

# Getting Creative:

## Alternatives to Traditional Homeownership

Linda Hugo, CEO  
Community Frameworks

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**There is a housing crisis in America.**

**HOME  
Matters.**

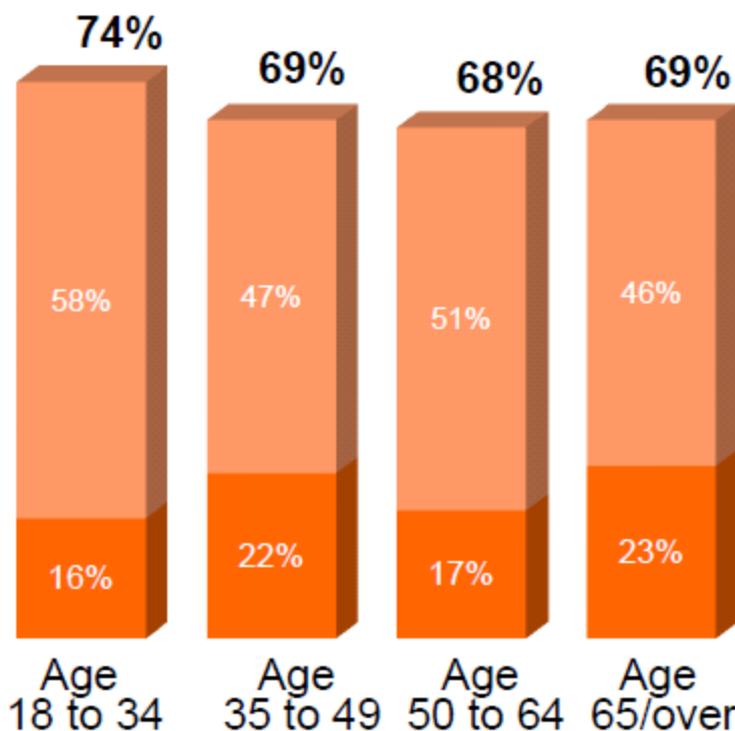
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# The belief that the country has not yet weathered the housing crisis is the prevailing view across the public.

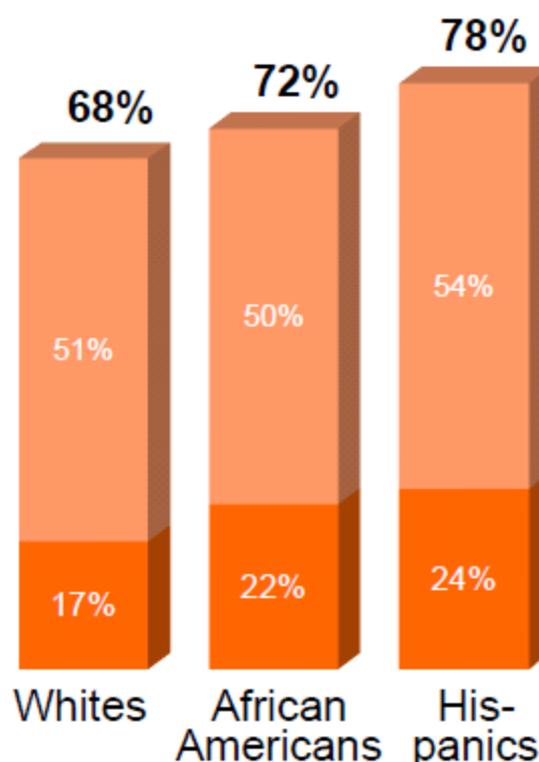
*Concerning the housing crisis that started in 2008 when many people and families defaulted on their mortgages and lost their homes, I think:*



