
Homeownership: Patterns, Trends and Policies

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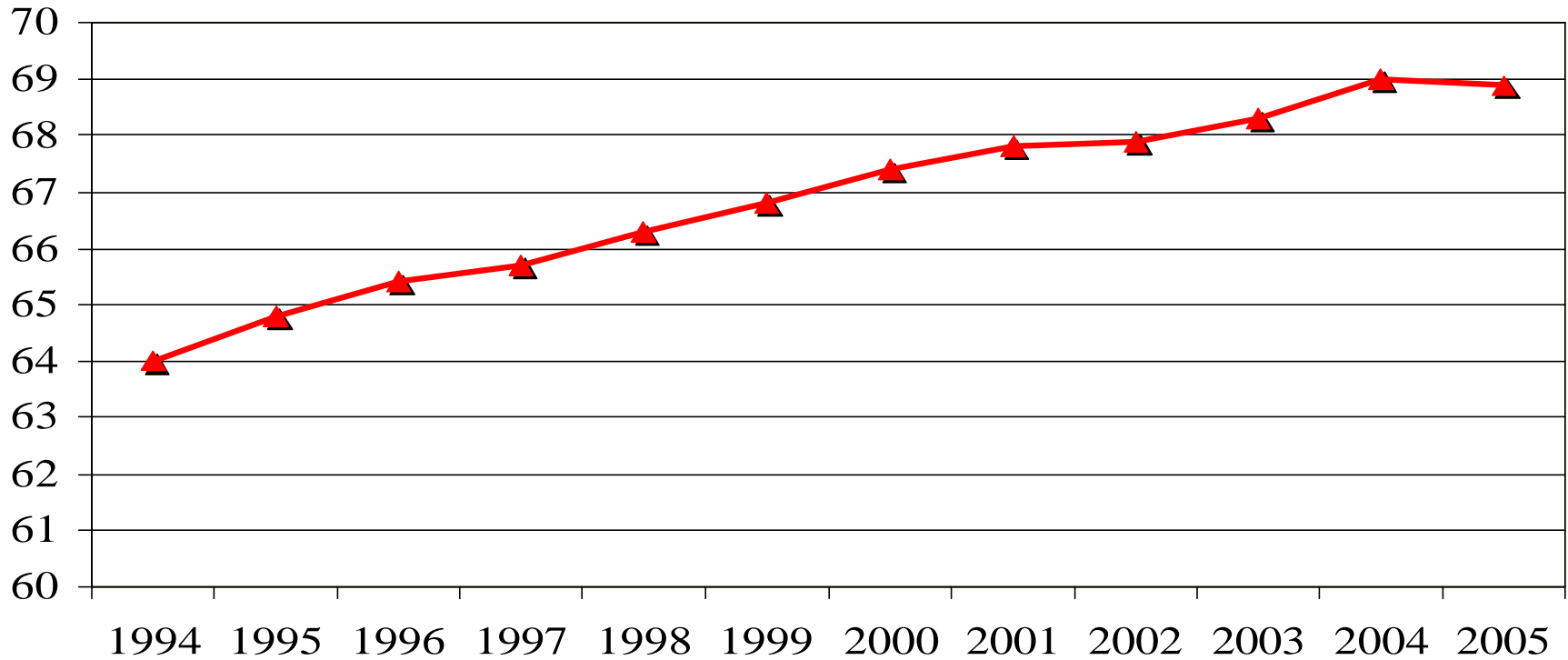
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**Conference on Innovations in Real Estate Markets
Federal Reserve Bank of Chicago
May 18, 2006**

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Homeownership Rate: 1994 - 2005 (Record Highs)

