



Community Depository Institutions Advisory Council

The State of Homeownership in America

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These comments do not necessarily represent the views of the Federal Reserve Bank of St. Louis or the Federal Reserve System.



Overview:

The State of Homeownership in America

- **The *desire* to be a homeowner remains remarkably strong across all age, education, and race or ethnic groups.**
- **The *ability* to become or remain a homeowner has declined for many, at least temporarily.**
 - **Own financial situation**
 - **Lending standards**
- **The homeownership rate is likely, but not certain, to increase over the long term as the population ages.**
 - **Especially true in the Midwest, which is aging rapidly.**
 - **Peak U.S. homeownership rate during the bubble (69%) may not be reached until 2060.**
 - **Largest uncertainty: Will the growing Latino and African-American part of the population share the American Dream?**

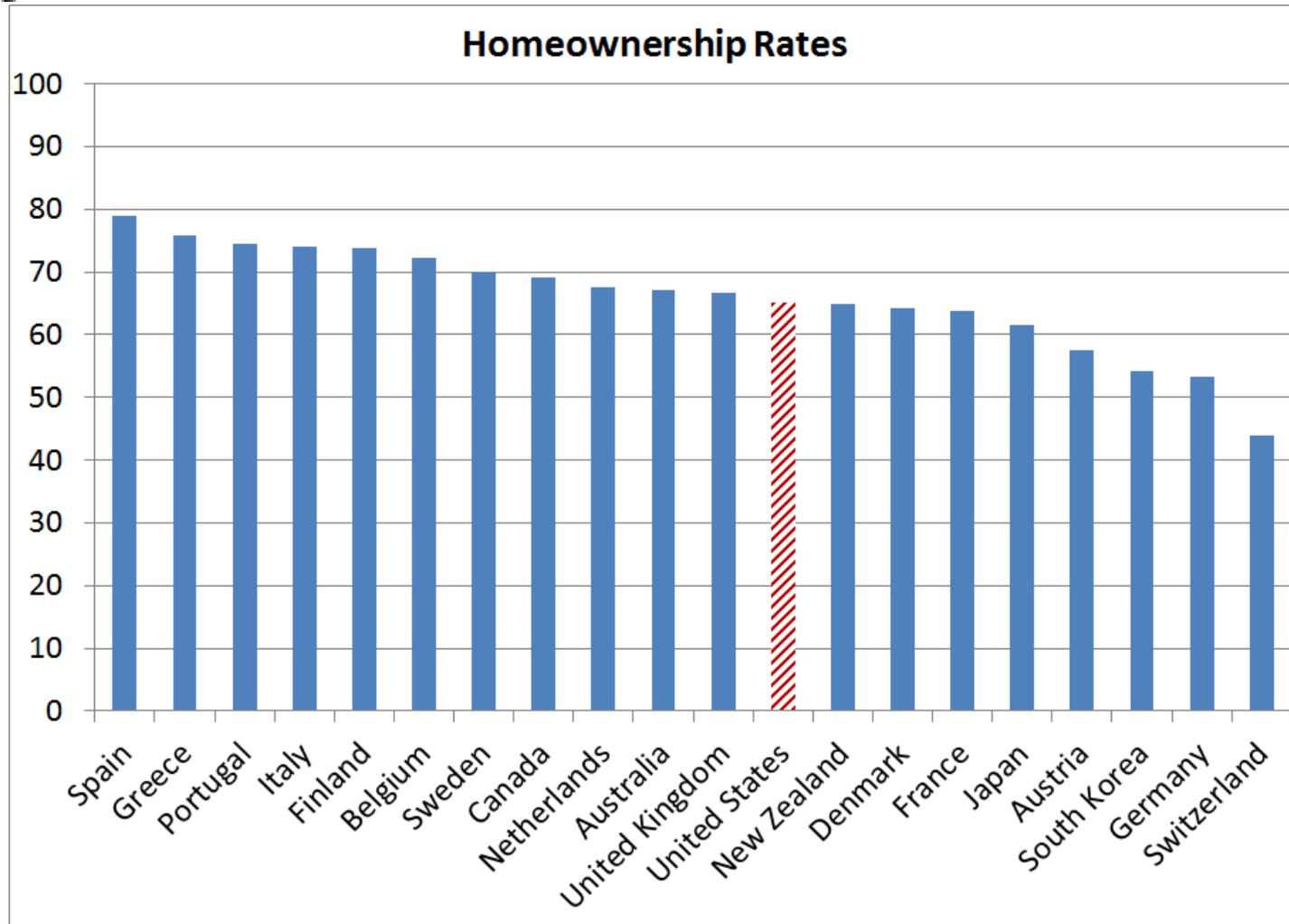


Desire to Be a Homeowner Remains Strong

- **Homeownership rates across countries and states over time.**
- **Bubble and bust experience by demographic group.**
- **Attitudes remain remarkably favorable toward homeownership.**