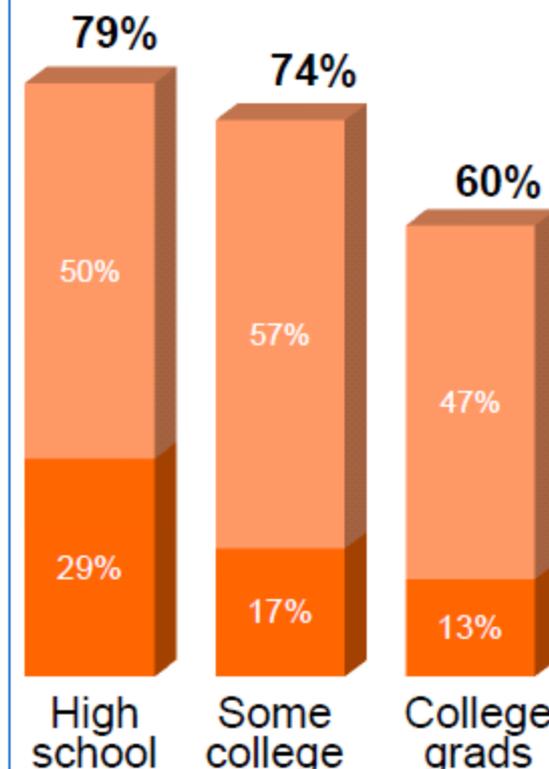
**By age**



**By race**

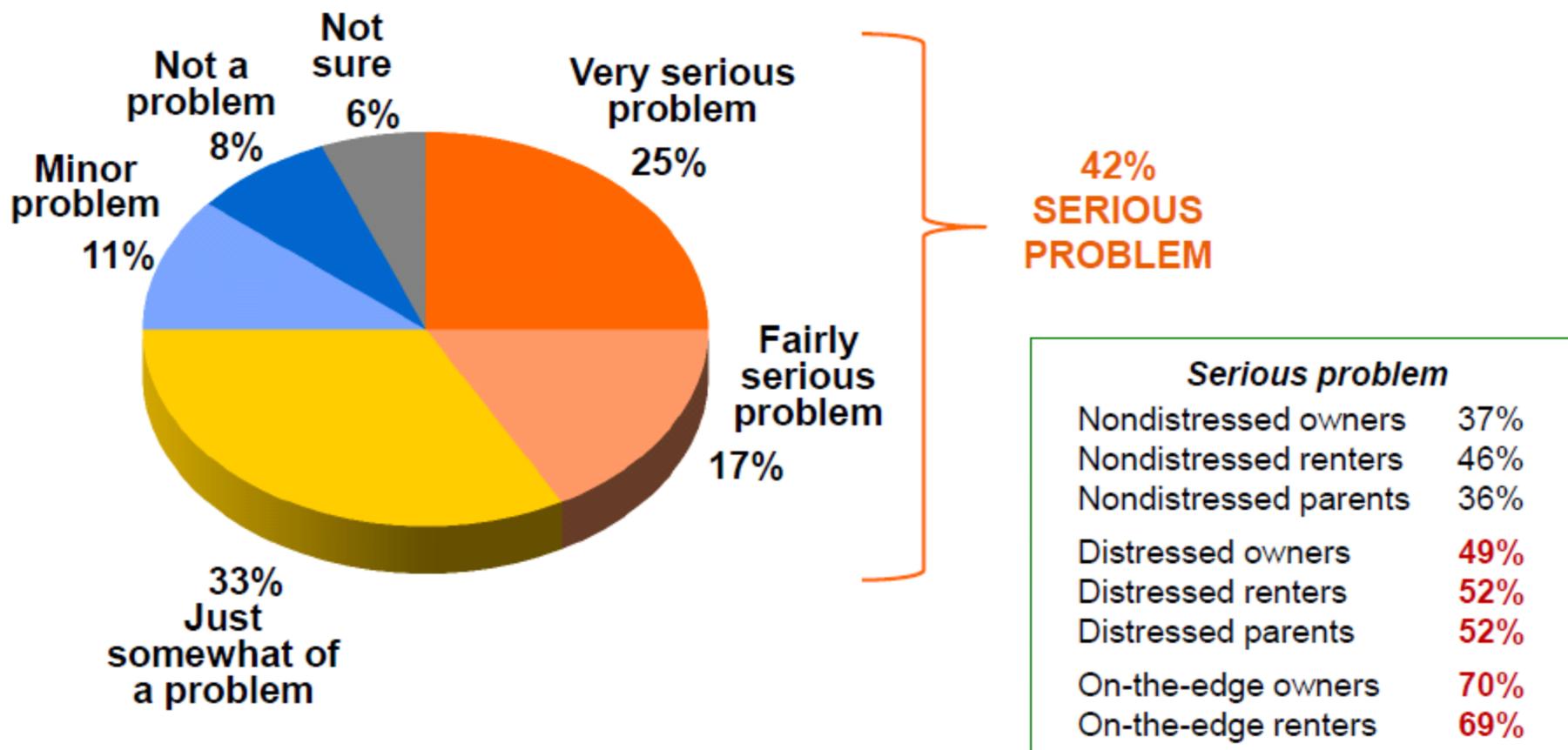


**By education**



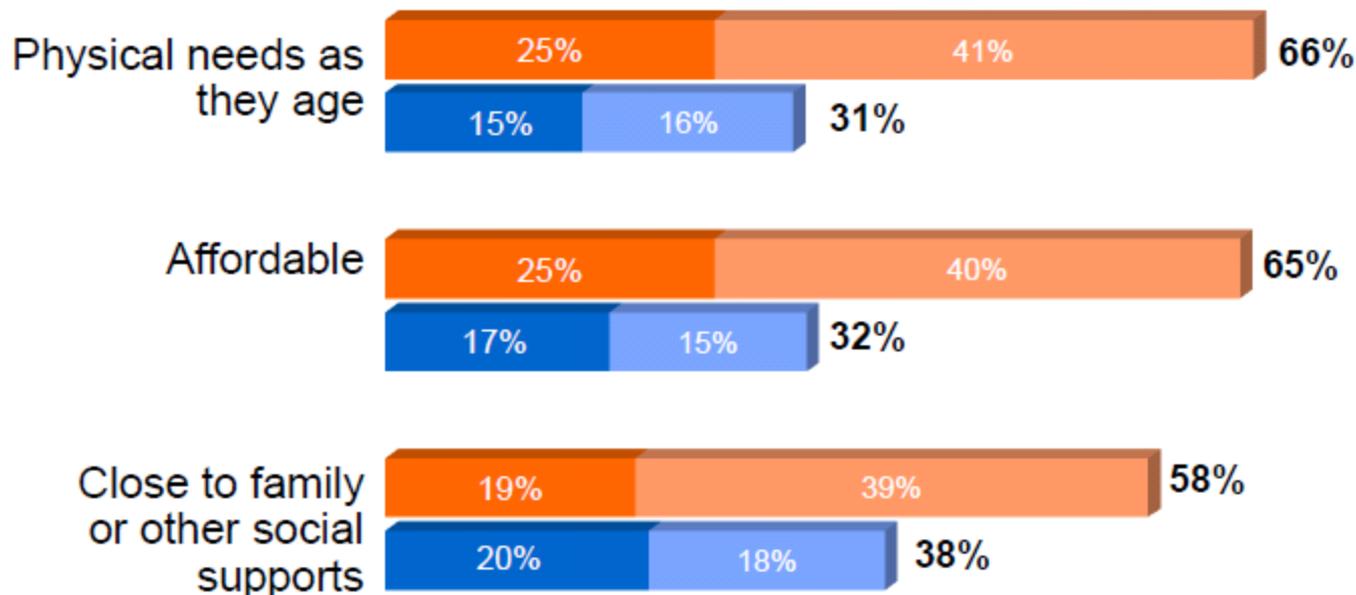
# And more than two in five adults believe that the housing market continues to be a serious problem.

*How much of a problem is the housing market in the United States today?*



# The public sees hardship ahead for aging seniors. Most believe that their friends and family who are getting older will face challenges meeting their housing needs.

*Will the people close to you who are getting older face challenges in having housing that meets these needs?*



**The traditional American Dream has changed. It is now broader than ever & reflects new and changing American values.**

**HOME  
Matters.**

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# The public is divided on whether homeownership is an excellent investment and good way to build wealth.

*Which comes closer to your feelings about homeownership?*

Buying a home is an **excellent long-term investment** because it is likely to increase in value over time and it is one of the best ways for people to build wealth and assets.



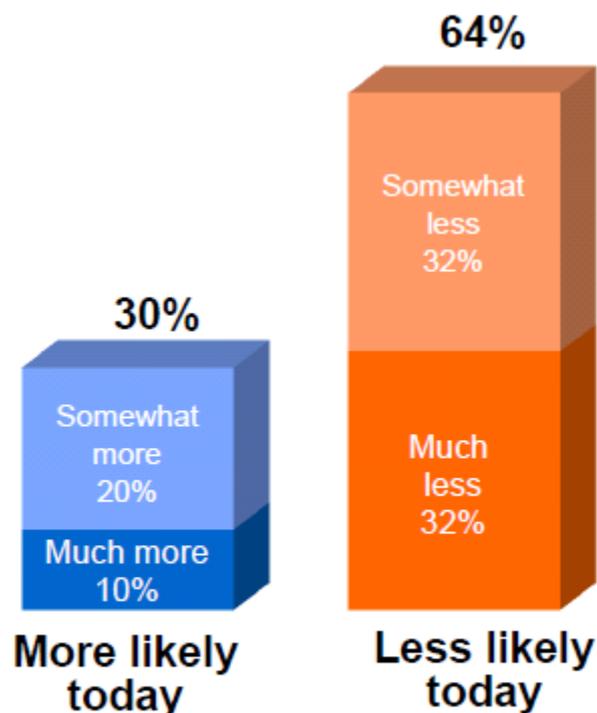
Buying a home may once have been an excellent long-term investment and one of the best ways for people to build wealth, but that is **no longer the case** today.