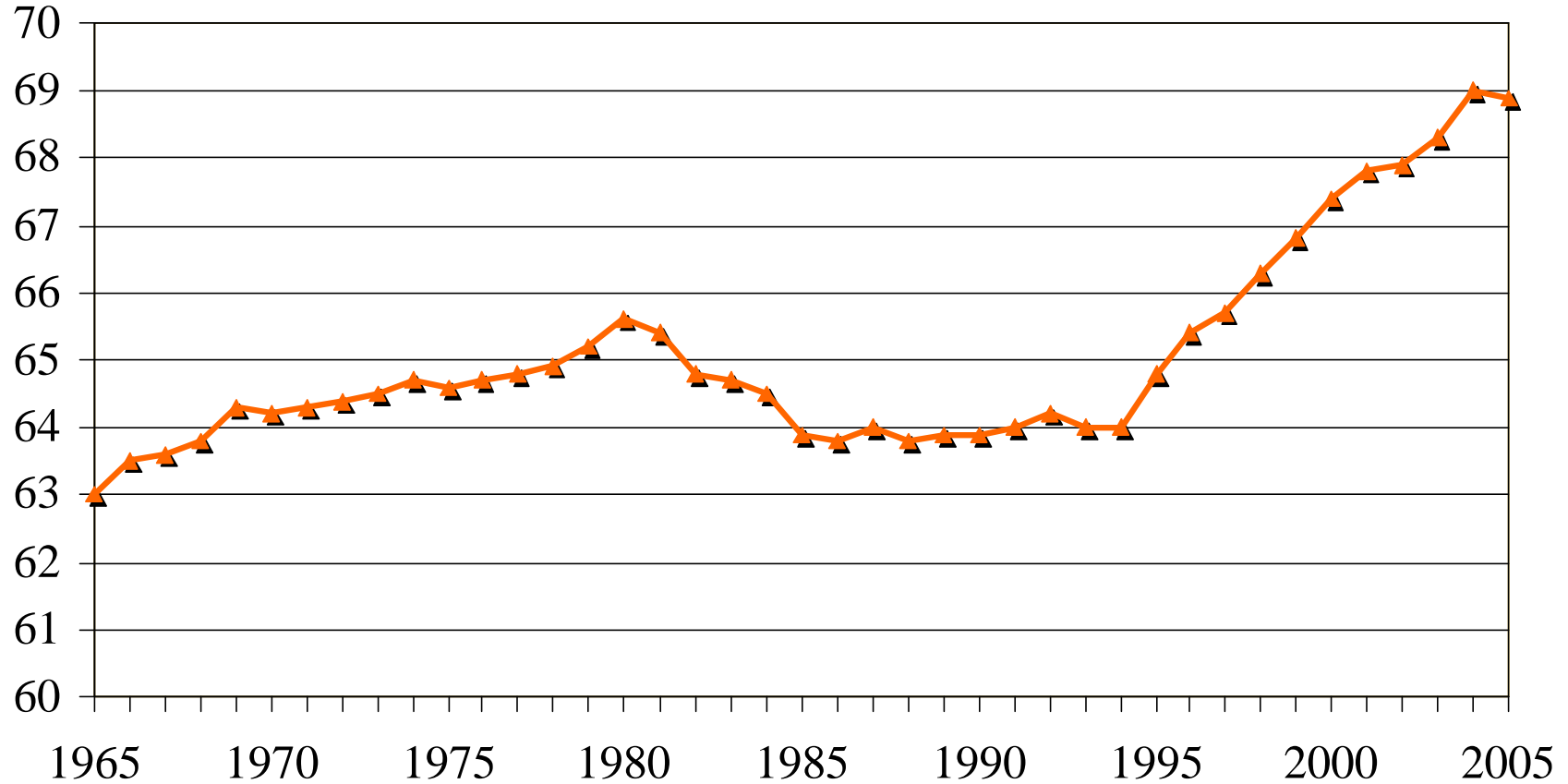
(percent)



Source: U.S. Census Bureau.

Homeownership Rate: 1965 - 2005

(percent)



Source: U.S. Census Bureau.

