



ABFE

A Philanthropic Partnership
for Black Communities



Homeownership Fact Sheet

Overview

Homeownership has traditionally been the gateway to generational wealth in America. More specifically, a home can build equity and can be extracted through various types of processes like home refinancing. Such home equity funds can be parlayed into financing education, investing in stocks, jump-starting an entrepreneurship venture, or any number of income-generating opportunities.

This factsheet is intended to contextualize homeownership in the United States through a racial justice/impact lens. Utilize the contents to create optimal assessments, strategies, and resource deployment.

ABFE is a membership-based philanthropic organization that advocates for responsive and transformative investments in Black communities. Partnering with foundations, nonprofits and individuals, ABFE provides its members with professional development and technical assistance resources that further the philanthropic sector's connection and responsiveness to issues of equity, diversity and inclusion.

For more information, visit www.abfe.org.



Credit?

Barriers

Home Ownership Rates

The path towards home ownership has been a complicated one for African Americans due to the historical designation of enslaved African Americans as property and the prohibition of property ownership by enslaved African Americans or free men of color during the antebellum period. Despite these barriers, African Americans have owned property, land and

houses, since the antebellum period, albeit in small numbers. African American homeownership has been stifled by redlining, restrictive covenants, unfair lending practices, and sub-prime mortgages. Figure 1 provides the rate of homeownership by race/ethnicity between 2012-17. **Black people have the lowest home ownership rates staying near 40% between 2012-2017.**

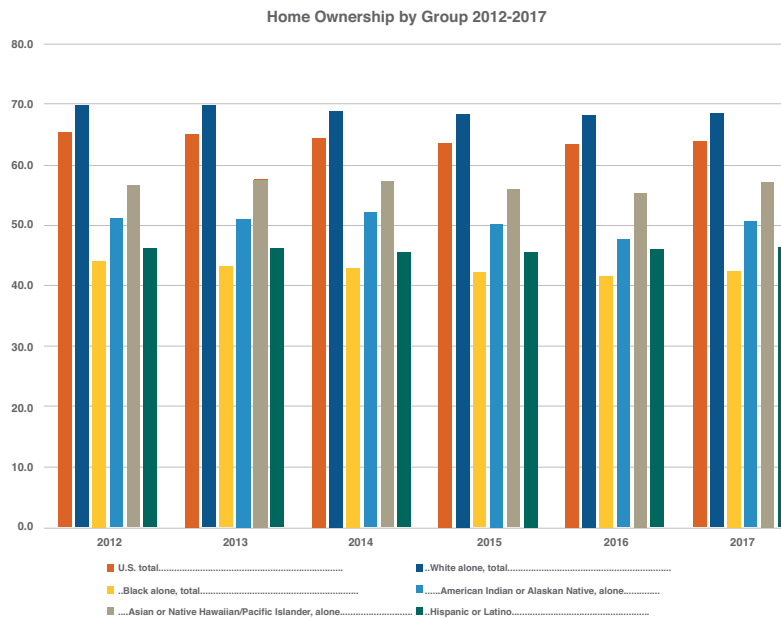


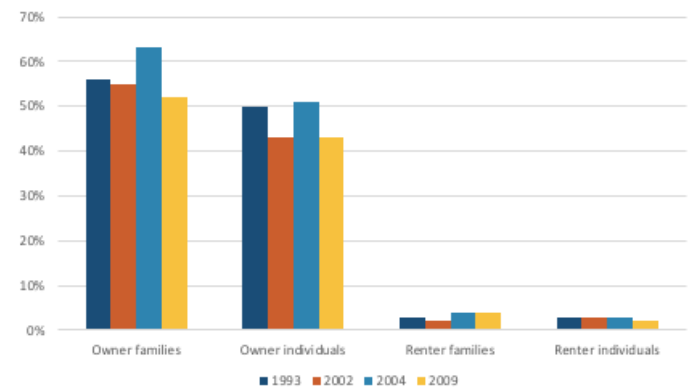
Figure 1: Percentage of home ownership by Race/Ethnicity

Source: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey, February 27, 2018

Affordability Patterns

An important component of home ownership is affordability. A variety of components are used in determining affordability such as annual household income, debt, down payment, and credit rating. Figure 3 provides the percent of Black's who could afford modestly priced home by whether they own or rent. The figure demonstrates that based on affordability criteria, Black individuals and families who currently own homes maintain higher percentage rates of being able to afford a modestly priced home. In addition, the figure shows that over time the percentage rate has declined among current Black homeowners to be able to afford a modestly priced home. Though this demonstrates the potential likelihood of increased home ownership a follow-up concern involves the rates at which Blacks rent or own.