	<i>Nondistressed</i>			<i>Distressed</i>			<i>On-the-Edge</i>	
	Owners	Renters	Parents	Owners	Renters	Parents	Owners	Renters
Excellent long-term investment	55%	46%	56%	43%	38%	45%	27%	32%
No longer an excellent investment	37%	49%	36%	49%	54%	51%	61%	57%

# Two-thirds of the public believe that it is less likely today than it was 20 or 30 years ago for a family to build equity and wealth through homeownership.

*Compared with 20 or 30 years ago, how likely is it for families today to build equity and wealth through homeownership?*



## Less likely today than 20 or 30 years ago

Men	65%	Northeast	63%
Women	62%	South	62%
Age 18 to 34	62%	Midwest	64%
Age 35 to 49	<b>69%</b>	West	65%
Age 50 to 64	62%	City	57%
Age 65/over	61%	Suburbs	68%
High school/less	58%	Small town/rural	66%
Some college	62%	Whites	66%
College graduates	<b>70%</b>	African Americans	55%
Income:		Hispanics	56%
Under \$40K	60%		
\$40K to \$75K	<b>69%</b>		
Over \$75K	66%		

**Home is not just about the four walls  
around us, it's about the environment that  
affects the choices we make in life and who  
we become.**

**HOME  
Matters.**

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## Furthermore, the public believes that several tradeoffs quite likely to occur will have significant negative impact on the lives of those who need to make them.