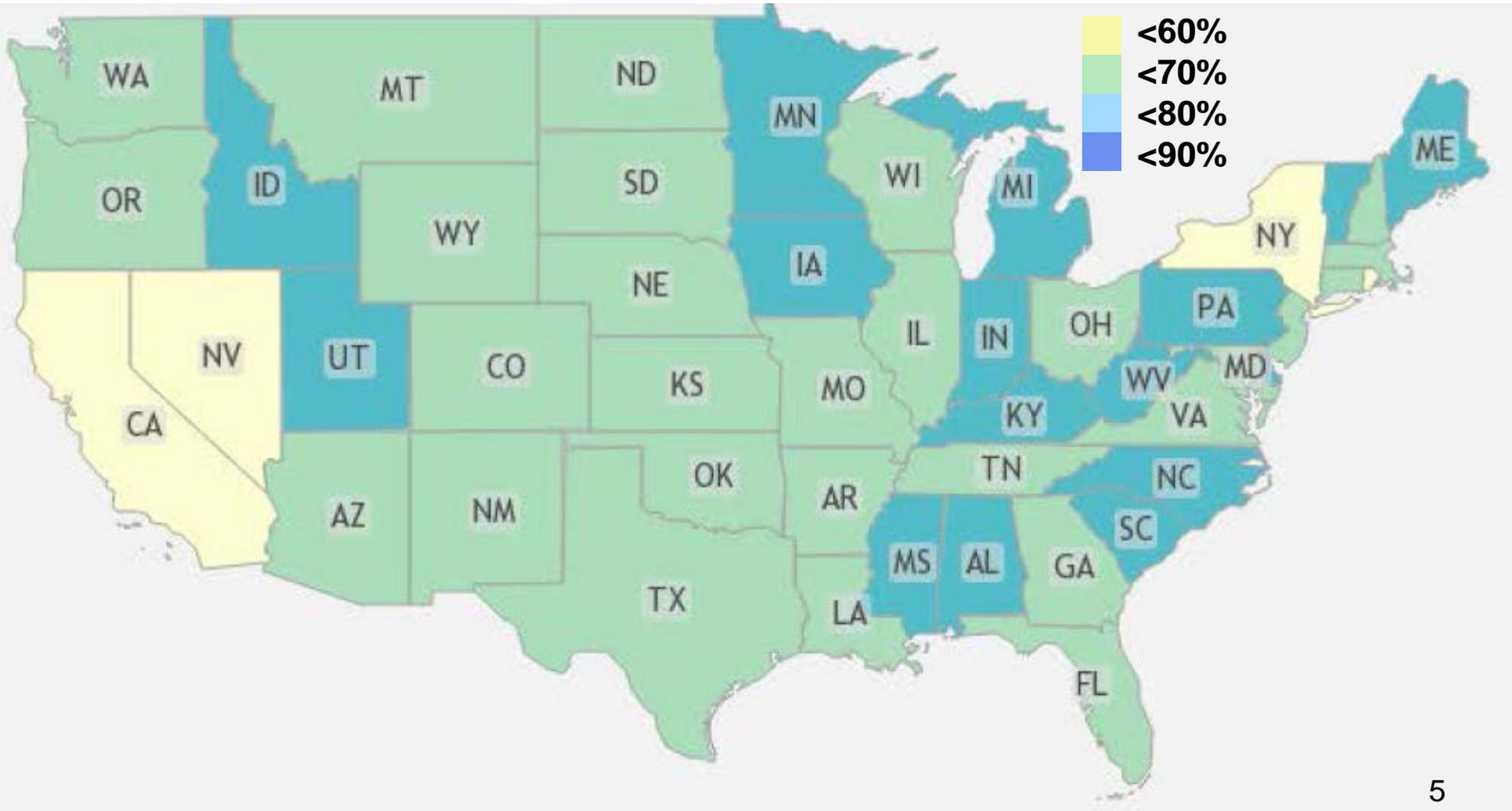


U.S. Homeownership Rate Near the Middle of the International Pack



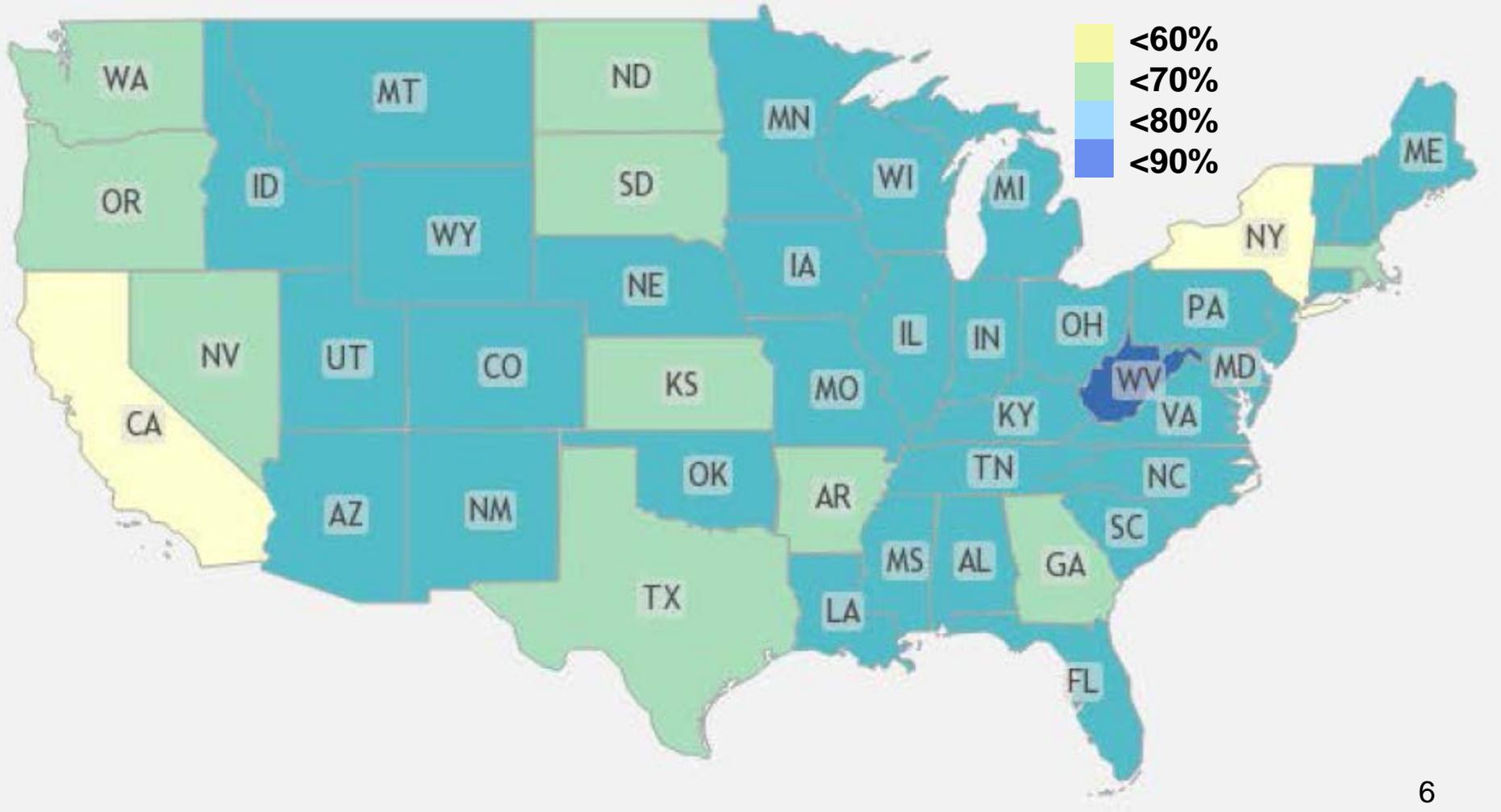


Homeownership Rates in 1995



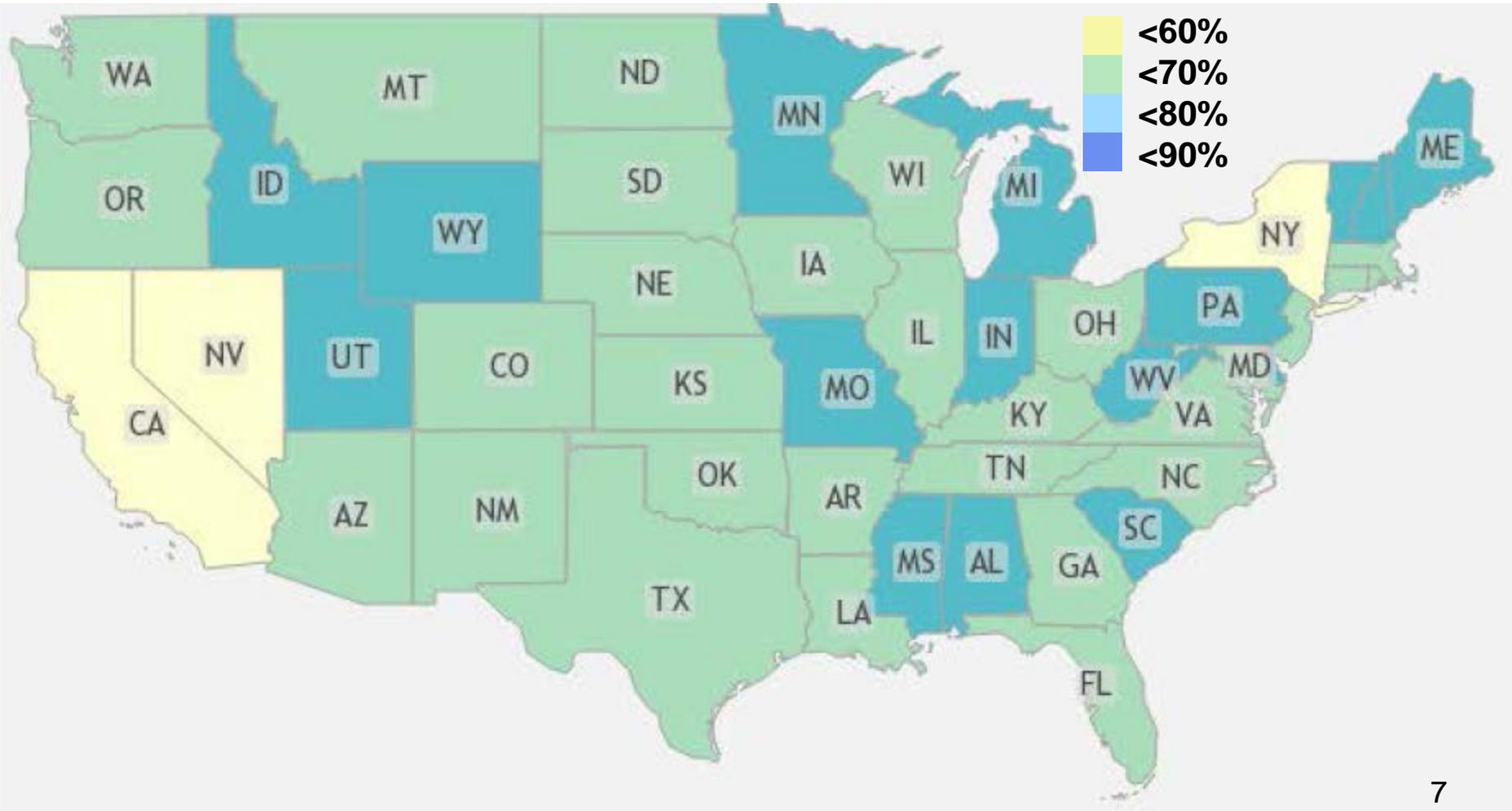


Homeownership Rates in 2005



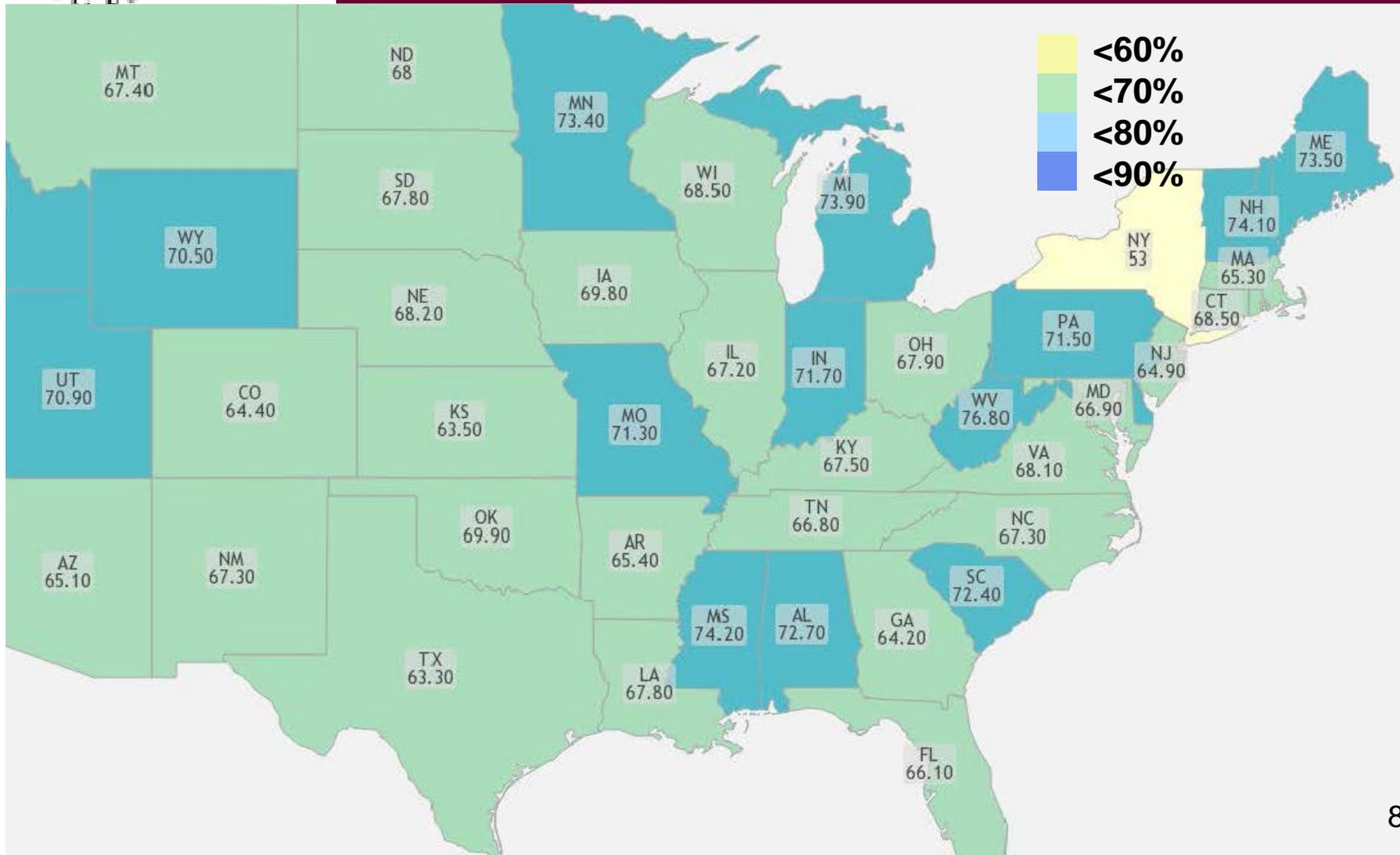


Homeownership Rates in 2013





Homeownership Rates in 2013

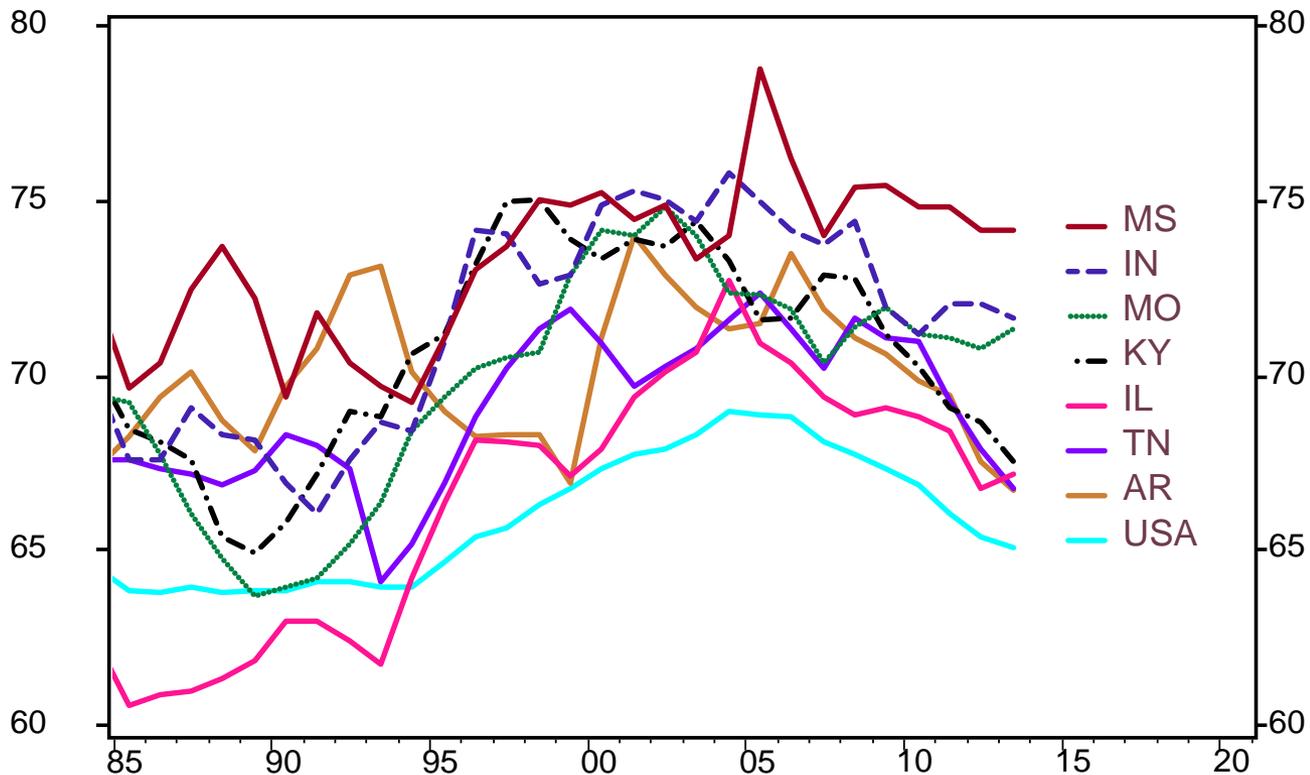


Source: Federal Reserve Bank of St. Louis, Geofred



8th-District Homeownership Rates Followed National Boom and Bust

Homeownership Rates in 8th-District States

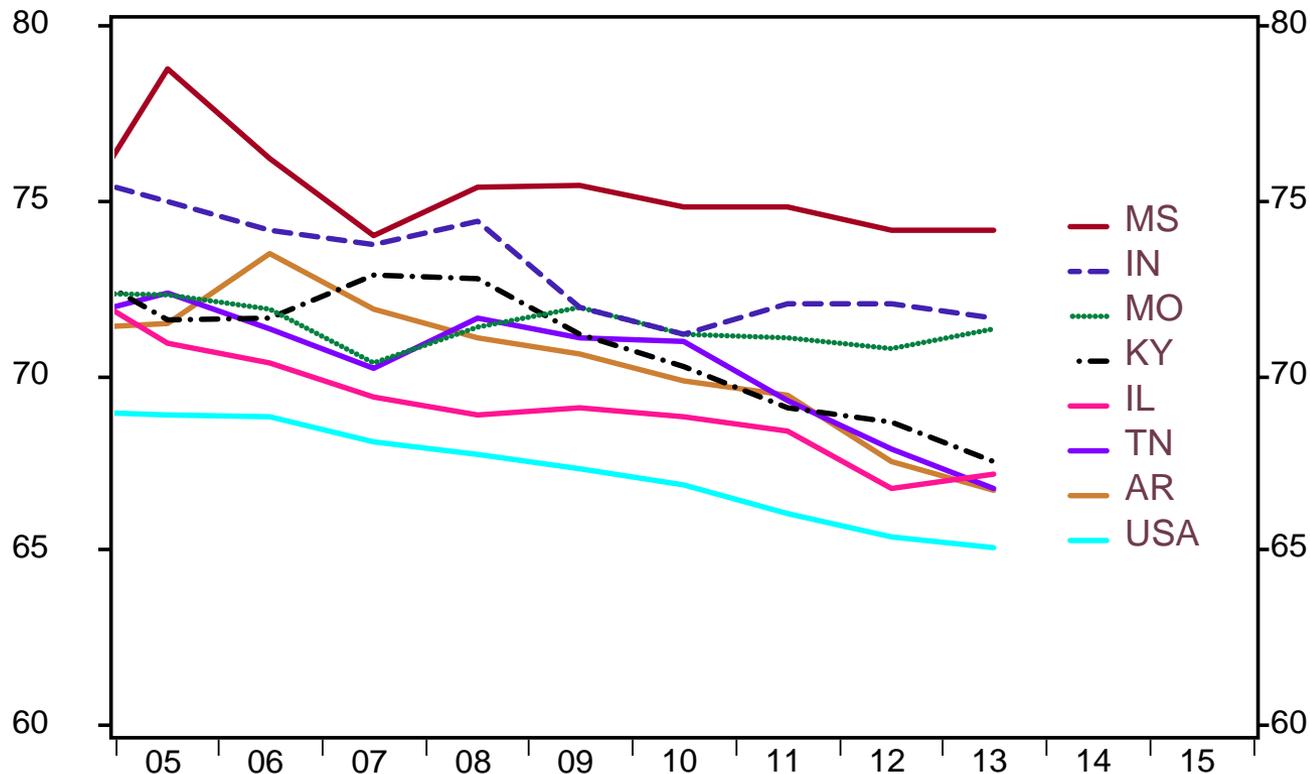


Source: Census Bureau /Haver Analytics



Homeownership Rates Have Declined in All 8th-District States Since 2005

Homeownership Rates in 8th-District States

