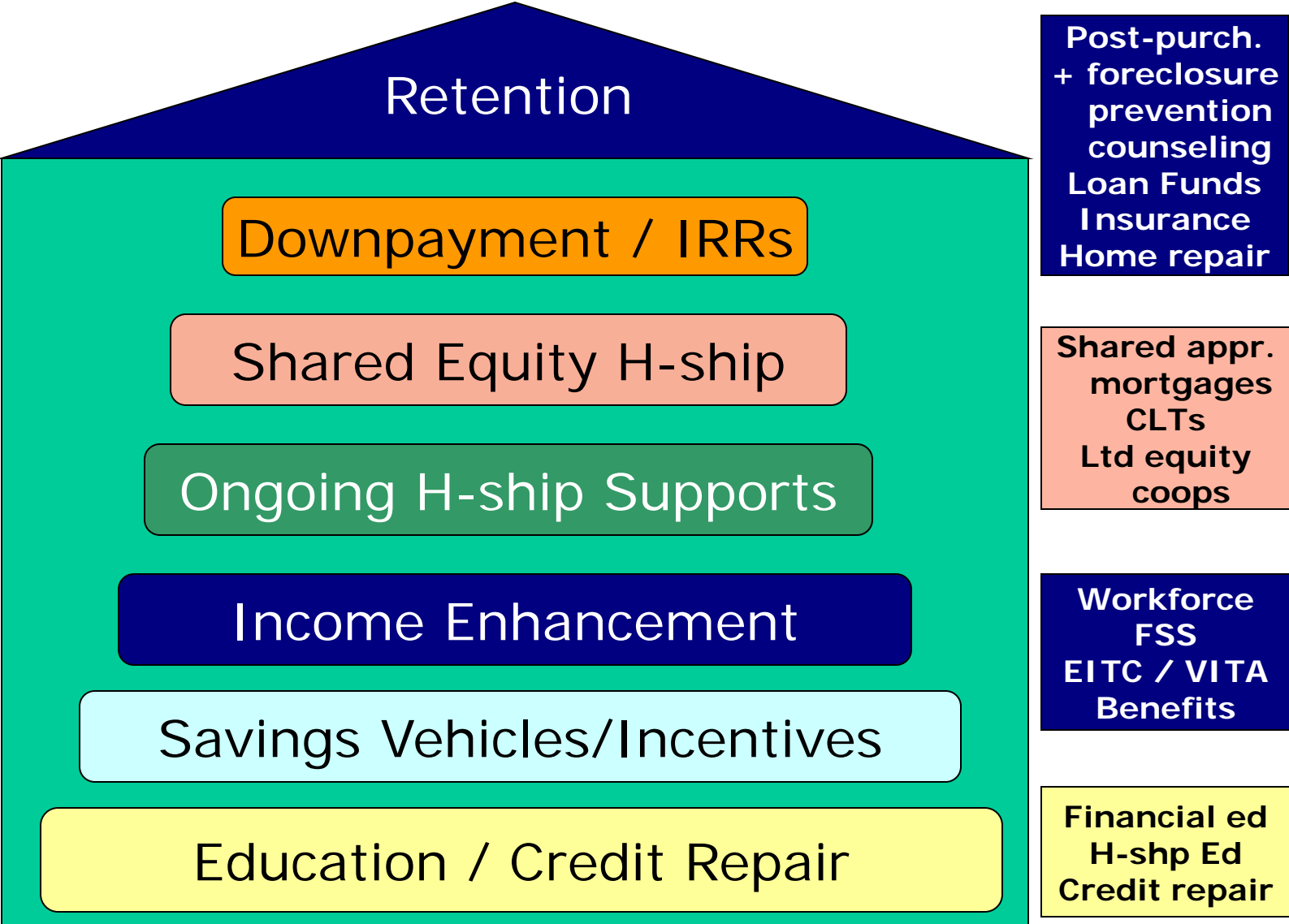
My conclusions

- From an asset-building perspective, the goal must be “sustainable homeownership” rather than just homeownership
- Major policy implications
 1. Need strong protections from abusive lending practices.
 2. Homeownership education needs to be stronger and much more widely available. Help families:
 - Determine if homeownership is a good idea, and if so, when and under what terms
 - Prepare to assume responsibilities of homeownership
 3. Need to pay as much attention to homeownership retention as we do to homeownership attainment
 4. Variability by market / neighborhood