*If a family with two children is struggling to afford to stay in their home, how likely do you think they would be to make the following tradeoffs in order to pay their rent or mortgage?*

*And which two or three of these actions would have the biggest negative impact on their life or household?*

	Very/fairly likely to do	Biggest negative impact
Take second job, work more hours	82%	17%
Stop saving for retirement	73%	25%
Accumulate credit card debt	72%	47%
Cut back on health care	62%	44%
Cut back on healthy food	55%	26%
Move to a neighborhood they feel is less safe	37%	33%
Move to where schools are not as good	37%	24%

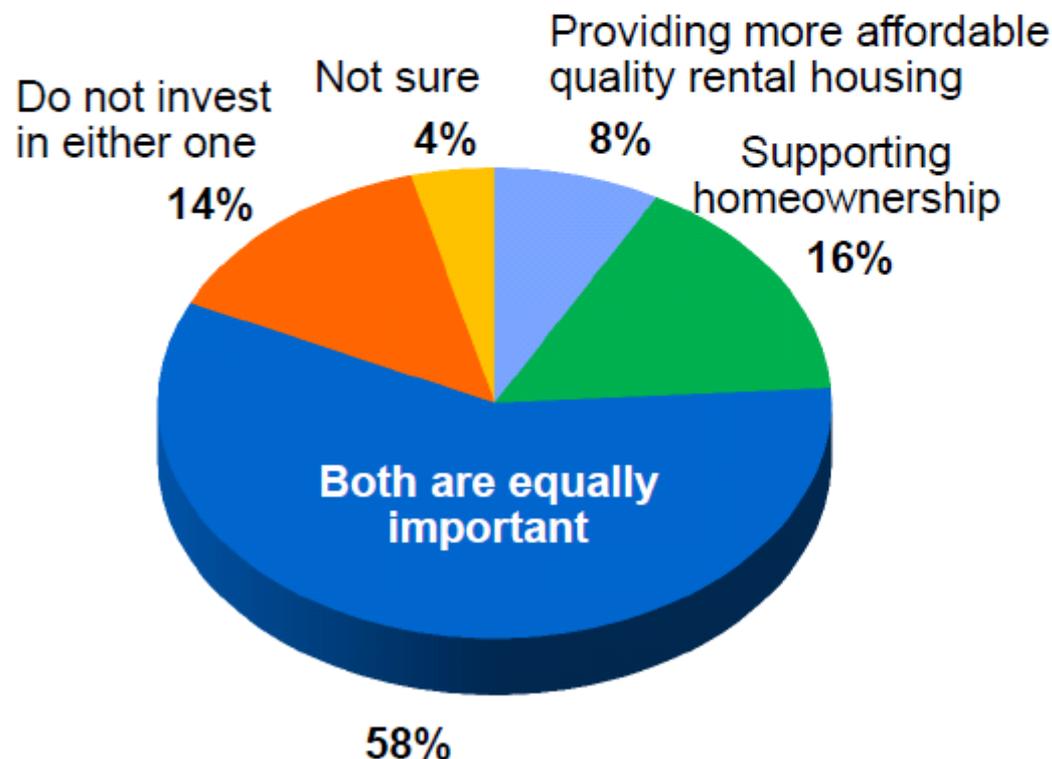
- **Affordable housing can function as a “vaccine” – contributing to positive health outcomes.**
- **Measured against comparable families, children in subsidized housing have:**
  - **35% greater chance of being classified a ‘well’ child**
  - **-28% (lower) risk of being seriously underweight**
  - **-19% (lower) risk of being food insecure**

-- Enterprise, *Impact of Affordable Housing on Families & Communities*

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# Solid majorities of Americans want the federal government to invest equally in policies that support homeownership and rental housing.

*In which type of housing policy is it more important for the federal government to invest right now?*



### **Both equally important:**

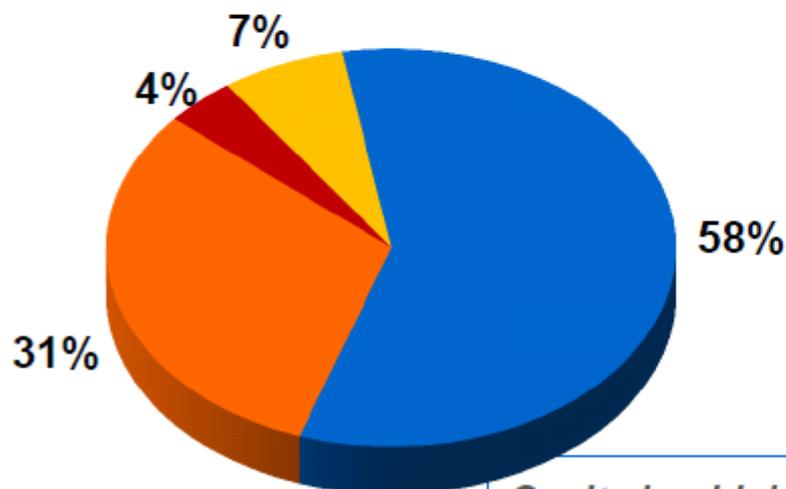
Owners	54%
Renters	64%
High school/less	65%
Some college	62%
College graduates	52%
Income:	
Under \$40K	62%
\$40K to \$75K	62%
Over \$75K	52%
Democrats	67%
Independents	59%
Republicans	48%

# Majorities believe that state and local governments should be doing more to address the affordable housing challenges of America's families.