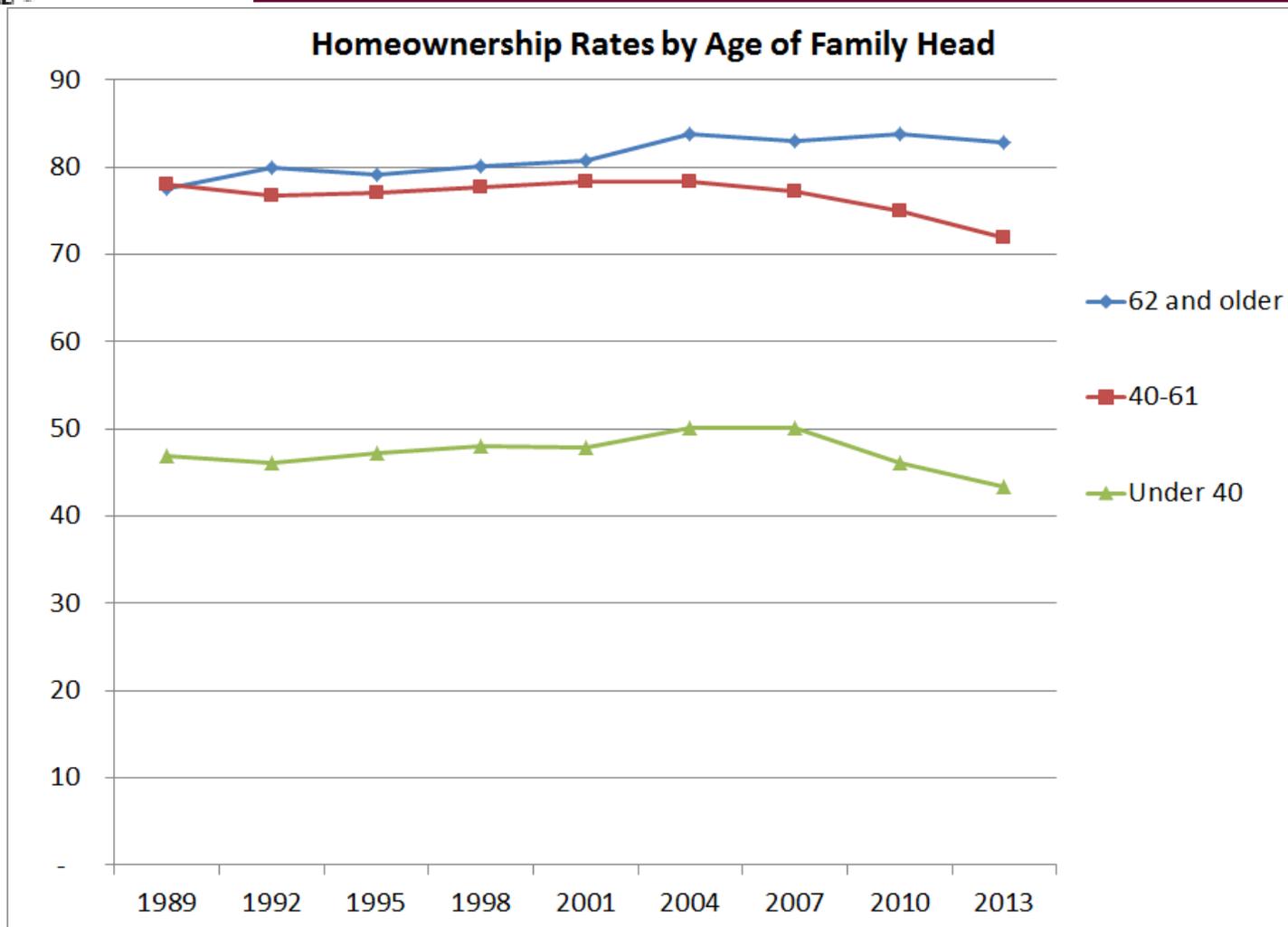


Source: Census Bureau /Haver Analytics



Young and Middle-Aged Homeownership Rates Are Falling

Percent

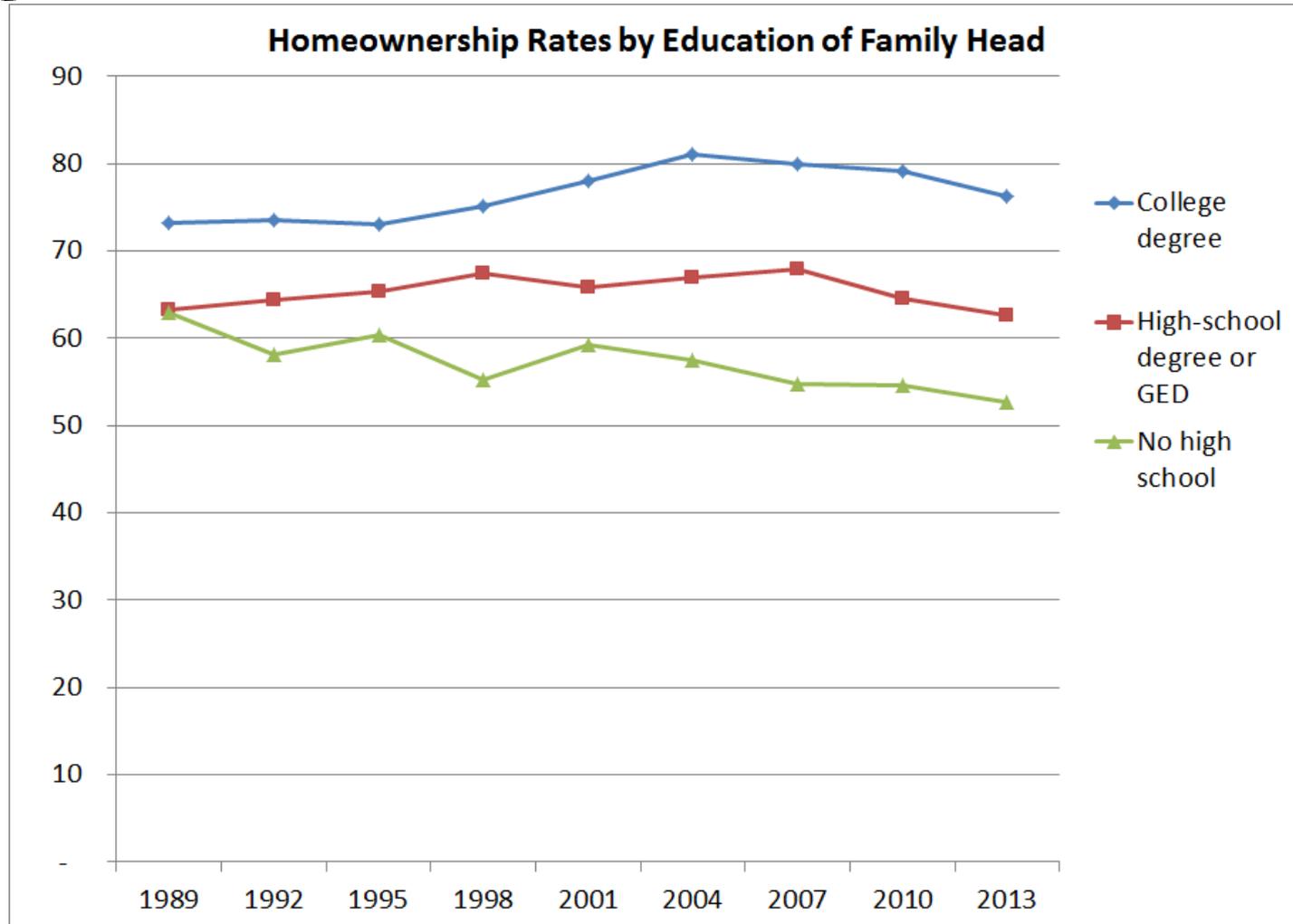


Source: Federal Reserve Board, Survey of Consumer Finances



Homeownership Rates Are Falling Across Education Categories

Percent

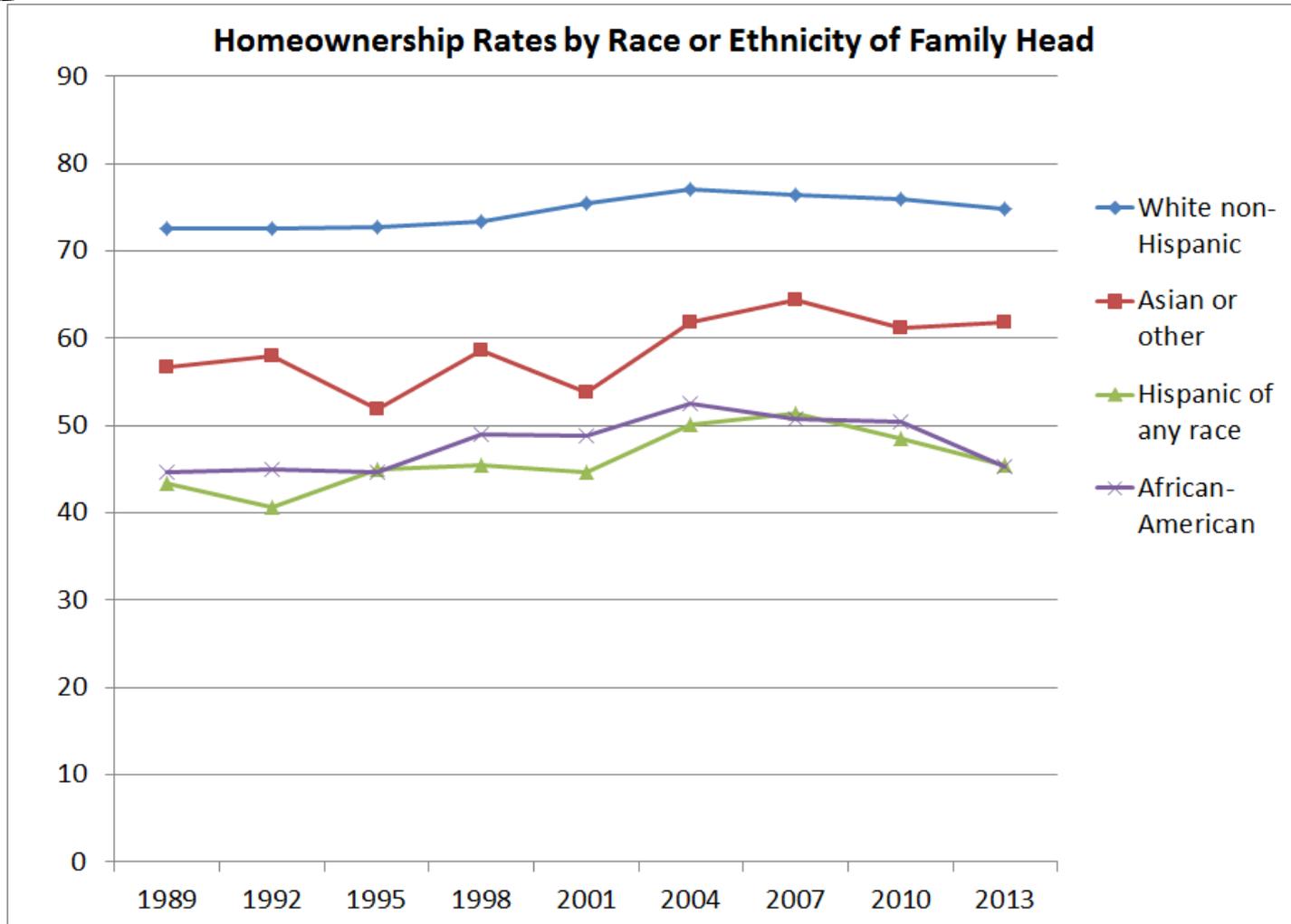


Source: Federal Reserve Board, Survey of Consumer Finances



Minority Homeownership Rates Are Falling the Most

Percent

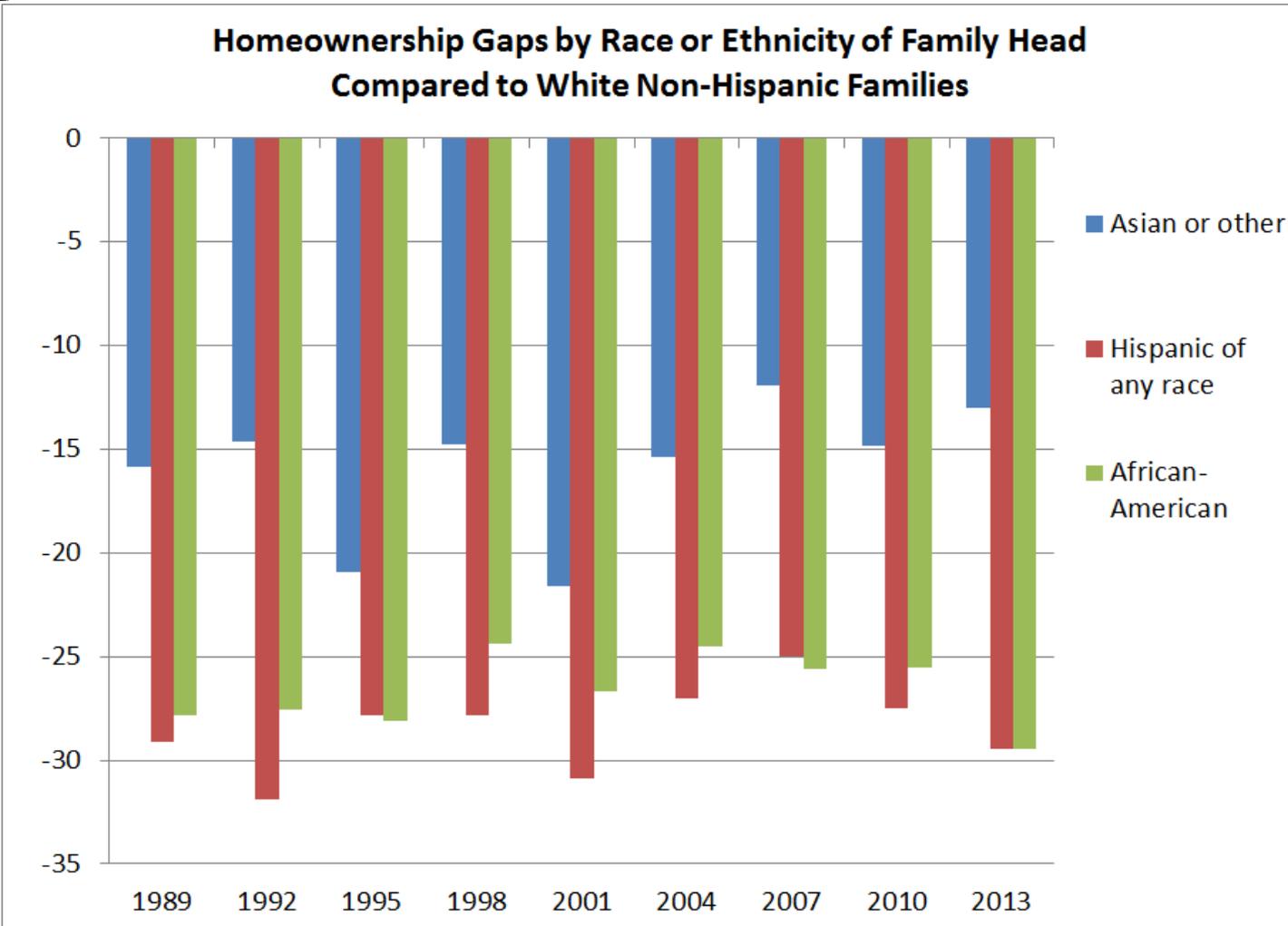


Source: Federal Reserve Board, Survey of Consumer Finances



Minority Homeownership Gaps Virtually Unchanged Since 1989

Percentage points



Source: Federal Reserve Board, Survey of Consumer Finances



