

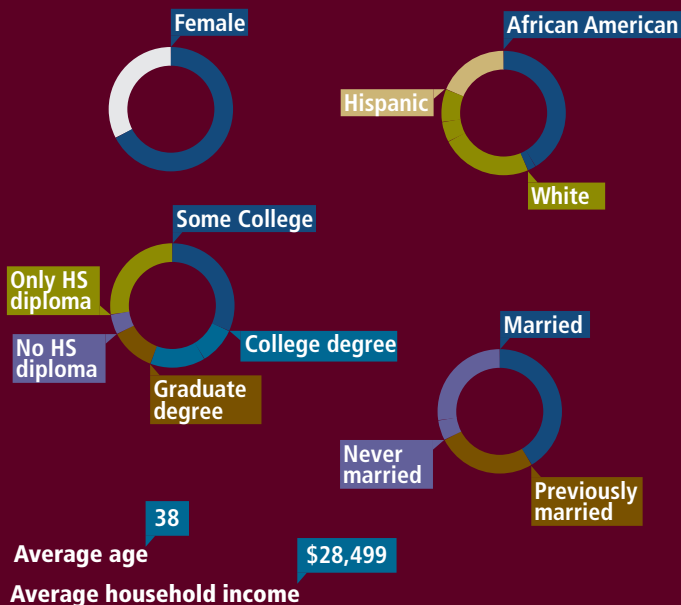


The sustainability of low-income homeownership

The incidence of unexpected costs and needed repairs among low-income home buyers

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The study surveyed low-income renters that participated in an affordable homeownership pilot program. Participants completed a survey at the completion of the program between 1999 and 2000 and then one to two years later, after the purchase of their home. There was a 33% response rate with participants of the following characteristics:



Until the recent housing market crisis, the United States was producing first-time, low-income homeowners at an unprecedented rate. Policy makers and lenders

Low-income homeownership is in jeopardy

often view homeownership as a destination in itself, but there is significant question of whether low-income earners can sustain homeownership. Do low income homeowners have a long term ability to pay for home repairs and purchases? This study found that the sustainability of

low-income homeownership is in jeopardy.

The survey evaluated housing expenditures, including:

- Level of housing burden—the housing costs or mortgage payment
- Cost of maintenance and repairs
- Financial resources available (income, savings, non-housing assets)
- Ability to access debt and credit

Low-income households tend to have more unstable income streams, fewer financial reserves, and fewer social support systems to provide assistance, time, and physical resources, all of which make it difficult to keep up with housing expenditures.

Findings

The study found that 64% of new homeowners had greater monthly expenditures after purchasing a home. Despite this, 30% stated they had housing burdens increase by nearly one third. Although the findings suggest that homebuyers were purchasing larger homes than they could comfortably afford, there are other indicators which are cause for concern. Participants stated that they were experiencing more late debt purchases and debt reliance, both of which question the sustainability of homeownership. This reliance on debt is in large part due to the major unexpected costs 48% of homeowners faced, including significant repairs, increases in utility bills, property tax, and homeowner’s insurance. Twenty eight percent of all low-income homeowners stated that they had repairs they could not afford. Those experiencing these unexpected costs were more likely to be young, male, and unmarried. Fifteen percent of homebuyers saw a decrease in their income over the course of the study and many were more housing burdened. Also, 46% stated they had fewer non-housing assets at the end of the study. This may be because owners tapped into these assets for their down payment.

Based on this data we can see that lower-income households are more burdened by housing costs than their middle- and upper-income counterparts. An increased housing burden may create financial strains which may lead to default and foreclosure, worsening financial situations. An increased housing burden can also generate an inability to make needed repairs, thereby reducing housing value and contributing to neighborhood decline.

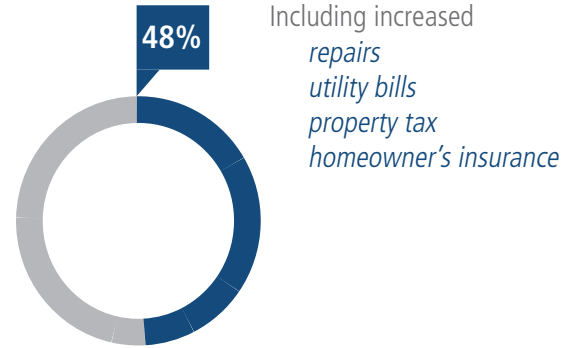
This study, conducted before the housing crisis –a time of relative prosperity–demonstrates the vulnerability of low-income homeownership. Today’s climate may show even more unfavorable results. While innovative underwriting techniques and other tools to create low-income ownership are positive steps, there must be more resources for homeowners throughout the course of their homeownership. Homeownership education and counseling should focus on maintenance training, inspection services, and continued financial training. Lenders, contractors, insurers, inspectors, and other adult education outlets such as technical colleges, workforce development programs, university extension services and non-housing community organizations, can all offer trainings. Many new homeowners do not participate or do not perceive these programs to be useful. We must consider ways to encourage participation.

If homeownership is a way to build assets and become more financially stable, then there are serious concerns about the benefits of homeownership for low-income families. We should not create situations that set people up for failure, but allow them to succeed. We must pursue ways for low-income households to climb up the socio-economic ladder.

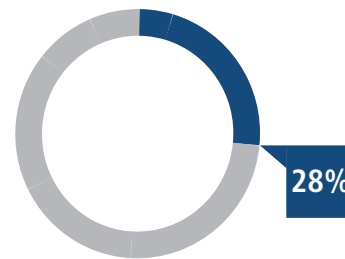
SINCE HOME PURCHASE, HOMEOWNERS HAVE SEEN INCREASES IN

- HOME SIZE
- LATE DEBT PURCHASE
- DEBT RELIANCE
- HOUSING BURDEN

HOMEOWNERS WITH MAJOR UNEXPECTED COSTS



HOME REPAIRS THEY CAN'T AFFORD



MORE LIKELY TO EXPERIENCE UNEXPECTED COSTS

- YOUNG
- MALE
- UNMARRIED

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