*Are state and local governments doing enough to ensure that there is sufficient affordable quality [rental housing/housing to buy] in your community?*

■ Government should be doing more    
 ■ Government is doing enough    
 ■ Government is doing too much    
 ■ Not sure

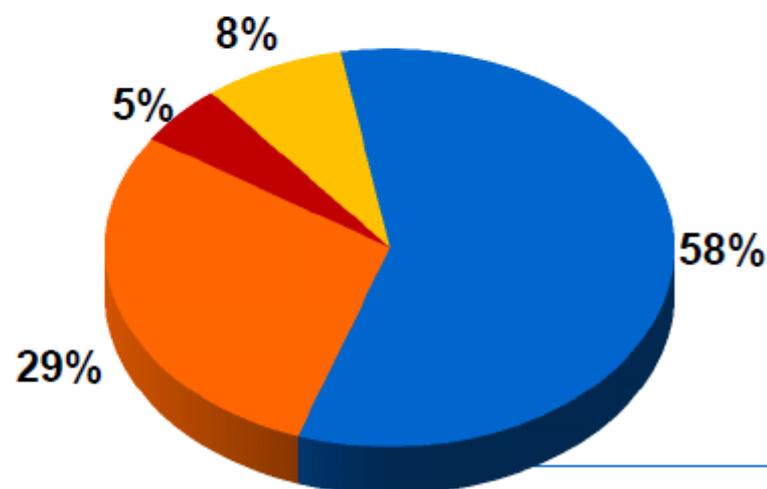
**Rental housing**



*Gov't should do more:*

Democrats	71%
Independents	56%
Republicans	43%

**Housing to buy**



*Gov't should do more:*

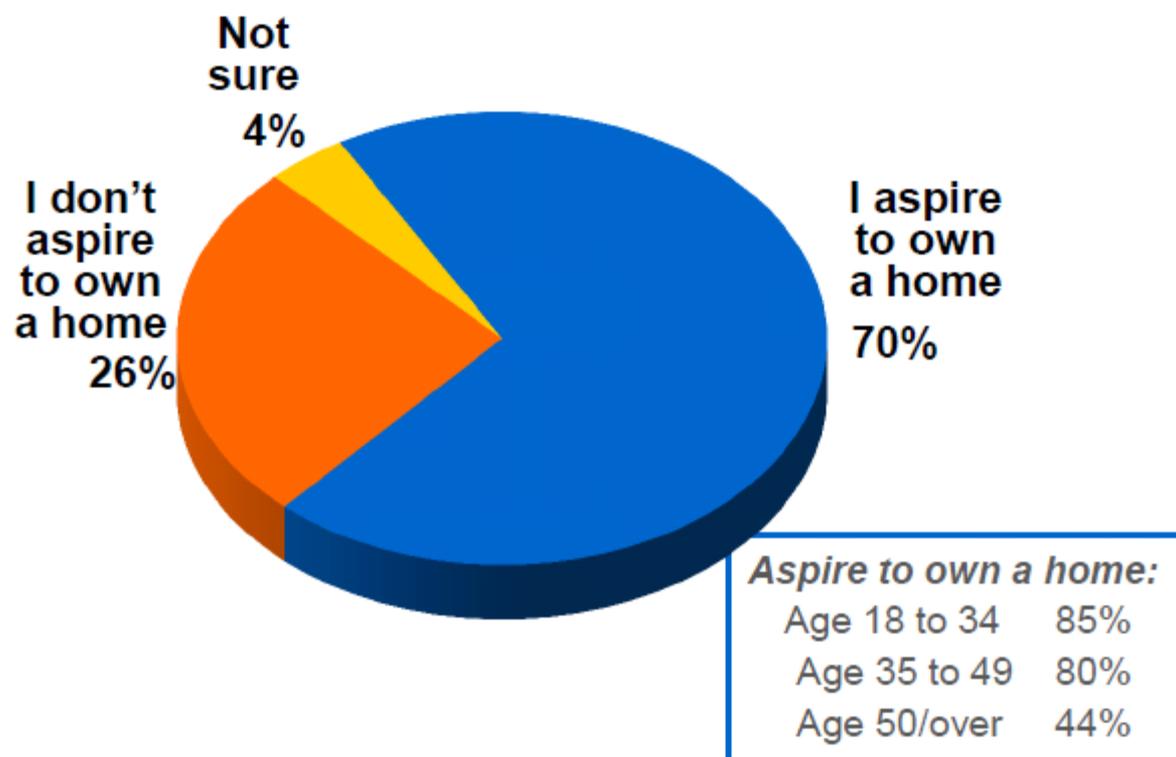
Democrats	69%
Independents	56%
Republicans	45%

**Homeownership shouldn't be off the table**

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## A solid majority of non-owners hope to own a home one day.