Despite the Housing Bubble and Bust, Homeownership Remains the American Dream

- **Across the entire population, overwhelming majorities of every major demographic group want to be homeowners.**
- **There is very little association between local housing-market conditions experienced during the recent boom-bust cycle and changes in attitudes toward homeownership.**
- **Close to 90 percent of people under 45 expect to buy a home at some point in the future.**
- **Aspirations to own a home are higher among historically disadvantaged minorities than among whites and Asians, despite a 30-percentage-point ownership gap.**

Sources: Eric S. Belsky, "The Dream Lives On: The Future of Homeownership in America," Harvard Joint Center for Housing Studies working paper, Jan. 2013; and Rachel B. Drew, "Believing in Homeownership: Behavioral Drivers of Tenure Decisions," Harvard Joint Center for Housing Studies working paper, May 2014.



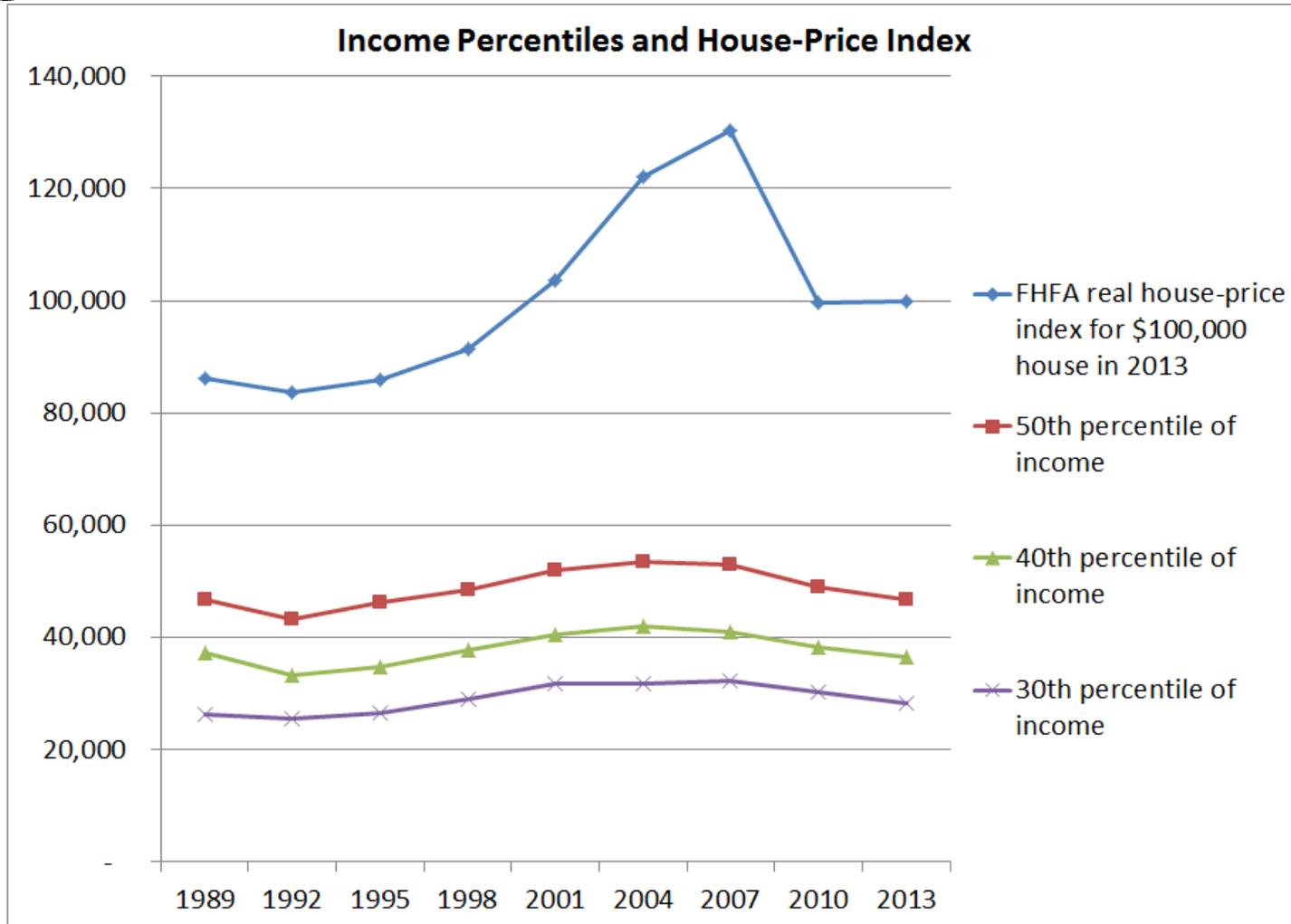
Ability to Become or Remain a Homeowner Has Declined for Many

- **Lower-middle-income and lower-middle-wealth families lost substantial ground during the recession and slow recovery.**
- **House prices didn't fall enough to price those families (comfortably) into homeownership.**
- **Are lending standards too tight or just back to normal?**



Lower-Middle-Income Families Continue to Struggle

2013 dollars

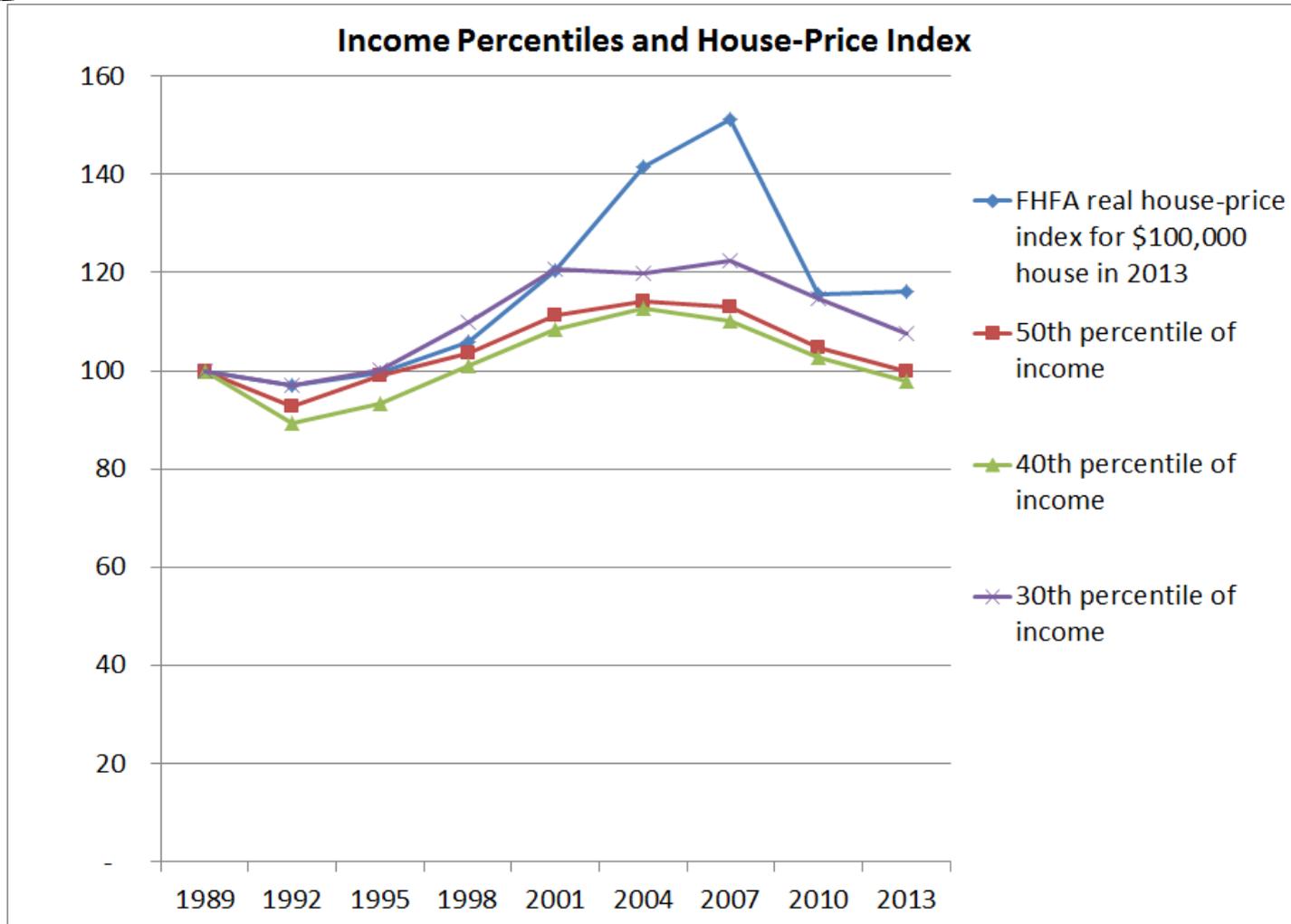


Sources: Federal Reserve Board, Survey of Consumer Finances; Federal Housing Finance Agency