Figure 3: Percent Blacks who could afford modestly priced home by owner and renter status



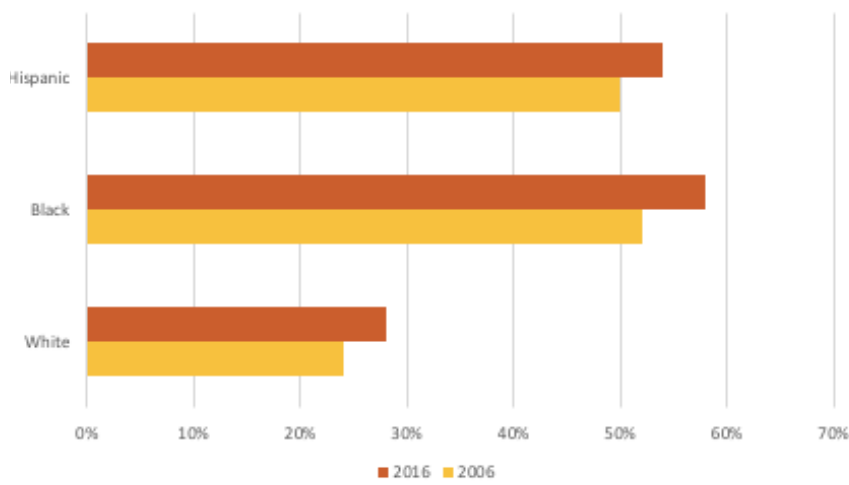
Note: Affordability relates to the ability to qualify for a conventional, fixed rate 30-year mortgage with a 5 percent down payment.

Source: U.S. Census Bureau, Survey of Income and Program Participation, 2001, 2003, 2008.

According to the Census between 2006 and 2016 the percentage of Black head of households who rent has stayed above 50% (Figure 4). In other words, though Black owners maintain higher percentage rates of being able to afford a new home, Black communities maintain high rates of rentership. The combination of these data points raises the concern as to what policies need to be present in order to assist Black community renters to move into home ownership.

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Figure 4: Percentage of Head of Households Who Rent





Policy Effects Over time

The home ownership process is driven by the affordability components of individuals and families such as credit, down payment funds, and household income. Since the inception of FHA in 1933, specific policies have played a role in supporting the

acquisition of homes. Table 1 provides a demonstration of how policy types would create affordability among Black renters. It is apparent that down payment cash assistance over time has the greatest potential of having the highest percentage of Black renters with the opportunity to afford to buy a home.

Table 1: Percent of Black renters who could afford to buy by different possible policy changes to the affordability of modestly priced home

	2009	2004	2002	1995	1993
Modified Down Payment					
5.0 percent down payment	2.7%	**	**	**	**
2.5 percent down payment	2.5%	3.5%	2.8%	4.4%	4.1%
No down payment	3.2%	3.9%	3.6%	5.7%	5.0%
Modified Case Assistance					
\$1,000 down payment assistance	2.8%	3.3%	2.5%	4.2%	3.7%
\$5,000 down payment assistance	3.5%	4.9%	6.0%	16.1%	18.0%
\$10,000 down payment assistance	9.6%	11.9%	20.0%	25.5%	27.2%

Source: U.S. Census Bureau, Survey of Income and Program Participation.

Paths Toward Equity

Rent-to-own options:

Divvy Homes

Various rent-to-own options exist throughout the US. An example of this option is the Divvy Homes. In the Divvy Homes model, renters place a 2% down payment and make monthly payments over the course of three years that include rental cost and money towards 10% down payment equity. After three years, renters have the ability to purchase the home. Divvy Homes is expanding into Cleveland and Atlanta housing, because of their 'inventory of affordable of housing'. According to co-founder Adena Hefets,

Divvy Homes: "We underwrite on our side and want to only buy homes that are good for our customers and will appreciate" (Crain). A potential homeowner identifies a home on MLS, Divvy Homes purchases the home and then leases it to the potential buyer, with the goal of purchase after three years. Participating renters must have a credit score of 500.

Down Payment Resource

Other standard industry options involve services such as Down Payment Resource (downpaymentresource.com) which is an online service and subsidiary of Workforce LLC that assists users in finding national down payment assistance programs. It states that it "works with Housing Finance Agencies (HFAs), MLSs, Realtors and lenders to get more buyers into homes."

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55 Exchange Place, Suite 401
New York, NY 10005

646.392.9877
info@abfe.org

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@ABFE



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