*Non-homeowners: Is homeownership something you aspire to?*



## Believing in Homeownership – Where did that come from?

- **1900** – “Owning a home raises one in the estimation of his neighbors & associates...” – *news article*
- **1931**– Home owning is more than the provision of domiciles; it goes to the roots of family life, public morals and standards of living.” – *President Hoover*
- **1959** – A home owner owns part of the public street in front of his home...part of the village park, part of the school. He is indeed a citizen of the U.S. – *President Eisenhower*
- **1984** – Homeownership is an essential part of the American Dream – fundamental to our way of life – *President Reagan*
- **2012** – Homeownership is the heart of what it means to be middle-class in America – *President Obama*

--(from Rachel Bogardus Drew’s research she reported in Shelterforce, August 2014)

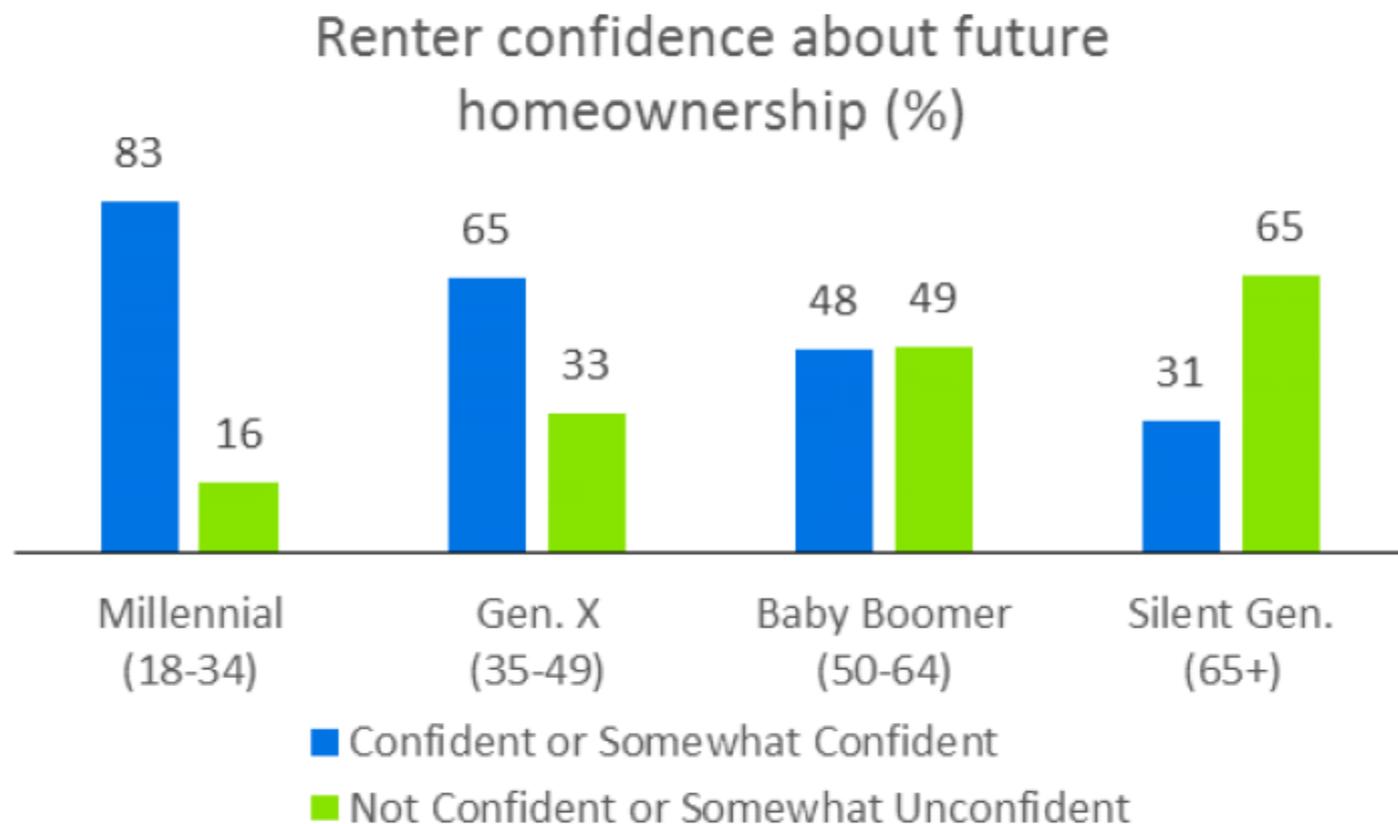
- Odds are 70-280% better that **renters aspire to buy** a home in the future **if they believe** that Homeownership provides:
  - Good place to raise children
  - Safe physical structure
  - More control over living space
  - More space for families
  - Financial advantage over renting
- **Reality** (household debt, employment status, ability to qualify for a mortgage) **is not significantly related to expectations**
- **Post recession more than 80% of renter respondents want to buy regardless of their ability to do so**

-- (from Rachel Bogardus Drew's research she reported in Shelterforce) , August 2014