Their Incomes Still Lag House-Price Changes

Index levels equal 100 in 1989

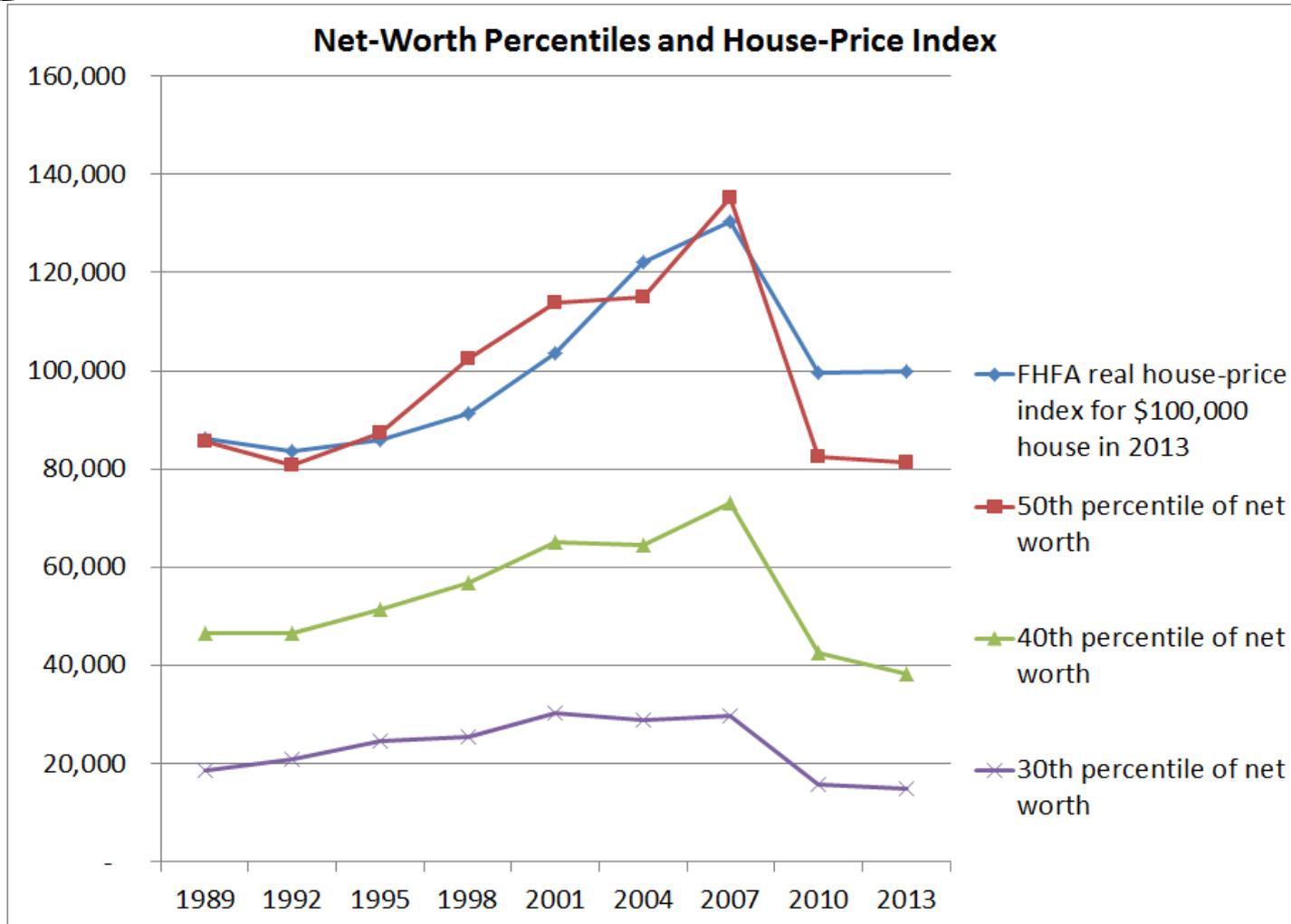


Sources: Federal Reserve Board, Survey of Consumer Finances; Federal Housing Finance Agency



Lower-Middle-Wealth Families Lost 40-50 Percent of their Wealth Since 2007

2013 dollars

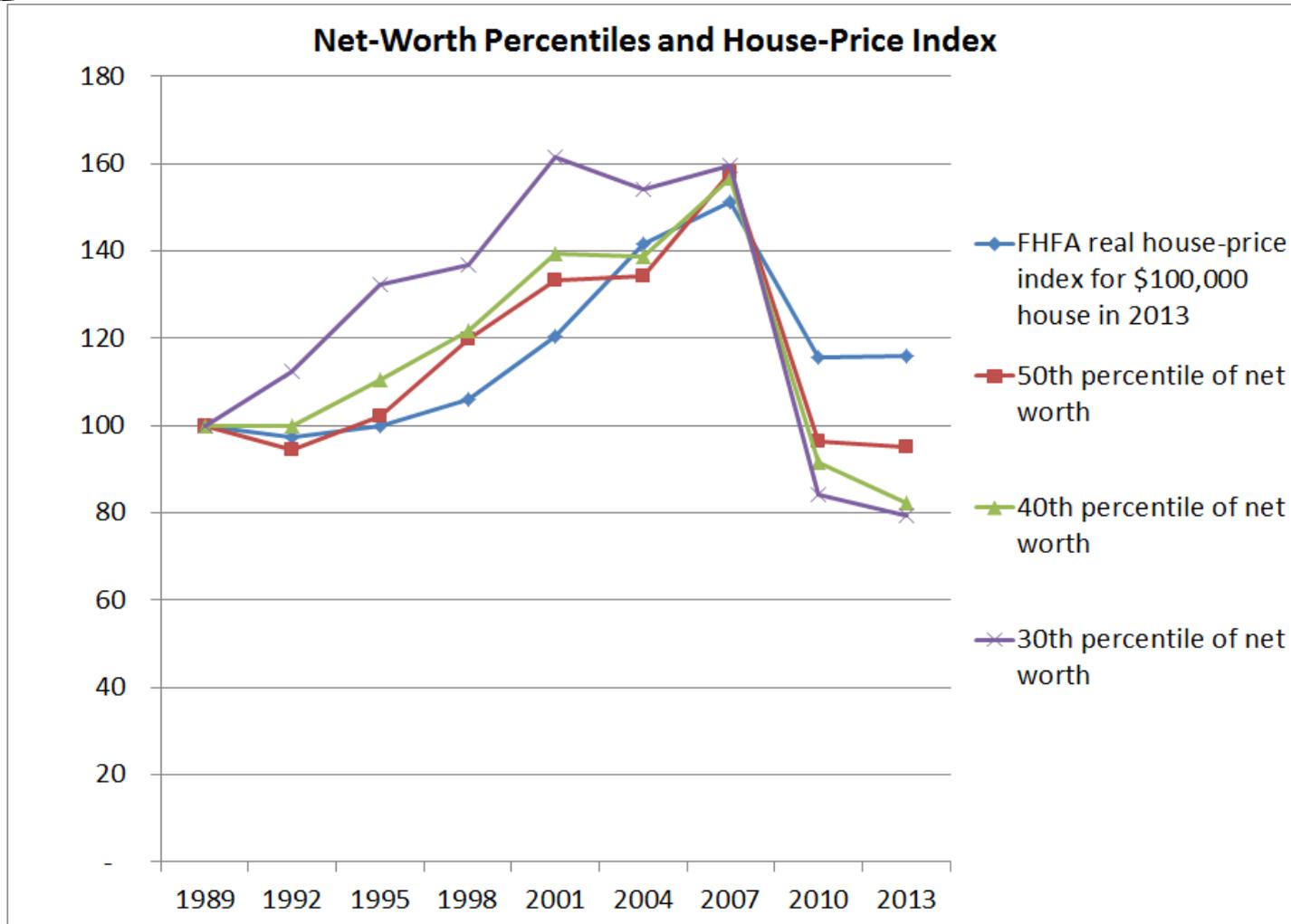


Sources: Federal Reserve Board, Survey of Consumer Finances; Federal Housing Finance Agency



Lower-Middle-Wealth Families Fell Below 1989 Levels

Index levels equal 100 in 1989

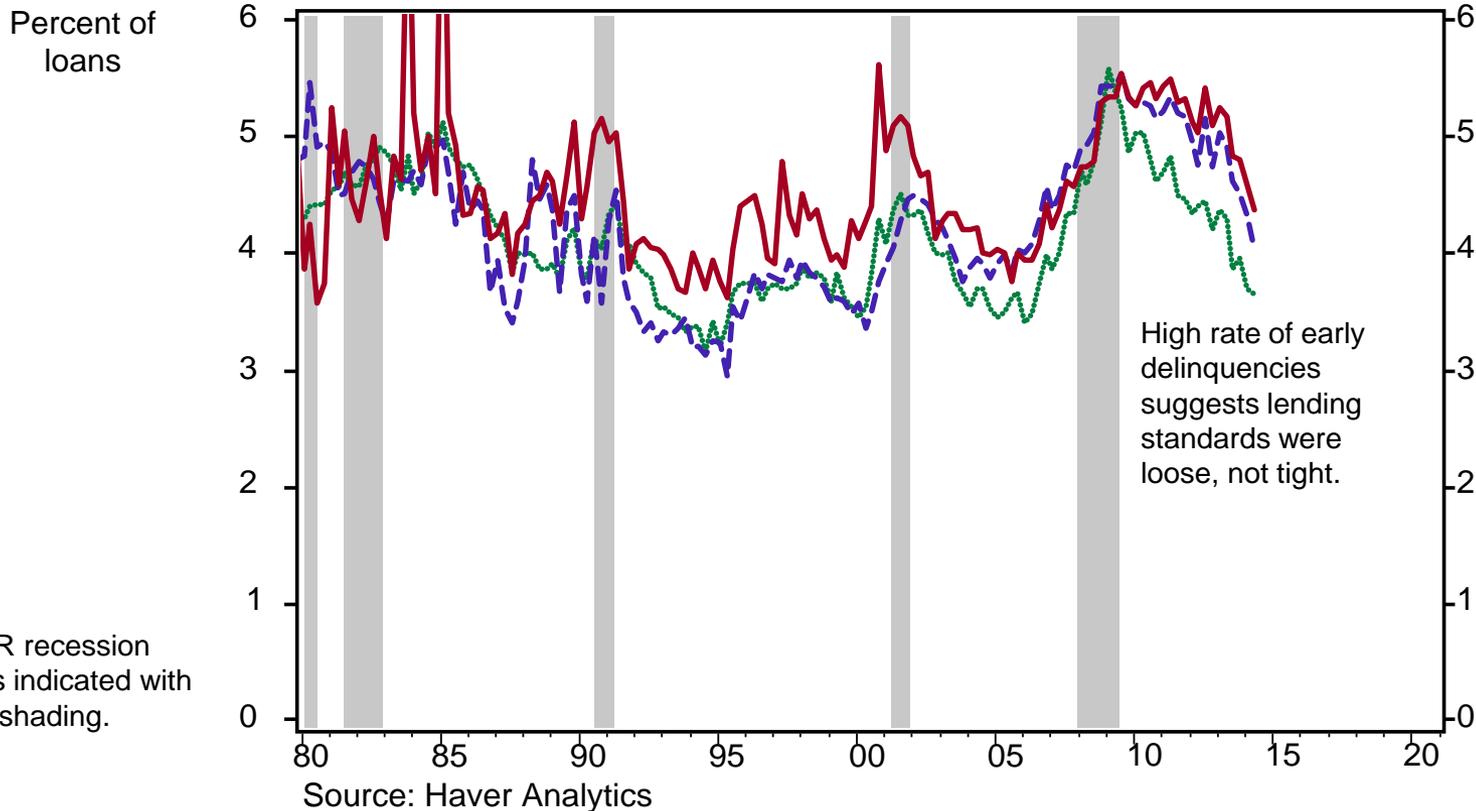


Sources: Federal Reserve Board, Survey of Consumer Finances; Federal Housing Finance Agency



