Reinventing Our Communities
*Investing in Opportunity*

*The Economic Impact of Homeownership*

Baltimore, Maryland
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Senior Director, Affordable Homeownership
The Prosperity Now mission is to ensure everyone in our country has a clear path to financial stability, wealth and prosperity.
Benefits of homeownership

- Better physical and psychological health
- Children more likely to perform better in school and graduate
- Homeowners move less frequently than renters
- Residential stability significantly contributes to better school outcomes
- Homeowners are more actively involved in voluntary organizations, like neighborhood and parent-teacher associations, as well as political activities than renters
Homeownership Parity and the Racial Wealth Divide

Creating Parity in the Homeownership Rate...

- Increases Black household wealth by more than $32,000, amounting to a 31% decrease in the racial wealth gap.
- Increases Latino household wealth by more than $29,000, amounting to a 28% decrease in the racial wealth gap.
Prime Credit Scores and Race

**Prime Credit Scores: Black Families vs. White Families**

- Black: 25%
- White: 65%
Tight Lending Standards Limit Mortgage Access

Note: Data include only conventional first-lien purchase mortgage originations.
Source: JCHS tabulations of CoreLogic data.
FIGURE 2
Homeownership Rates for Young Adults Are at 30-Year Lows
Homeownership Rate (Percent)

Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.
Who’s Going to Buy Your (California) House in 2020?

Source: Dowell Myers, Immigrants and Boomers, Figure 11.3, 2007
How to Advance Homeownership

Lower the cost of entry
- Downpayment assistance and low downpayment loan programs
- Shared appreciation and shared equity
- Inclusionary zoning and land trusts

Increase and lower cost of housing stock
- Local zoning improvements
- Manufactured housing
- Address appraisal gaps
- Land banking

Expand the credit box
- Alternative credit scoring
- Credit building
- Manual underwriting
Best Practice: Homewise 3.5% Downpayment Program

On a $175,000 home purchase:

<table>
<thead>
<tr>
<th></th>
<th>Homewise</th>
<th>FHA</th>
<th>Conventional 20%</th>
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<tbody>
<tr>
<td>Cash required at closing</td>
<td>$3,500</td>
<td>$12,250</td>
<td>$41,125</td>
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<td>Years required to save</td>
<td>4</td>
<td>15</td>
<td>51</td>
</tr>
<tr>
<td>Years of Equity/Appreciation Lost</td>
<td>n/a</td>
<td>11</td>
<td>47</td>
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In 11 years, the Homewise buyer will build over $72,000 in equity through principal paydown and 2% annual appreciation.

The Center for Responsible Lending estimates the typical American family can save 2% of income for a downpayment each year.
Best Practice: Homewise Delinquency Rate

- 2008 Q1: 0%
- 2009 Q1: 2%
- 2010 Q1: 4%
- 2011 Q1: 6%
- 2012 Q1: 8%
- 2013 Q1: 10%
- 2014 Q1: 12%
- 2015 Q1: 14%
- 2016 Q1: 16%
- 2017 Q1: 14%
- 2018 Q1: 12%

Legend:
- HW Portfolio
- Conventional
- VA
- FHA
Best Practice: Detroit Home Mortgage

RESTORED MORTGAGES BACK TO 2008 LEVELS

<table>
<thead>
<tr>
<th>Year</th>
<th>Restored Mortgages</th>
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<tbody>
<tr>
<td>2004</td>
<td>3410</td>
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<tr>
<td>2005</td>
<td>3529</td>
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<tr>
<td>2006</td>
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<td>2015</td>
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<tr>
<td>2016</td>
<td>737</td>
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<tr>
<td>2017</td>
<td>994</td>
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</tbody>
</table>
Best Practice: Detroit Home Mortgage

INCREASED FORECAST OF MOVE-IN-READY HOMES

A number of organizations are planning, launching, or scaling move-in-ready homes in the next 24 months. All have DHM in their business plan in case of appraisal shortfalls.

- DHM Developer LOC: 45-75 homes
- Bridging Neighborhoods: 30-50 homes
- Fitzgerald Project: 45-55 homes
- Rehabbed & Ready: 40-60 homes
- Other Rock Ventures Programs: 20-40 homes
- LISC: 30-50 homes
- Other for-profit developers: 90-120 homes

(land contract refinances and rental to sale conversions)

300-450 Move-in-Ready Homes in the Next 2 Years

9/14/2018
FIGURE 4
Inventories of Single-Family Homes for Sale Dropped Again in 2017

Note: Months of supply measures how long it would take the number of homes on the market to sell at the current rate, where 6 months is typically considered a balanced market.
Source: JCHS tabulations of National Association of Realtors (NAR), Existing Home Sales.
Best Practice: Neighborhood Partnership Housing Services
Best Practice: Neighborhood Partnership Housing Services

- Villa Del Sol: Small infill development in Chino, CA
- Manufactured homes
- 20-25% lower cost than traditional build
- 20-30% energy cost savings
- Lowest cost homes in the area
- Part of 140-unit program by NPHS
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