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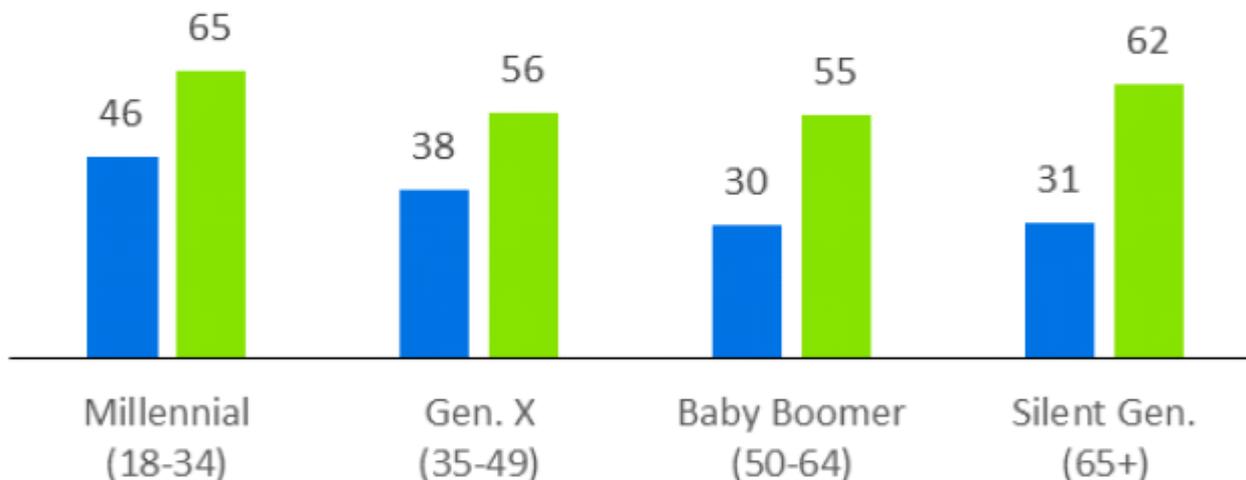
## Millennial renters are optimistic about homeownership...

83 percent of millennial renters are “confident” or “somewhat confident” that they will eventually buy a home.



# In some respects, millennials are more conventional in their views on homeownership than older generations

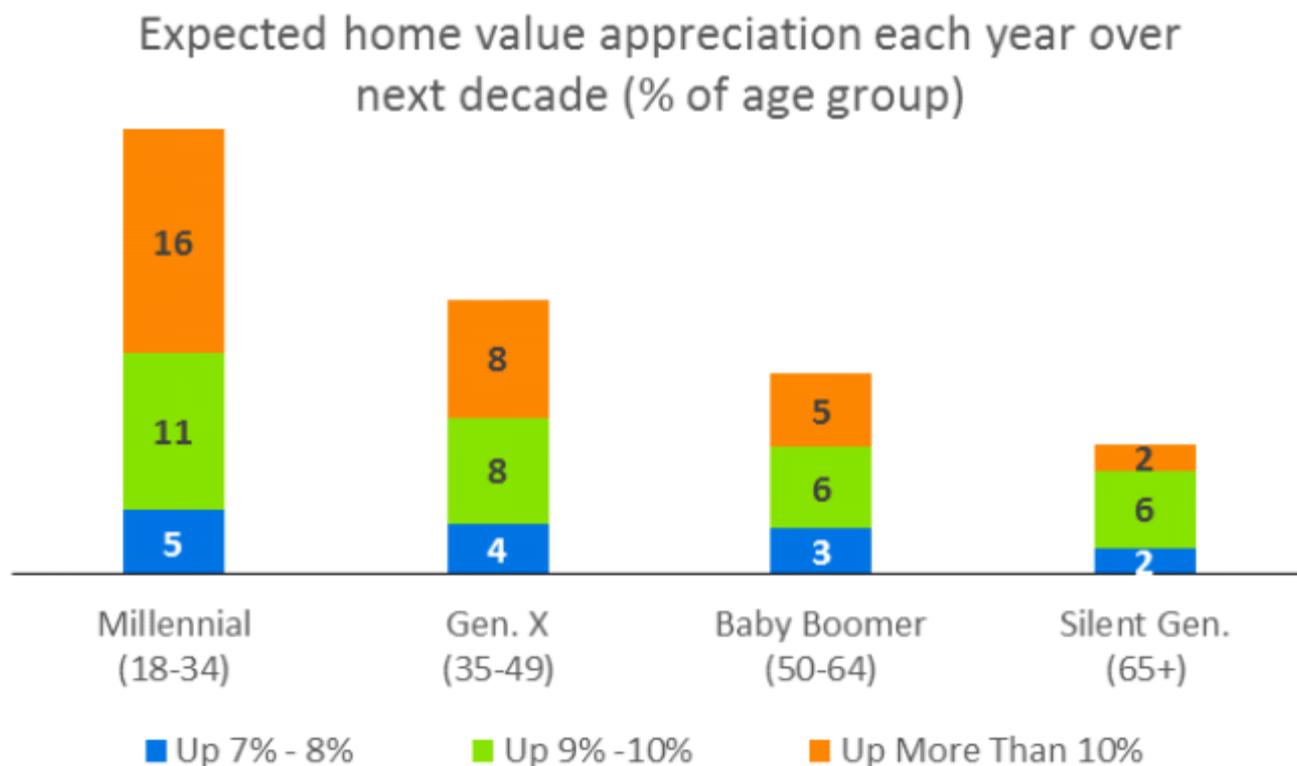
Nearly two-thirds of millennials think owning a home is necessary to live the “American Dream” and almost half agree that owning a home is necessary to be a “respected member of society.”