Post-Recession Mortgage-Lending Standards Were Not Tight Based on DQ Flow

Arkansas Mortgage-Delinquency Rate, 30-90 Days Past Due
Missouri Mortgage-Delinquency Rate, 30-90 Days Past Due
U.S. Mortgage-Delinquency Rate, 30-90 Days Past Due



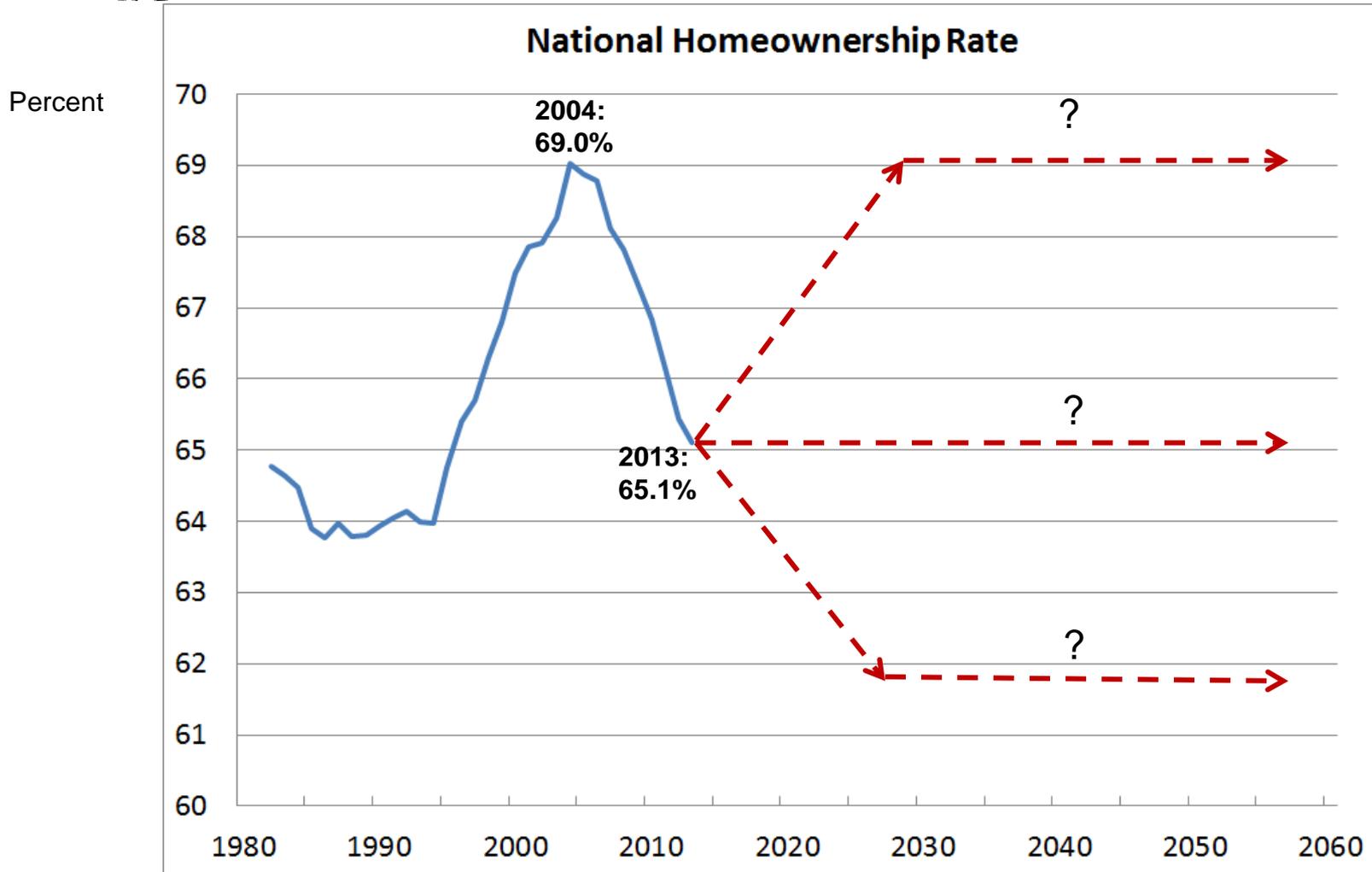


Homeownership Rate Should Rise—Unless Minorities Can't Achieve American Dream

- **What are “normal” homeownership rates across the life cycle?**
- **Future homeownership rates should rise with an aging population.**
- **If Hispanic and African-American homeownership rates don't rise, the aging population may not translate into an overall rise.**



Where is the Homeownership Rate Headed?



Source: Census Bureau

Annual through 2013

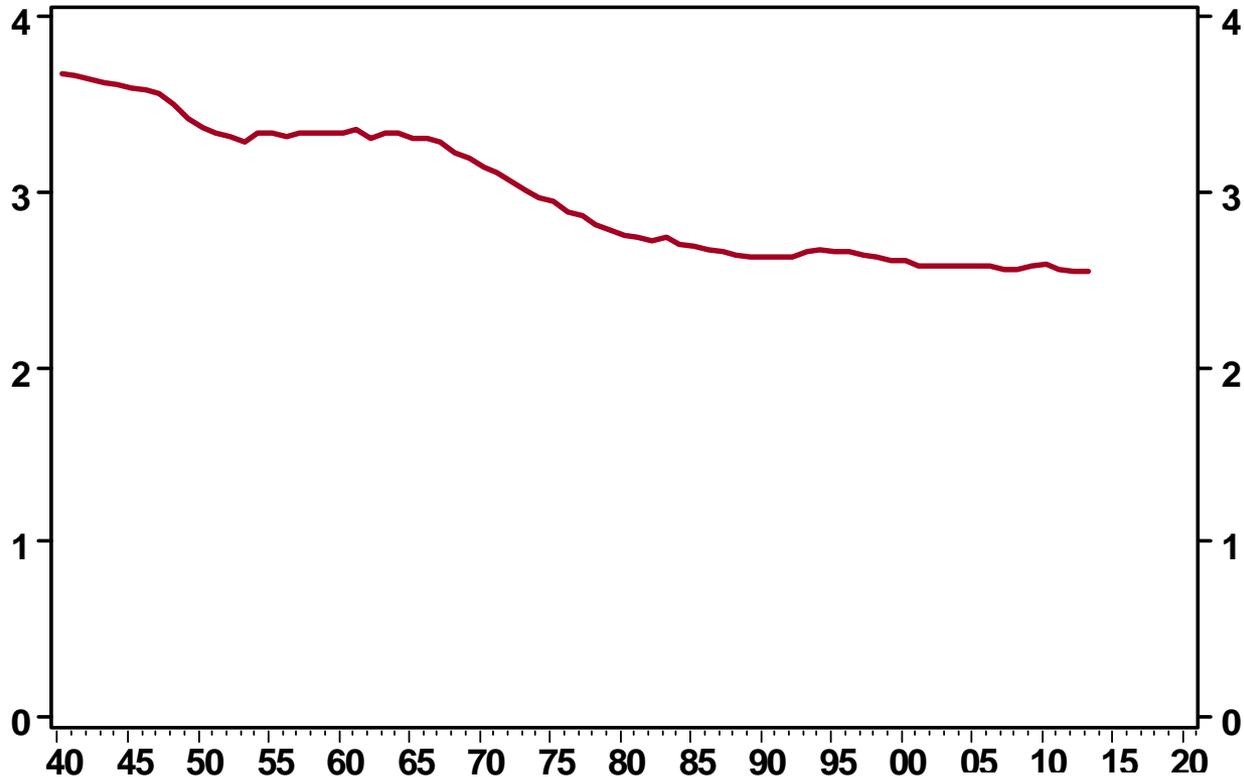


Decline of Average Household Size is Trivial Since 1990; So Use Population Projections

