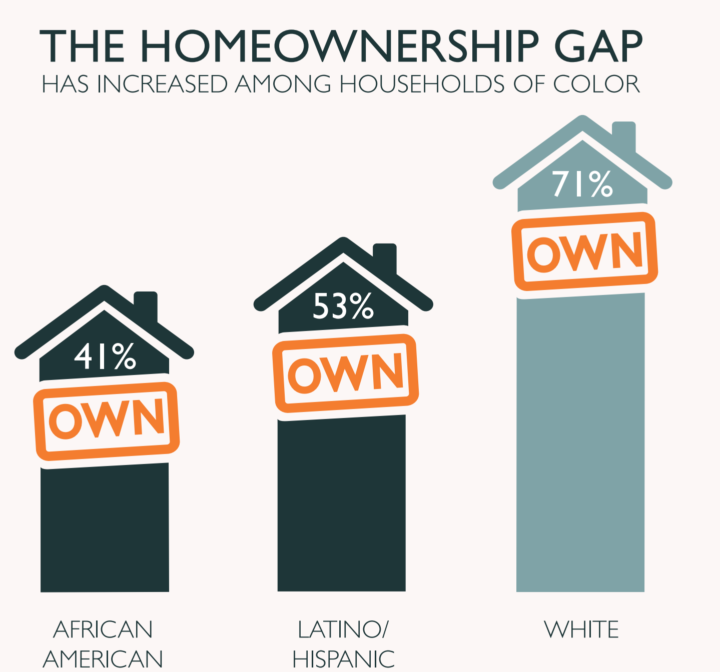
HOUSING & HOMEOWNERSHIP

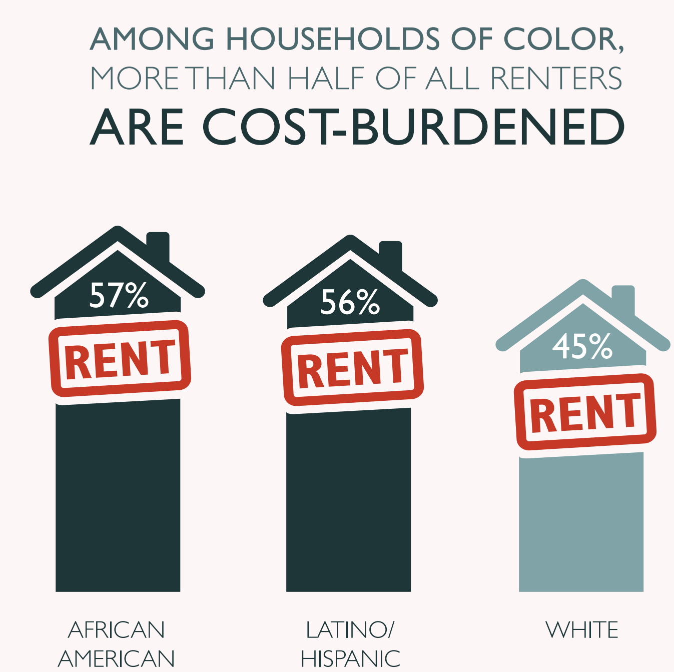
Homeownership remains the greatest source of wealth for the majority of U.S. households, serving not only as shelter but as a signifier of social status and access to the drivers of upward mobility. The housing market has shown strong signs of stabilizing over the five years since the worst of the foreclosure crisis, with the national **foreclosure rate** declining for the fifth consecutive year, reaching 2.1% in 2015. Most notably, Florida—which experienced the greatest spike in foreclosures during the height of the crisis—has seen its foreclosure rate plummet to 4.2% from a high of 14.5% in 2011.

Although declining foreclosure rates may seem like an indicator of market stabilization, the reality is that many who experienced foreclosure aren't returning to homeownership. **Homeownership rates** are at historic lows, down to 63.1% from a high of 67.3% in 2006. And while homeownership is declining among all racial and ethnic groups, it has fallen by a much larger degree among households of color. The **homeownership gap** between white households (71%) and households of color (45%) remains wide as ever, stretching to over 26 percentage points in 2014. This gap has increased consistently over the past decade, and became more pronounced when the foreclosure crisis devastated the wealth holdings of African-American and Latino homeowners. African-American households currently have the lowest homeownership rate (41.2%) of all racial groups, nearly 30 percentage points lower than that of white households (71%); Latinos fare little better with a rate of 45%. Additionally, the percentage of African-American homeowners with negative equity in their homes (14.2%) is more than double that of white homeowners,[1] demonstrating the recovery isn't reaching those who would benefit most and who have been historically excluded the benefits of homeownership.