- Agree with statement that owning a home is necessary to be a respected member of society
- Agree with statement that owning a home is necessary to live "the Good Life" and the "American Dream"

# Many millennials appear to have (perhaps) unrealistic views about long-term home value appreciation

One-third of millennials expect home values to appreciate by more than 7 percent per year over the next decade; one in six thinks home values will increase by more than 10 percent each year.



# Retirement Security

- **Typical homeowner aged 65 & over has:**
  - Wealth to cover 42 months nursing home costs
  - Non-housing wealth to cover 15 months
- **Median older renter:**
  - Cannot afford even 1 month in a nursing home
  - Only 18% could pay for more than a year
- **Minority ownership age 50 & over:**
  - 82% of Whites
  - 70% of Asians
  - 62% of Hispanics
  - 58% of Blacks

--*"Housing America's Older Adults – Meeting the Needs of an Aging Population"* – Harvard University Joint Center for Housing Studies with grant from AARP Foundation, 2014.

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FIGURE 7

## Homeownership Rates Among Households 65 and Over Remain High, But Have Dropped Markedly Among 50–64 Year Olds

Homeownership Rate by Age Group (Percent)



Source: JCHS tabulations of US Census Bureau, Current Population Surveys.

## Predictability & Control – Affects of Stress

- Burden of not knowing if you will have food on table or a roof overhead is toxic to the brain
- Stress hormone levels, if up for days/weeks on end, interfere with development of connections in the brain
- Pile up of risk long term increases chance of problems including negative effects on the immune system
- When we ... don't have control in our lives ... the stress response kicks in

– *Jack P. Shonkoff, Harvard Center on the Developing Child*

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## Homeownership as Proxy for Economic Security

Does whether or not their parents owned their own home when they were a kid predict whether they'd get a cold as an adult?

*“ We take them as an adult, expose them to a virus, turns out it's a great predictor & a graded predictor -- **the more years their parent owned a home the less likely they would get a cold when we exposed them.**”*

-- Sheldon Cohen, Psychologist, Carnegie Mellon University, PBS Series  
*“Unnatural Causes...is inequality making us sick?”*

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## Timely lessons for policymakers

- Homeownership is widely desired by renters so prioritize safe, affordable mortgages & purchase options
- Buyers are motivated by beliefs, but outcomes are not assured, so stabilize markets & assist owners in distress so more can succeed
- Change policies & balance rhetoric on owning & renting to support a range of options for achieving American dream

*-- (from Rachel Bogardus Drew's research she reported in Shelterforce)*

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So What Can We Do?

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- Household & family formation (translate: young)
- Options for immigrants
- Meet millennials where they want/need to be
- Position mature households for retirement security

# Rethink Your Market

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- Homebuyer Education & Counseling to improve credit scores, reduce debt, etc.
- Hard wire counseling into process of buying to improve buyer success & lower lender risk
- FHA's new option to lower insurance premium with counseling

## Buyer Preparedness

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- **Reduced size, increased density = lower costs**
- **Cottage, cluster style living**
- **Gearing toward Boomer downsizing**
- **Next Step: Manufactured Housing Done Right**

# Expand Housing Types

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- More willingness to extend well-documented loans to lower credit score borrower without fear of reprisal in case of default
- Federal Credit Unions petition regulators to *“be allowed to use more updated & accurate credit-scoring models”*
- Fannie & Freddie *“studying the costs & benefits of incorporating Vantage 3.0 or FICO 9 into processes”*
- Headline 10/3/14: *“You know it’s a tough market if Ben Bernanke can’t refinance”*

## Push Lending Attitudes/Rules

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- If it doesn't say you can't, maybe you can & should
- Nothing you've always done is sacred
- Stop guarding all your secrets – your security may not ride on being proprietary
- Stop doing what you aren't great at
- Look for common purpose & shared goals

# Think Differently

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- Adjust to changes in your market
- Expand your services/territory
- De-silo resources
- Overhaul your business model
- Partner & Collaborate

# Diversify/Expand/Adapt

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MLS

RE  
Agents

Lenders

Builders

Home  
Buyer

Appraisers

Policies

HP  
Cert  
Programs

Utilities/EE  
Conservati  
on  
Programs

- **Why? It's about capacity to create a better whole:**
  - Assemble necessary core competencies
  - Eliminate redundancies
  - Add expertise
  - Expand reach
  - Improve strength & sustainability
  - Share work, share risk
- **Program to Program**
- **Project by Project**
- **Public and Private**

# Partnerships/Collaborations

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- Join HomeMatters movement & message to explain the value proposition for people, communities, country
- Work for the full housing continuum & across sectors
- Tell the stories of the impact of your good work

# Educate & Advocate

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