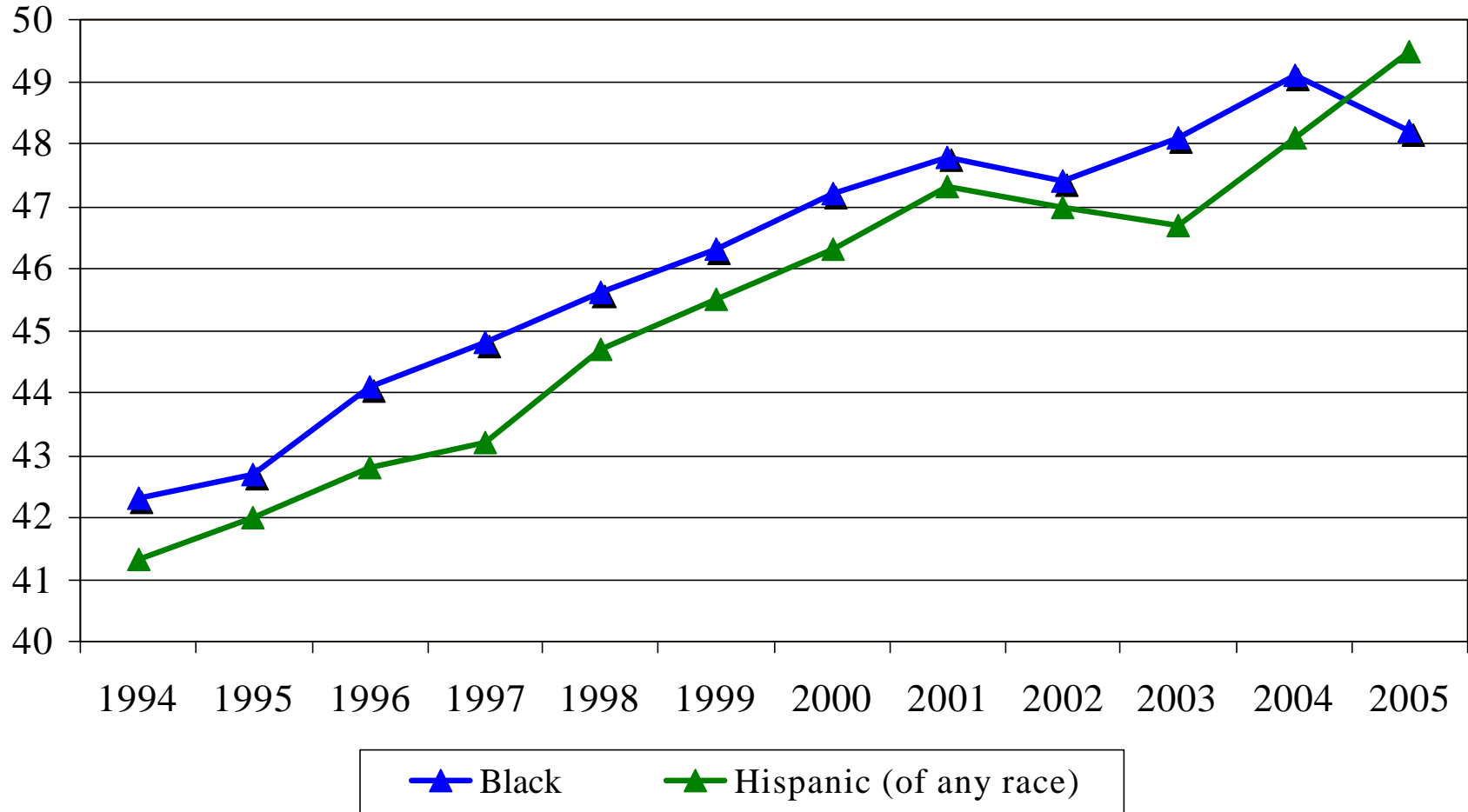
The Long-Term Trend in Homeownership

- Now 69% of U.S. households
- 1960-1965 63%
- 1950 55%
- 1940 around 45%
- 1900-1930 around 45%