Even for those who can afford to purchase a home, an increase in **high-cost mortgage loans** once again makes owning a home a riskier proposition. The rate of home purchase loans classified as high-cost more than doubled in 2013 to 7.1%, its highest level since the housing market cratered.

Without affordable homeownership as an option, households turn to renting, but in many places, renting doesn't equate to saving money on housing costs. The percentage of **cost-burdened renters**—those paying more than 30% of their income on rent—increased in 2014 to 51.8%, even as the rate of **cost-burdened homeowners** decreased for the fourth consecutive year. Among households of color nationally and in 39 states, more than half of all renters are cost-burdened, including 57% of all



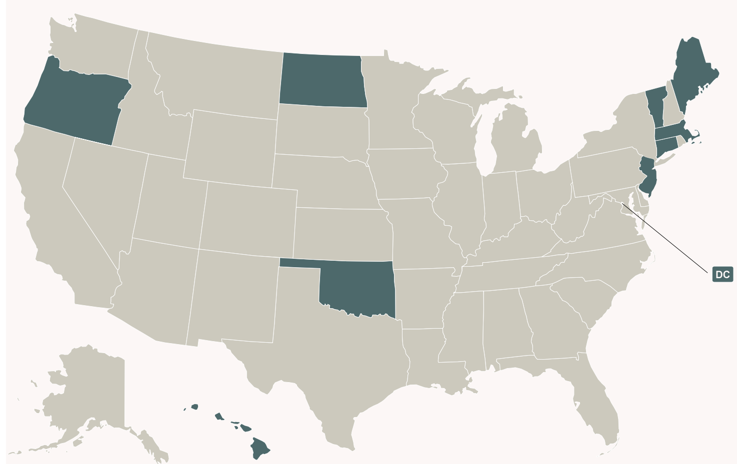


African-American and 56% of all Latino rental households. In only four states are the majority of white households who rent cost-burdened.

These stark realities highlight the need for states to proactively support safe and affordable routes to homeownership. States have a vested interest in growing stable and prosperous housing markets and thus should embrace first-time homebuyer assistance programs. As budgets begin to stabilize, states should reverse the trends of the past several years and reinvest in **homeownership counseling** and **direct-lending programs** to encourage homeownership for low- and moderate-income families. Nearly every state and the District of Columbia has recognized the importance of providing some degree of support for first-time homebuyers by offering **downpayment assistance**, with only Hawaii not currently offering this support.

Unfortunately, as beneficial as these policies may be toward eventually stemming the tide of declining homeownership rates, policies that create more options for buying a home are unlikely on their own to be sufficient to solve the housing needs for most low- and moderate-income families harmed by the housing crisis. Therefore, states also must take action to ease the pressures of increasingly prohibitive rental markets to guarantee that the most vulnerable families will not be prejudicially left without affordable housing options. One way of doing so is to provide **protection from discrimination for low-income renters** by including housing choice vouchers (formerly known as Section 8 vouchers) as a protected source of income under state fair housing statutes. Only nine states and the District of Columbia currently prohibit housing choice voucher "source of income" discrimination. Without these protections, many low-income renters will continue to be left without safe and stable housing opportunities.

9 STATES & DC PROHIBIT HOUSING CHOICE VOUCHER "SOURCE OF INCOME" DISCRIMINATION



HOUSING & HOMEOWNERSHIP POLICY AT THE FEDERAL LEVEL

In 2008, federal legislation placed an obligation on Fannie Mae and Freddie Mac to serve low- and moderate-income families by making the affordable housing finance market more robust. This past December, the Federal Housing Finance Agency (FHFA) proposed a set of **"duty to serve"** rules that spell out how Fannie and Freddie will meet this responsibility. It covers three core underserved markets—manufactured housing, affordable housing preservation and rural housing—and describes ways Fannie and Freddie can make and monitor progress toward the objective of facilitating financing in these markets. When it comes to manufactured housing—an appealing and affordable homeownership option for low-income households—the proposed rules would apply to units financed as real estate (rather than those financed with personal property, or chattel, loans) and to manufactured housing communities that meet certain qualifications. The proposed rules also include provisions for pilot programs to test whether Fannie and Freddie could invest more in chattel loans. The shape of the final rules will become clearer after the comment period closes in March 2016.

[1] Michael Fletcher, "A Shattered Foundation," *Washington Post* (Washington, DC), Jan. 24, 2015.