HOMEOWNERSHIP AND THE RACIAL WEALTH GAP:
Policies and Strategies that can Make a Difference

JANUARY 18, 2017
1:00PM EASTERN
WEBINAR CONTROL PANEL

PARTICIPATE

*During the presentation – Type your question in the QUESTIONS BOX to be addressed during discussion & Q/A*
Asset Funders Network (AFN) is a membership organization of national, regional, and community-based foundations and grantmakers, advancing economic opportunity and prosperity for low and moderate income people through philanthropy.
AFN EMPOWERS foundations and grantmakers to leverage their resources to make more effective and strategic funding decisions, allowing each dollar invested to have greater impact.
## DISCUSSION AGENDA

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<thead>
<tr>
<th>Topic</th>
<th>Presenter</th>
<th>Organization</th>
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<tr>
<td>WELCOME</td>
<td>MONA MASRI</td>
<td>ASSET FUNDERS NETWORK</td>
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<tr>
<td>OVERVIEW OF THE POST-CRISIS HOUSING MARKET</td>
<td>ELLEN SEIDMAN</td>
<td>URBAN INSTITUTE</td>
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<td>PROGRAM HIGHLIGHT</td>
<td>MAURICE JONES</td>
<td>LISC</td>
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<tr>
<td>PHILANTHROPIC PERSPECTIVE</td>
<td>LIZA COWAN</td>
<td>GLOBAL PHILANTHROPY</td>
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<td>JPMORGAN CHASE &amp; CO.</td>
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<td>MODERATED Q/A</td>
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</table>
INTRODUCTIONS

MONA MASRI  
ASSET FUNDERS NETWORK

ELLEN SEIDMAN  
URBAN INSTITUTE

MAURICE JONES  
LISC

LIZA COWAN  
GLOBAL PHILANTHROPY  
JPMORGAN CHASE & CO
Overview of the Post-Crisis Housing Market

Ellen Seidman
Senior Fellow, Urban Institute

AFN Housing Webinar
Homeownership Is Associated With Greater Wealth, But Is Less Accessible to Minorities
Homeownership provides opportunities for wealth building

Net Worth by Race

Source: Joint Center for Housing Studies tabulations of Federal Reserve Board, Survey of Consumer Finance, 2014
But Far Fewer Minority Families Are Homeowners And Projections Are Not Hopeful

<table>
<thead>
<tr>
<th>Homeownership Rate by Race</th>
<th>1990</th>
<th>2000</th>
<th>2010</th>
<th>2020f</th>
<th>2030f</th>
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</thead>
<tbody>
<tr>
<td>Total</td>
<td>65.3</td>
<td>66.2</td>
<td>65.1</td>
<td>62.7</td>
<td>61.3</td>
</tr>
<tr>
<td>Hispanic</td>
<td>43.3</td>
<td>45.7</td>
<td>47.3</td>
<td>46.9</td>
<td>48.2</td>
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<tr>
<td>White</td>
<td>70.1</td>
<td>72.4</td>
<td>72.2</td>
<td>70.8</td>
<td>69.7</td>
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<tr>
<td>Black</td>
<td>45.2</td>
<td>46.3</td>
<td>44.3</td>
<td>41.1</td>
<td>40.0</td>
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<tr>
<td>Other</td>
<td>53.7</td>
<td>53.0</td>
<td>56.3</td>
<td>55.9</td>
<td>56.9</td>
</tr>
</tbody>
</table>

Sources: U.S. Census, Urban Institute Projections; f refers to forecast
Substantial Disparities in Income and Wealth Are A Root Cause

Household Financial Characteristics by Race and Ethnicity, 2013

**Median Income**
- White, non-Hispanic
- Hispanic or non-white

**Median Wealth**
- White, non-Hispanic
- Hispanic or non-white

High Housing Cost Burdens Make Saving for a Downpayment Harder

**Housing Cost Burden, Renters**

- Not Burdened
- Moderately Burdened
- Severely Burdened

**Housing Cost Burden, Owners**

- Not Burdened
- Moderately Burdened
- Severely Burdened

>30% blacks and Hispanics pay >50% of income for rent

**Source**: Joint Center for Housing Studies tabulations of US Census Bureau, American Community Surveys, 2014
## A Persistent Supply/Demand Gap Keeps Prices High