Minority Homeownership Rates: 1994 - 2005

(Also at Record Highs)

(percent)



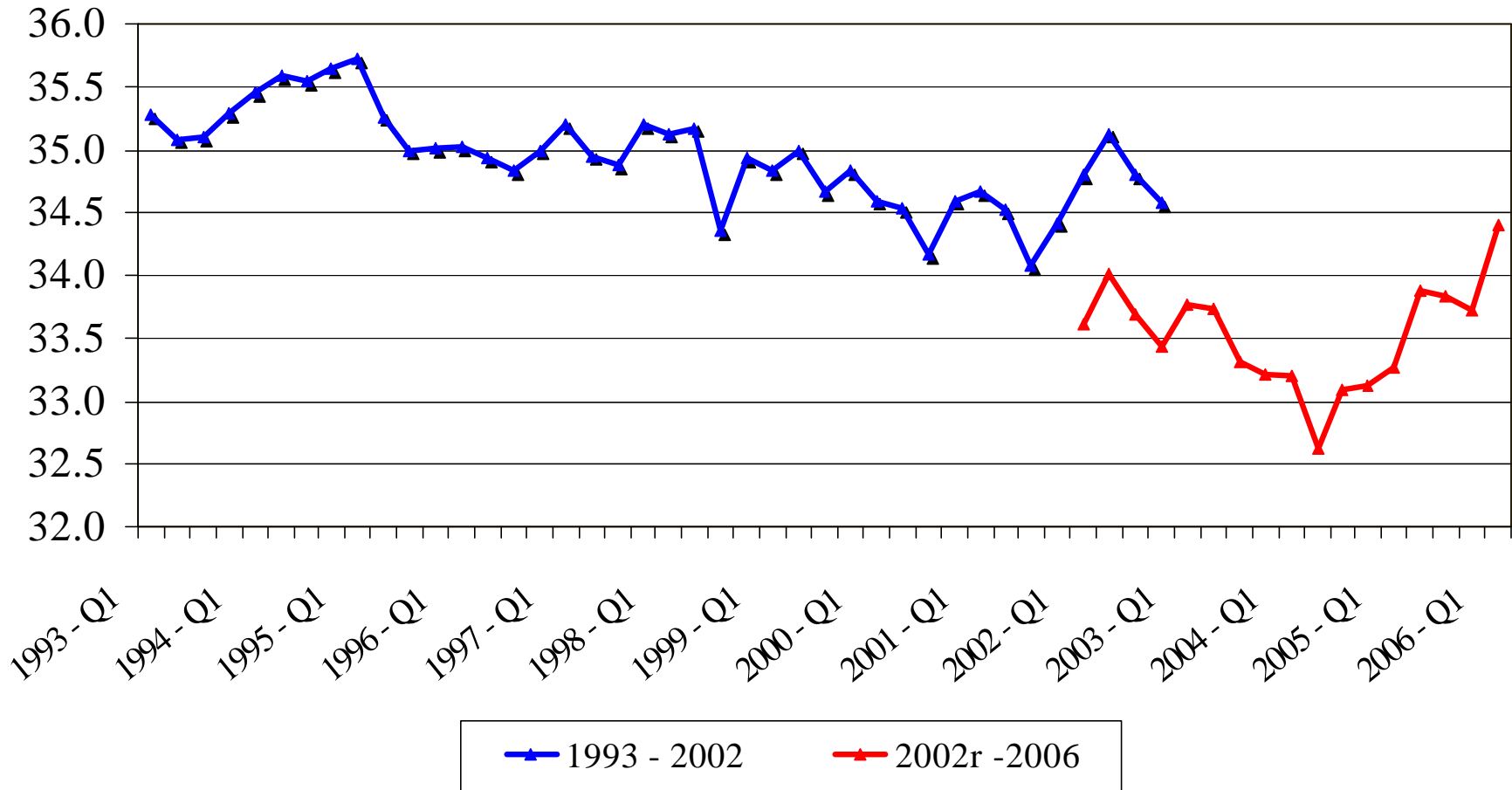
Source: U.S. Census Bureau.

