

## **THE IMPORTANCE OF HOMEOWNERSHIP**

\*\*\* Well over one-half of the personal wealth held by lower income and minority home owning households represents home equity, and their wealth is far greater than that of comparable non-home owning households, concludes a study prepared for the Consumer Federation of America (CFA) and released by CFA and national housing groups.

“Paying off the mortgage on a home has been, and will continue to be, the easiest way for lower income and minority households to build personal wealth,” said Stephen Brobeck, CFA’s Executive Director.

According to the study data, in 2001 almost all homeowners (97%) held at least some home equity, and the typical homeowner (median) had accumulated \$70,000. For all these homeowners, home equity represented 42% of their net wealth. But for lower income and minority households, this percentage was much higher. In fact, for lower-income households, home equity represented four-fifths (80%) of their net wealth. And, for moderate-income, African-American, and Hispanic households, home equity represented more than one-half of their net wealth.

In contrast, this home equity/net wealth ratio was much lower for affluent households. For the one-fifth of all households with the highest incomes, only 26% of their net wealth represented home equity.

“Most lower income and minority households hold few financial investments, including retirement accounts, so they depend on homeownership to accumulate personal wealth,” said Brobeck.

Moreover, the data suggest striking differences in the wealth accumulation of lower income households who own a home compared to those who do not. In 2001, the typical low-income homeowner had net wealth of \$50,000, while the typical low-income household had net wealth of only \$7,900.

“Increasing access to the American dream of homeownership has created important opportunities for lower income and minority households to build personal wealth,” said

Pamela Banks, Vice President of Regulatory Compliance at Fannie Mae, and co-chair of the America Saves Homeownership Advisory Committee.

- \*\* Surveys continue to show that 86% of Americans believe that they are better off owning than renting. (1994 Fannie Mae National Housing Survey)
- \*\* Home ownership reinforces family stability, responsibility, asset-building and self-esteem. Homeownership gives families a “stake” in a community, and thus, builds stronger communities.
- \*\* Homeowners live in a community four times longer than renters.
- \*\* Moreover, home ownership helps communities with public benefits such as increased tax revenues, greater private investment, and stronger and safer neighborhoods.
- \*\* Homeownership creates economic impacts for transaction-related jobs, sales taxes and property tax revenues.
- \*\* 30% of all consumer spending is for housing and home-related goods.
- \*\* New homebuyers typically spend \$2,000+ on home-related goods, services and improvements during the first year.
- \*\*\* **Information taken from December, 2003 news release from Consumer Federation of America.**
- \*\* **Information obtained from Neighborhood Reinvestment Corporation, 2002 Homebuyer Education Methods Course Manual.**