



## EXPANDING HOMEOWNERSHIP CHARTING A PATH FORWARD



# A More Equitable American Dream: Breaking Down Barriers to Homeownership

By Derek Brummer  
Radian Group

Achieving the American Dream can (and should) mean different things to different people, but it almost always involves owning your own home. Unfortunately, systemic inequalities and record-breaking home prices have made that dream elusive for far too many people.

The good news, though, is that our industry has an opportunity to make things better. This article outlines where things stand now — and why — and how we might be able to help more Americans achieve the dream of sustainable homeownership.

### HOMEOWNERSHIP IS THE FOUNDATION OF THE AMERICAN DREAM

Homes have always held a special place in the American psyche. Our homes are where we put down roots. They

are where we decompress after a hard day's work, and where we spend quality time with family and friends. They are where we share meals and make memories. More than any other place, they are where we enjoy the comfort, self-determination and happiness long associated with the aforementioned American Dream.

For generations, owning a home has also been an important way many Americans have attained financial security, by serving as a tool for building wealth over time. According to the

Brookings Institution, “since the mid-20th century, the U.S. has primarily relied on homeownership as a strategy for middle-income households to build wealth.”<sup>1</sup>

For just as long, however, far too many people — especially people of color — have been systemically excluded from homeownership opportunities, exacerbating inequalities. As Brookings highlights, in 2019 “the median white family had eight times the wealth of the median Black family, and five times the wealth of the median Latino or Hispanic family.”

Disparities in homeownership rates break down along similar lines. More than a half-century since the passage of the Fair Housing Act, the picture of homeownership in the U.S. is still significantly unequal. For Black Americans and Hispanic Americans, homeownership rates lag non-Latino Whites by approximately 30% and 25%, respectively.<sup>2</sup>

Since homeownership is a primary way by which Americans accumulate wealth, particularly for Black and Hispanic households, lower levels of ownership in minority communities mean a reduced opportunity to do things like pay for college and cover medical expenses without going deep into debt,

fund retirement, provide a cushion against emergencies and pass wealth on to the next generation.

## AFFORDABILITY CRISIS IS WORSENING BARRIERS TO HOMEOWNERSHIP

Unfortunately, the barriers to homeownership have only gotten worse in recent years, thanks to the unprecedented increase in home prices, especially for entry-level homes. For more than a decade, there has been record-high demand for homes, and prices have been going up consistently during that time.

That has benefited many housing market participants, but it has also made getting onto the homeownership ladder harder than ever. Inventory shortages and home price growth have been especially acute in the lowest price quartile, where prices have risen at twice the rate of the top quartile over the last decade.

Housing economists have raised the alarm, labeling it an affordability crisis. As mortgage rates hit 5% in April 2022, it zapped purchasing power from homebuyers already straining to afford homes. It's no surprise they are disheartened. As of May 2022, Fannie Mae's Home Purchase Sentiment Index (HSPi) has fallen to the lowest level since the beginning of the COVID-19 pandemic — down 10.5 points year-over-year, with a survey-high 76% of consumers indicating that they believe it's a bad time to buy a home.<sup>3</sup>

While buying a home is more expensive now for everyone, the affordability crisis disproportionately affects first-time and low-income homebuyers, especially people of color. Black households, a majority of which are living on lower-than-average incomes, are more likely to rent their homes and are therefore more vulnerable to disruptions, instability, eviction, and even homelessness, according to the National Low Income Housing Coalition.<sup>4</sup> The affordability crisis is not just preventing people from achieving their dreams of homeownership; it is preventing people of color from achieving financial stability and eliminating the opportunity

to build generational wealth for many.

## IMPROVING ACCESS TO AFFORDABLE HOMEOWNERSHIP

Given the magnitude and complexity of these challenges, is there a path to a better future? While there are no single easy fixes, we can make incremental progress by working to:

- **Help underserved first-time homebuyers overcome** the affordability barrier. We can do this by supporting things like downpayment assistance programs (particularly ones that are structured to avoid overleveraging by borrowers), rent-to-own programs that help renters convert to homeowners, and regulatory reforms that would make it easier for credit unions and other financial institutions to make loans for less-expensive homes.
- **Help increase consumer knowledge and awareness.** Even in the best of scenarios, navigating the homebuying process — or simply knowing where to start — can be a challenge. Credit unions often do a great job of providing their members with education that lays out the incredible benefits of homeownership and support along the path to owning a home. The rest of the industry needs to catch up.
- **Help overstretched communities build more affordable homes.** As we all know, this is easier said than done, but is a high priority for the housing industry as well as the Biden Administration, which announced its own Housing Supply Action Plan this past May.<sup>5</sup> Currently, the biggest impediments to increasing supply of affordable homes are the high costs of land and high construction costs. It's time to take a closer look at the innumerable state and local zoning and permitting regulations that contribute substantially to both. While there are many valuable regulations that we absolutely want to keep in place, others might be ready for a rethink, and now is the time to do so. For this, strong engagement with local communities, which has always been an

incredible strength of credit unions, is essential.

As credit union professionals, you are undoubtedly working on some, if not all, of these fronts already. These issues are top of mind at Radian as well, where our mission is to ensure affordable, sustainable, and equitable homeownership. That is why Radian has launched an Affordable Homeownership Advisory Council, which I am proud to lead as Executive Sponsor. The council consists of a cross-functional team dedicated to finding solutions to help close the homeownership gap, particularly for underserved minority communities.

Radian is uniquely positioned to contribute solutions that expand homeownership. With our internal resources and our connections across the industry, Radian aspires to make a meaningful impact that improves access to affordable and sustainable homeownership.

It's time to turn the page, and I believe that by working together to break down barriers to homeownership, we can promote a more equitable reality of the American Dream.



<sup>1</sup> <https://www.brookings.edu/research/rethinking-homeownership-incentives-to-improve-household-financial-security-and-shrink-the-racial-wealth-gap/>

<sup>2</sup> <https://www.census.gov/housing/hvs/files/currenthvspress.pdf>

<sup>3</sup> <https://www.fanniemae.com/research-and-insights/surveys-indices/national-housing-survey>

<sup>4</sup> <https://www.opportunityhome.org/resources/racial-equity-housing/>

<sup>5</sup> <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/16/president-biden-announces-new-actions-to-ease-the-burden-of-housing-costs/>

*As president, mortgage, for Radian Group Inc., Derek Brummer is responsible for overseeing the company's Mortgage Insurance and Mortgage Risk Services businesses, including developing strategies for continued growth as the mortgage industry evolves. He also serves as Radian's chief risk officer and head of Mortgage Insurance and Risk Services*



Derek Brummer