(Thousands of Units)

<table>
<thead>
<tr>
<th></th>
<th>1-4 family</th>
<th>5+ family</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Residential Completions</td>
<td>657</td>
<td>310</td>
<td>968</td>
</tr>
<tr>
<td>Manufactured Houses</td>
<td></td>
<td></td>
<td>69</td>
</tr>
<tr>
<td>Gross New Supply</td>
<td></td>
<td></td>
<td>1037</td>
</tr>
<tr>
<td>Less: Obsolescence Rate*</td>
<td></td>
<td></td>
<td>418</td>
</tr>
<tr>
<td>Net New Units</td>
<td></td>
<td></td>
<td>619</td>
</tr>
<tr>
<td>Household Formation</td>
<td></td>
<td></td>
<td>1050</td>
</tr>
<tr>
<td>Supply/Demand Gap (2015)</td>
<td></td>
<td></td>
<td>-431</td>
</tr>
</tbody>
</table>

* 0.31% of existing stock

**Source:** US Census Bureau, U.S. Department of Housing and Urban Development (obsolescence rate)
The Picture Has Grown More Bleak Recently
Minority share of new mortgages remains stagnant

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<tr>
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<tbody>
<tr>
<td>Black</td>
<td>6%</td>
<td>9%</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>5%</td>
<td>5%</td>
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<tr>
<td>Hispanic</td>
<td>10%</td>
<td>13%</td>
<td>6%</td>
<td>6%</td>
<td>7%</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td>Non-Hispanic White</td>
<td>58%</td>
<td>61%</td>
<td>74%</td>
<td>73%</td>
<td>71%</td>
<td>69%</td>
<td>68%</td>
</tr>
<tr>
<td>Asian</td>
<td>5%</td>
<td>4%</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
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<tbody>
<tr>
<td>Low</td>
<td>12%</td>
<td>10%</td>
<td>9%</td>
<td>10%</td>
<td>10%</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>Moderate Low</td>
<td>18%</td>
<td>17%</td>
<td>16%</td>
<td>14%</td>
<td>15%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Medium</td>
<td>21%</td>
<td>21%</td>
<td>20%</td>
<td>18%</td>
<td>18%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Moderate High</td>
<td>24%</td>
<td>25%</td>
<td>26%</td>
<td>25%</td>
<td>25%</td>
<td>24%</td>
<td>25%</td>
</tr>
<tr>
<td>High</td>
<td>25%</td>
<td>28%</td>
<td>29%</td>
<td>33%</td>
<td>33%</td>
<td>31%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Source: HMDA, Urban Institute calculations.
Purchase Mortgage Originations Have Not Kept up with Population Trends
And Minority Lending Peaked at Just the Wrong Time

Sources: HMDA, Urban Institute calculations.
Credit is Tight—and Not Getting Looser

Default Risk Taken by the Mortgage Market, 1998Q1–2016Q2

Sources: eMBS, Federal Housing Administration (FHA) and the Urban Institute.
Note: All series measure the first-time homebuyer share of purchase loans for principal residences.
The Result is Far Fewer Loans Are Being Made Especially to People With Lower Credit Scores

<table>
<thead>
<tr>
<th>Corelogic-HMDA Merged Database</th>
<th>Loan category</th>
<th>2001, scaled to HMDA</th>
<th>2015, scaled to HMDA</th>
<th>Actual Percent decline</th>
<th>2015, assuming no constraint &gt;700</th>
<th>Difference between &gt;700 unconstrained and actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>CL-HMDA merged loans, &lt;660</td>
<td>1,433,986</td>
<td>503,013</td>
<td>65%</td>
<td>1,414,087</td>
<td>911,074</td>
<td></td>
</tr>
<tr>
<td>CL-HMDA merged loans, 660-700</td>
<td>861,047</td>
<td>686,073</td>
<td>20%</td>
<td>849,099</td>
<td>163,026</td>
<td></td>
</tr>
<tr>
<td>CL-HMDA merged loans, &gt;700</td>
<td>2,356,516</td>
<td>2,323,816</td>
<td>1%</td>
<td>2,323,816</td>
<td>1,074,099</td>
<td></td>
</tr>
<tr>
<td>CL-HMDA merged loans, Total</td>
<td>4,651,549</td>
<td>3,512,903</td>
<td>32%</td>
<td>3,512,903</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Cumulative missing loans, 2009-2015: 6.3 million