Nation of Immigrants - Nation of Homeowners

- 70% of native-born Americans own their own homes
 - 68% of foreign-born U.S. citizens
 - 35% of foreign-born non-citizens
-
- No difference between native-born and foreign-born citizens younger than 35

The Disappearing Renter: The Number of Renters, 1993-2006

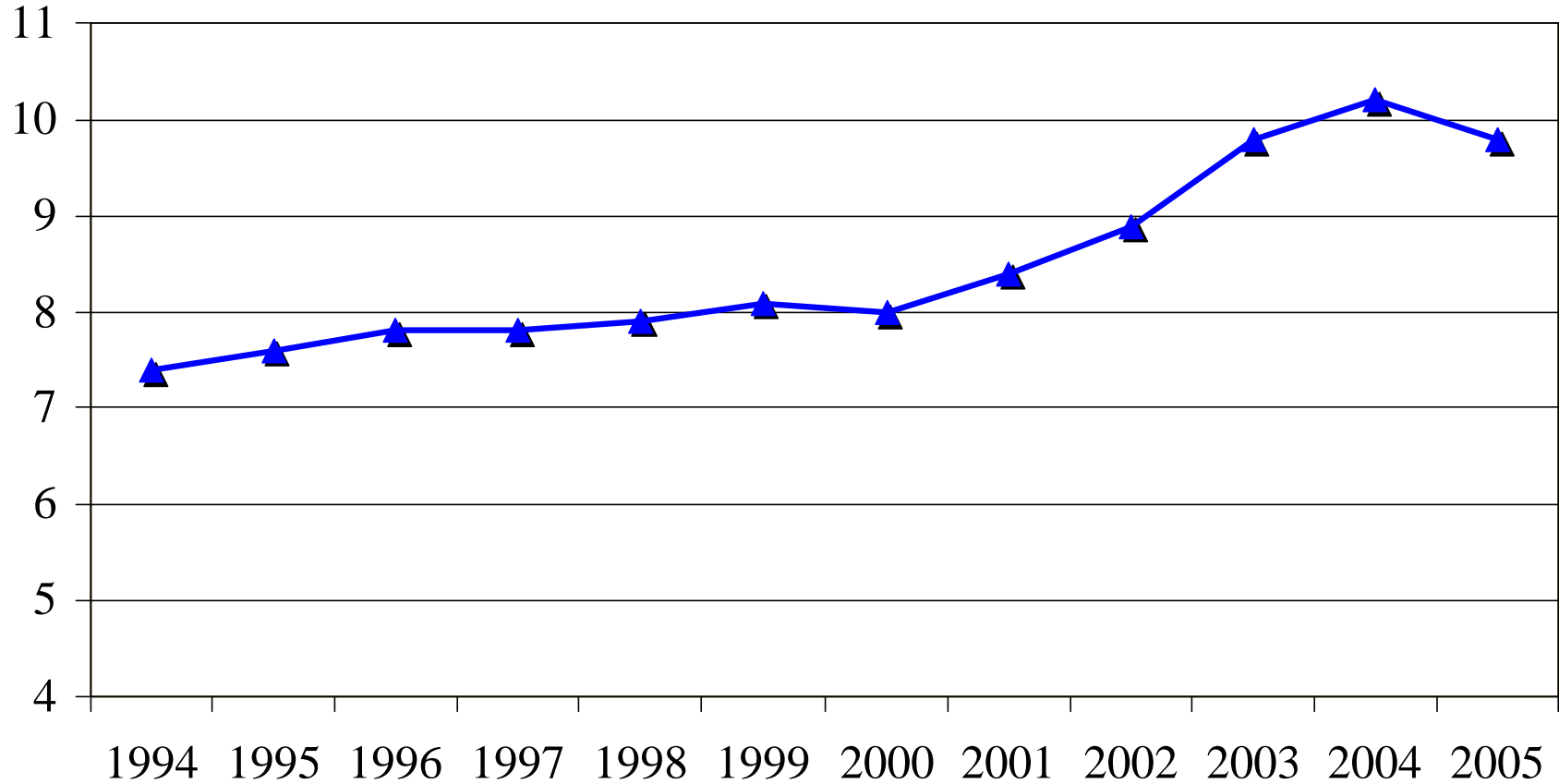
(in millions)



