



Executive summary
Shelter Report 2010:
 The Case for Low-Income Homeowners

“Discussions about low-income homeownership can be extremely complex, or they can be as simple as imagining a family either continuing to live in a cycle of poverty or having the opportunity to break free, make changes and discover a world of hope and promise.”

—Jonathan Reckford, CEO, Habitat for Humanity International



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Policy recommendations

Habitat for Humanity International encourages the U.S. Congress to highlight and support low-income homeownership by:

- Holding hearings to highlight best practices for low-income homeownership, including pre-purchase financial education programs and requirements, underwriting standards and applicant screening, mortgage servicing strategies and the use of volunteers or sweat equity. Testimony should include successful low-income homeowners.
- Creating federal incentives for renters benefiting from government housing subsidies to achieve self-sufficiency through savings programs, financial literacy training and opportunities for future homeownership.
- Commissioning a congressionally sponsored study on the costs and benefits of federal rental and homeownership programs, including

- Increasing federal resources for already effective homeownership programs such as the Self-help Homeownership Opportunity Program (SHOP), the HOME program, and programs that build the capacity of organizations providing low-income homeownership, including a national housing trust fund that can be used for low-income homeownership.
- Passing a resolution affirming the benefits of homeownership for low-income persons.
- Ensuring that government-sponsored enterprises (Federal National Mortgage Association, Federal Home Loan Mortgage Corp. and the Federal Home Loan Banks) fulfill their low-income housing mission.

Homeownership by income level
(Pew Research Poll, April 9, 2008)

Household income level	Percent of homeowners
Less than \$10,000	28
\$10,000 - \$19,999	40
\$20,000 - \$29,999	57
\$30,000 - \$39,999	54
\$40,000 - \$49,999	70
\$50,000 - \$74,999	79
\$75,000 - \$99,999	86
\$100,000 - \$149,999	83
\$150,000 and above	90



The facts, and faces, of success

The success of low-income homeowners is certainly inspiring, but it is more than feel-good news. It is key evidence that should unlock smart government policy.

Owning a house is a “power move” for low-income families, an Asheville, N.C. homeowner likes to say. It powered the creation of his own small business and helped him afford to send his children to college.

A 28-year-old college graduate was only 10 when his family built a house with a low-income housing nonprofit. Now as a Sonoma County supervisor, he sees the big picture. Investing in a home for a low-income family doesn’t just help the family but the whole community, he says. And the investment comes back.

Another child of low-income homeowners in Oregon says empowerment is a cliché, but “it’s the spirit of the experience my family went through,” the spirit that got him to Harvard Medical School committed to a life of service.

A single mom says at first owning her own house was a dream come true; now it’s “a push to do something more.”

High-cost loans, poor underwriting standards and fraud in the subprime mortgage market spurred the worst economic slide in decades, heightening the anxiety of many Americans. Too many consumers of

subprime, and even prime, mortgages are in default or foreclosure. Recent studies debunk the myth that subprime loan default was highest among low-income homeowners; delinquency for sub-prime loans was high in neighborhoods of all income levels.

Through this economic crisis, Habitat and other low-income homeowners continue to thrive.

The case for homeownership for low-income people remains as compelling as the lives of Habitat families.

Homeownership has unique potential to break the cycle of poverty for low-income families, especially for the next generation. Low-income families that become homeowners often accumulate wealth and become more self-sufficient, depending less on state and federally supported assistance programs. They have improved mental and physical health and become more active in their communities.

These families are also able to offer their children a greater sense of stability, meaning children often make better grades and stay in school longer.

Before, during and after this economic crisis, financially informed, low-income families with mortgages of appropriate size and with reasonable terms prove to be successful homeowners, benefitting themselves, their children, their neighborhoods and larger communities in which they live.

Every child may not go to Harvard or Berkeley, but children of homeowners look to a better future because so much of a good life starts at home.

Homeownership at any income level ought to require:

- A mortgage with fair and reasonable terms, fully understood by the borrower,
- Sufficient family income to cover monthly mortgage payments and other associated costs (utilities, maintenance, taxes, etc.) as well as other living expenses.

In addition, the probability of success for low-income homeowners improves with:

- Pre- and post-purchase financial and homeowner education and counseling after careful screening of homeowner families.
- Low building and borrowing costs through:
 - Down payment assistance.
 - No- or low-interest mortgages.
 - Donated or discounted land, building materials and labor.
- Loan servicing that emphasizes person-to-person relationships between borrower and lender.
- Sweat equity and self-help.
- Socialization with volunteers — many of whom are successful in their work and family life.

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Solid steps to homeowner success

For lenders, even low-income homebuilders like Habitat for Humanity, using solid criteria to select borrowers is critical to long-term financial sustainability. Out of every 10 applications received, Greater Greensboro Habitat for Humanity (N.C.) ultimately qualifies just one homeowner. The main reasons homeowners fail to qualify are overwhelming

debt and credit issues. Once qualified, a family works with the Family Services training and education team for six to 18 months. Habitat Greater Greensboro spends \$20,000 a year in specialized training courses for homeowners, including classes in financial management and budgeting, home and yard maintenance, legal issues around homeownership,

community building and conflict resolution. Habitat’s certified housing counselor, program staff and volunteers walk alongside the homeowners every step of the way.

From the Greater Greensboro Habitat for Humanity, The Journey Home, Summer 2009