Source: Urban Institute Calculations from HMDA and CoreLogic data
Which Hurts Minorities Disproportionately

White mortgage market share

Black mortgage market share

Hispanic mortgage market share

Why Does It Matter?
Financially, Trying Homeownership Seems to Be Better Than Not

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Marginal Annual Gain From Homeownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>$5,600</td>
</tr>
<tr>
<td>Hispanic</td>
<td>$7,300</td>
</tr>
<tr>
<td>Non-Hispanic White</td>
<td>$7,700</td>
</tr>
<tr>
<td>Asian</td>
<td>$6,700</td>
</tr>
</tbody>
</table>

Source: Joint Center for Housing Studies calculations based on 1999-2013 PSID.
But The Real Wealth Gains Come from Sustaining Homeownership

<table>
<thead>
<tr>
<th>Renters- Median Net Wealth</th>
<th>Owners- Median Net Wealth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1999</td>
</tr>
<tr>
<td>Rent to Own Sustained</td>
<td>7,300</td>
</tr>
<tr>
<td>Rent to Own Not Sustained</td>
<td>3,100</td>
</tr>
<tr>
<td>Always Rent</td>
<td>1,700</td>
</tr>
</tbody>
</table>

Source: Joint Center for Housing Studies calculations based on 1999-2013 PSID using sample weights.
Note: Median change shown is the median of the change in each household’s wealth.
Pros and Cons of Homeownership

**Opportunities**

1. Homeownership is a source of family stability; substantial foreclosure protections are in place
2. Ownership provides greater monthly payment stability. There is no threat of sudden rent increases
3. Buying a home requires saving for a down payment, which encourages saving behavior
4. Ownership can enhance access to larger units, better school systems, and a healthier environment
5. Ownership creates wealth building opportunities through monthly mortgage payments to principal, and leverage, especially if home prices rise
6. Owning provides tax benefits through deductions for mortgage interest and property taxes, while excluding most capital gains taxes

**Concerns**

1. Homeownership in high-opportunity communities is expensive; in struggling communities, house prices may decline, wiping out equity
2. ARMs reduce mortgage payment stability, property taxes and insurance costs can increase unexpectedly, and maintenance and repairs create unexpected expenses
3. Saving for a down payment while paying rent is difficult -- in most years, renters would have earned more if the down payment has been invested in, e.g., stocks
4. School choice may make access to better schools less dependent on where you live; owning may make relocating to better job opportunities more difficult
5. Long-term mortgages build equity slowly at first; in a downturn, equity can be lost if the mortgage goes underwater
6. Tax deductions are less valuable for those in lower tax brackets than for higher income households
For more information, please contact:
Ellen Seidman, Urban Institute
eseidman@urban.org
202-261-5423
OPPORTUNITY

- Demand for new and creative models of homeownership
- Homeownership counseling is effective
- Financial Stability Programs
PROGRESS

• Detroit - 0% Home Repair Loan Program
• DC - Tenant Opportunity to Purchase Act
• Toledo - Readiness, financing & purchase assistance
• New York State Housing Stabilization Fund
• Rural - Upgrading manufactured housing
NEXT STEPS

• Government partnership
• Comprehensive strategies including jobs & income
• Pathways to homeownership incorporated in larger strategy
• Private sector engagement
PHILANTHROPIC PERSPECTIVE

LIZA COWAN
GLOBAL PHILANTHROPY
JPMORGAN CHASE & CO.
QUESTIONS & DISCUSSION

Click the QUESTIONS box to share a question for the presenters.

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Thank you for attending today’s Asset Funders Network presentation.

PLEASE FILL OUT OUR SURVEY

The survey will pop up on your screen momentarily and will also be sent to you via email.

WE VALUE YOUR TIME, AND YOUR RESPONSES WILL INFORM OUR FUTURE PLANNING.
THE WEBINAR HAS CONCLUDED