Source: U.S. Census Bureau.

Rental Vacancy Rate: 1994 - 2005

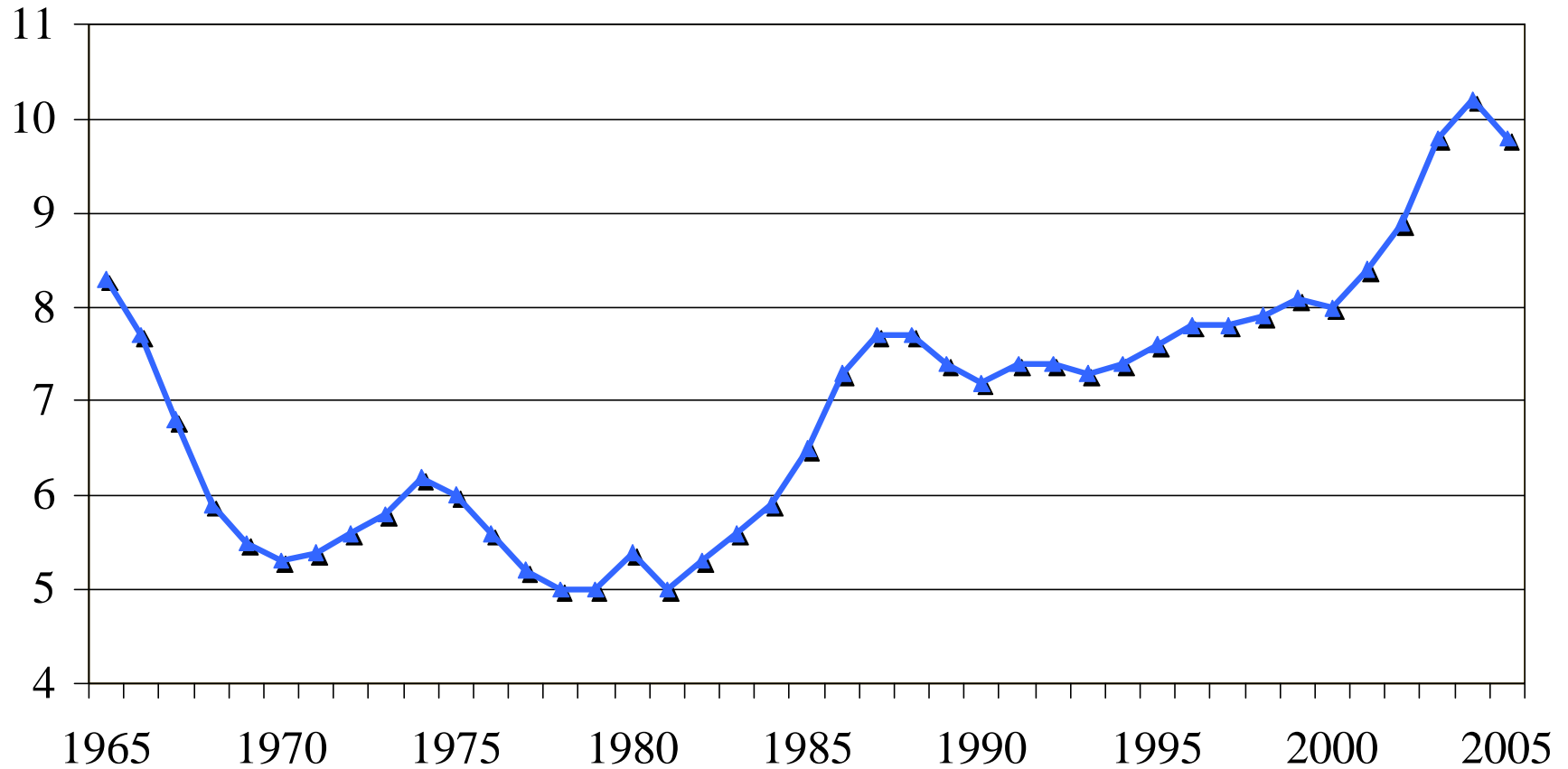
(percent)



