Homeownership Back In the Mix

More Supply Needed To Keep Prices In Line

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Housing ownership is coming back. It’s been awhile.

At one point, the homeownership rate in the United States reached almost 70 percent, high even for America. Program after federal program joined forces with private lenders and Wall Street to encourage everyone in the country to own.

But then trouble began. The housing bubble, borrowers overextending themselves, the sloppy securitization of loans, “robosigning” schemes and other sketchy practices designed to defraud the most vulnerable in our society. Thankfully, most of it is behind us, after the crisis that hit in 2008. All that went up in a puff of smoke, and with a lot of personal pain and distress, as values collapsed, homes went unsold and abandoned and foreclosures mounted.

It’s now five years later, and the healing has begun. Foreclosures continue, but at reduced levels.

Homeownership in the United States now stands at about 65 percent, so it has a ways to go before it rises to pre-recession levels. And it’s not clear how quickly the current improving but still shaky economy can sustain continued increases in homeownership. But these increases are important, particularly for the middle class, for whom homeownership has been an important tool to build wealth and save for the future.

A Rising Tide

Except in some distressed pockets in the country, home prices have begun to rise again and sale volumes are up. Nationally, new home sales increased 18.5 percent in March, compared to March of 2012. That’s still below the historical average, but it is clear housing ownership is making a comeback.

In the particularly shortage-plagued realm of affordable housing, it is encouraging that the state is targeting incentives to encourage homeownership efforts.

“By giving more young people and families the opportunity to own a home, we retain our talent pool and create sustainable long term economic growth,” Gov. Deval Patrick said in a statement.

Government can only do so much without lenders at the table making mortgage financing more accessible, and there are both promising signs and real opportunities.

In 1990, a coalition of bankers and housing advocates, upset at research that showed a pattern of racially biased lending, introduced the Soft Second Mortgage, a device that allows qualified homeowners to finance up to 97 percent of the price in a two-part loan. Over two decades, it has financed $2.5 billion in lending through more than 40 financial institutions and helped more than 15,000 Massachusetts families buy their first home.

A new analysis by the University of North Carolina’s Center for Community Capital notes that this program played an important part in the recovery of communities hard-hit by foreclosures. If the secondary mortgage market would embrace this innovative program and buy these loans, it would be a boon to both aspiring homeowners and economically challenged neighborhoods, as it was when conceived for racial-equality purposes.

For communities, expanding homeownership, including condominiums, is valuable because homeowners are by and large engaged in their neighborhoods, involved in the larger community and active voters.

Condominium units are generally priced lower than the typical single-family stock of most communities. They provide young couples their first home in the community and empty – nesters a place to live with fewer worries.

Multifamily complexes of condos, like apartments, can give access to public transportation to relatively greater numbers of residents. They can often be located in walkable neighborhoods, with convenience and amenities that make them environmentally sustainable.

The demand is growing, and the need for more of this type of housing – more supply, to help moderate the rise in prices and make homes more affordable to more Massachusetts residents – is clear from some of the recent numbers.

Late last year, Patrick announced a goal of producing 10,000 multifamily housing units a year through 2020, in part to keep young, priced-out professionals from fleeing to cheaper – which means almost any other – states. It is great to have homeownership back in the mix.

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