Ladder for sustainable h-ship

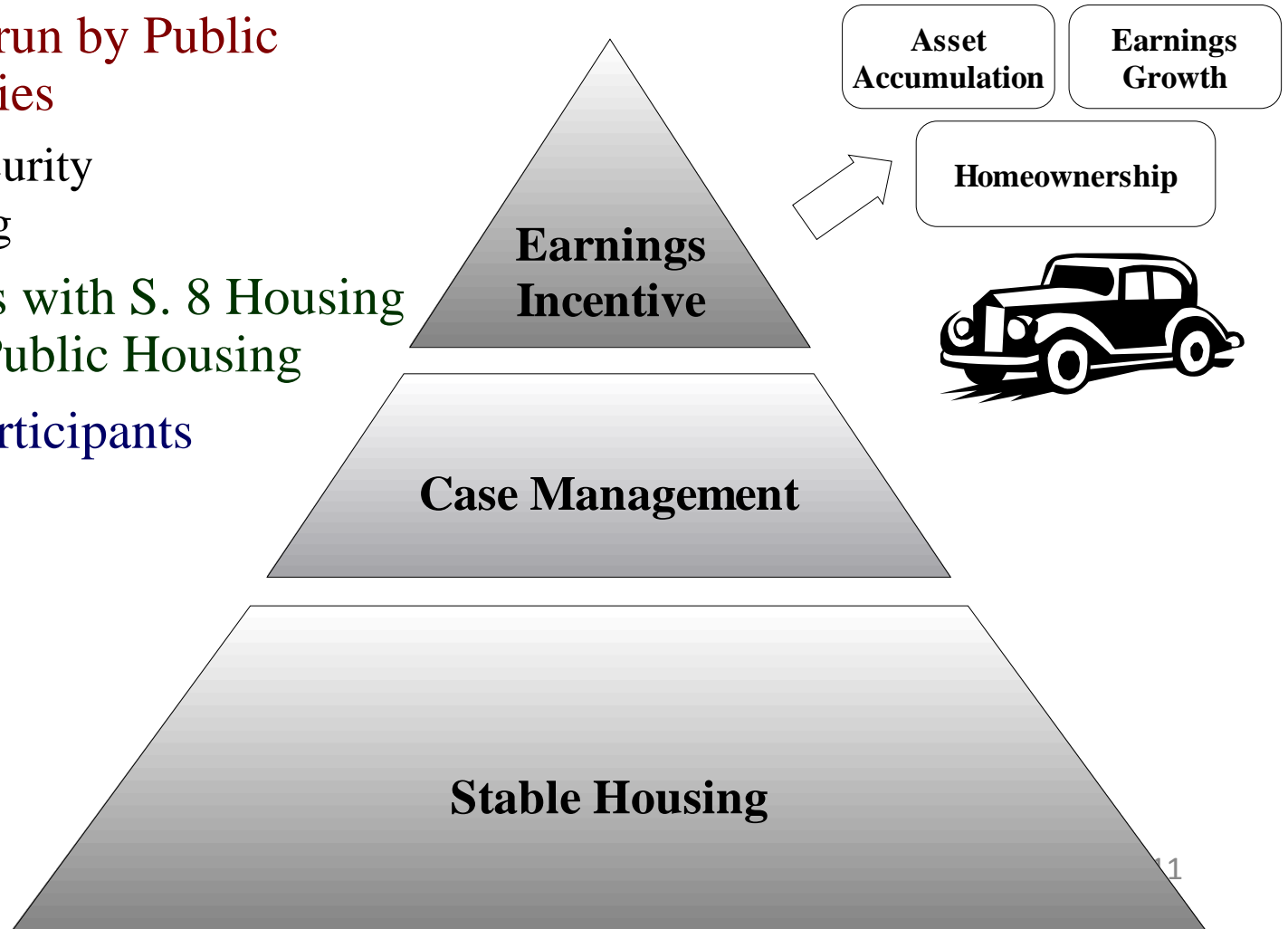
- Approach to integrating homeownership into asset-building continuum
- Focus on helping very low-income households who may be several years away from being ready for homeownership
- The point is NOT that everyone should become a homeowner, but rather that we should provide a safe path for those who wish to.

Sustainable Homeownership Continuum



Family Self-Sufficiency (FSS)

- HUD program, run by Public Housing Authorities
 - economic security
 - asset-building
- Open to families with S. 8 Housing Vouchers or in Public Housing
- 69,000+ FSS participants nationally



FSS – HUD Prospective Eval.

Tracked 170 Households for 4 Years (2006 to 2009)

- 41 graduated successfully
 - Avg. escrow for 35 with positive balances: \$5,294
 - Avg. annual income increased from \$19,902 to \$33,390
 - Avg. hourly wage increased from \$11.73 to \$14.41
 - Avg. weekly hours increased from 37 to 39
- 66 were still enrolled in FSS
 - Avg. escrow for 56 with positive balances: \$3,516
 - 43 were still enrolled in FSS and mostly employed
 - Hourly wage increased from \$11.84 to \$13.61
 - Weekly hours increased from 29.4 to 34.9
 - 23 were still enrolled in FSS and mostly unemployed
- 63 had exited FSS without graduating



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