Source: U.S. Census Bureau.

Rental Vacancy Rate: 1965 - 2005

(percent)



Source: U.S. Census Bureau.

Why?

The Information Revolution in Housing

- Understanding and Measuring Risk
 - LTV vs. Credit History
 - FICO scores
 - Automated Underwriting Systems
 - FHA: TOTAL Scorecard
 - Subprime Lenders

Financial Literacy

- Chicago Fed: Financial Access for Immigrants
- National Commission on Financial Literacy and Education
- Housing Counseling
 - 1,700 agencies
 - 1.1 million families annually
 - Counseling reduces defaults

Promoting Homeownership

- “Nobody’s talking about housing in this campaign”
- Except Governor Bush & Vice President Gore in 2000
- And President Bush in 2002, 2004, 2005....
- Minority homeownership goal: add 5.5 million minority owners during 2002-2010

Promoting Homeownership: Policy Initiatives

- **FHA:**
 - Requests for new mortgage instruments
 - Increased funding for counseling

- **RESPA reform**

- **Down payment incentives**

Promoting Homeownership: GSE Affordable Housing Goals

- GSEs have statutory public purpose to promote homeownership
- They are not doing a good job of serving first-time homebuyers
- They are doing particularly poorly for minorities

First-Time Homebuyers in the Conventional Conforming Market

- “The Conventional Conforming Market” - where the GSEs operate
 - ❑ NOT FHA or VA loans
 - ❑ NOT the bottom half of the subprime market
 - ❑ NOT top 10% - above the conforming loan limit
 - ❑ INCLUDES manufactured homes
 - ❑ INCLUDES “Alt-A” & “A-minus”
 - ❑ Comparison LIMITED to home purchase loans

The GSEs & First-Time Homebuyers

- GSE & HMDA data, 1999-2003
 - 38% of conventional conforming market
 - 26% of GSE purchases

- Residential Finance Survey, 2001
 - 37% of conventional conforming market
 - 29% of GSE purchases

The GSEs & First-Time Minority Buyers

- GSE & HMDA data, 1999-2003
 - 11% of conventional conforming market
 - 7% of GSE purchases

- Residential Finance Survey, 2001
 - 12% of conventional conforming market
 - 8% of GSE purchases

Conclusion: Other lenders, without GSE privileges or “agency status,” do a better job of serving first-time homebuyers, especially minority first-time buyers

Promoting Homeownership: New GSE Goals

- HUD regulation: home purchase subgoals for low & moderate-income homebuyers and “underserved” areas – effective 2005-2008
- Statutory first-time homebuyer goals as part of GSE regulatory reform legislation

Is More Homeownership a Good Thing?

- **Balancing Private Benefit vs. Private Cost**
 - A better life for your children, a leg up into the middle class, a stake in America vs. risk of default, losing your home, being worse off instead of better

- **Balancing Public Purpose vs. Public Risk**
 - A better society vs. risks to FHA/VA/private lenders & the financial regulatory system