Population per Household

Number of people

Number of people per household

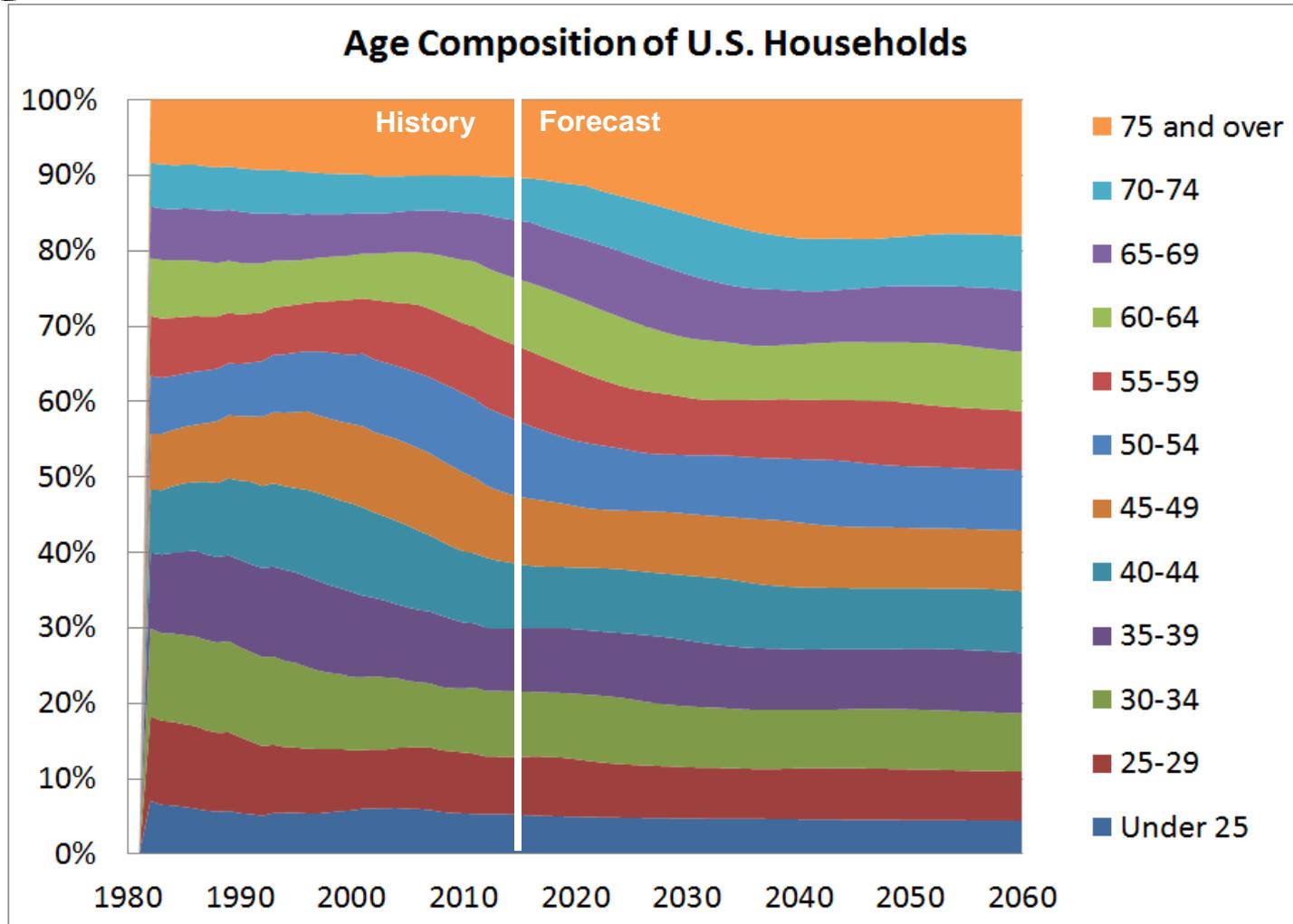


Source: Census Bureau /Haver Analytics

Annual through 2013



Population Aging Will Be Rapid and Permanent

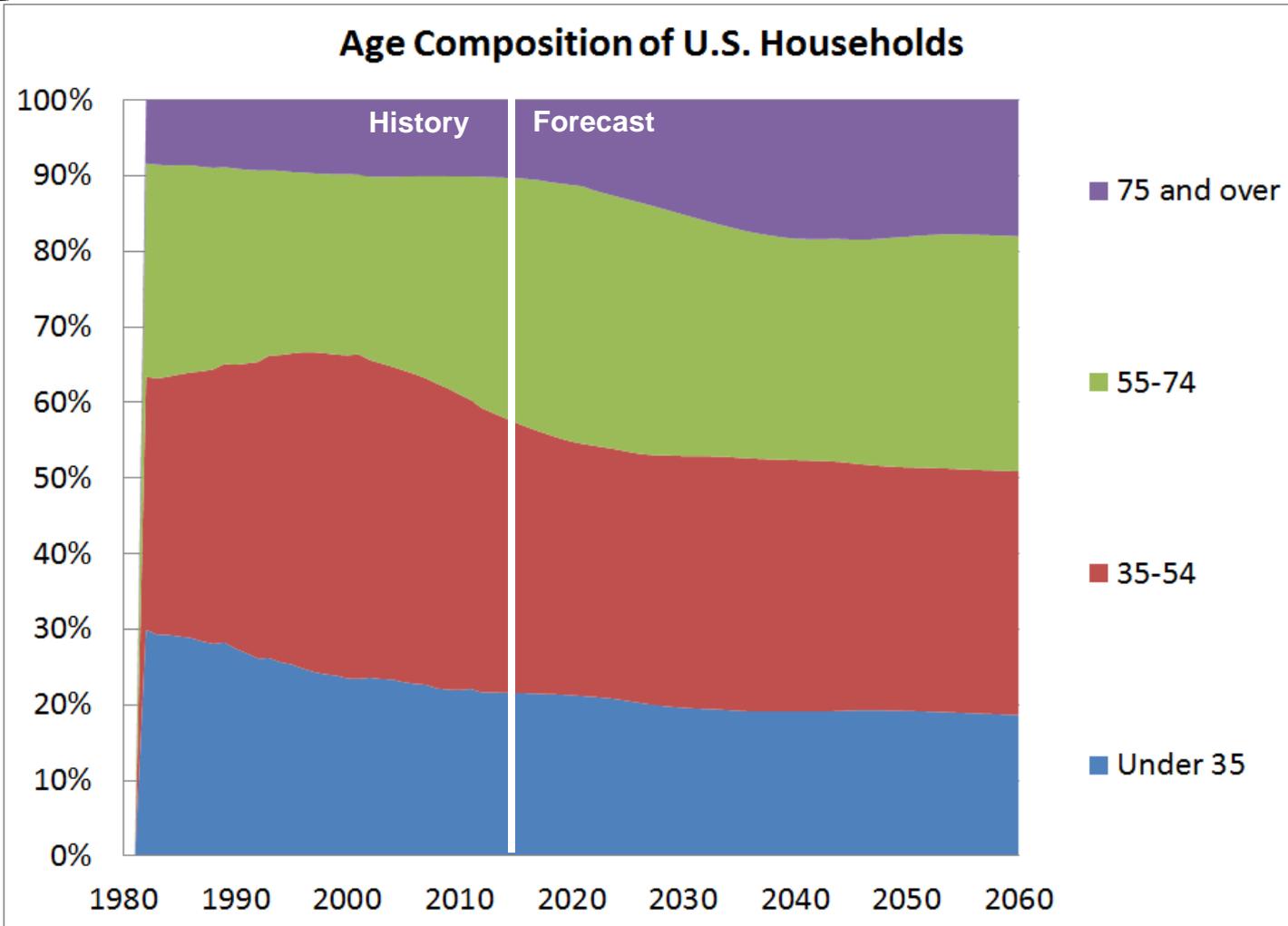


Source: Census Bureau

Annual data through 2013; projections through 2060



Population Aging Will Be Rapid and Permanent



Source: Census Bureau

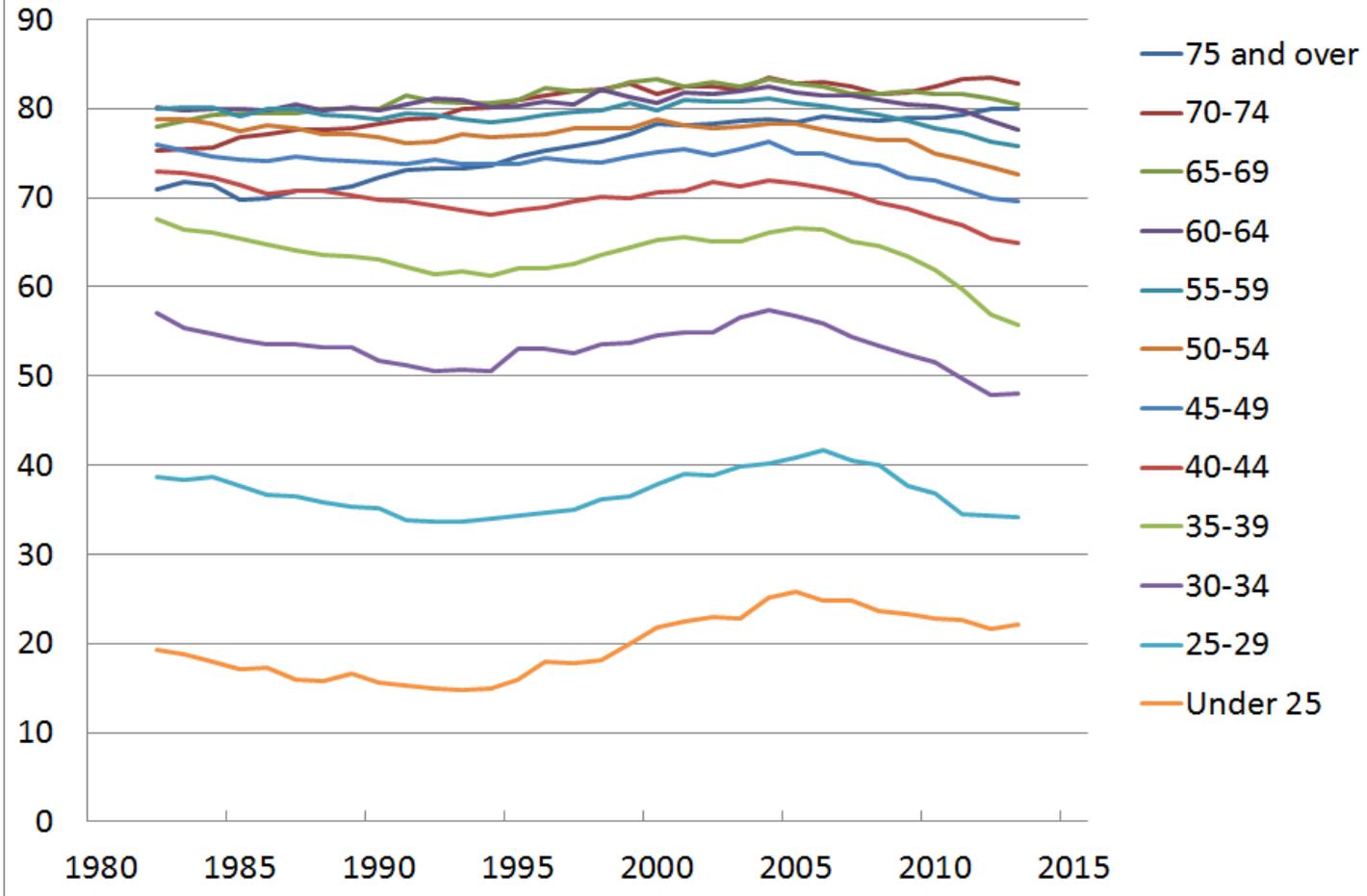
Annual data through 2013; projections through 2060



Homeownership Rates By Age

Homeownership Rates by Age of Household Head

Percent

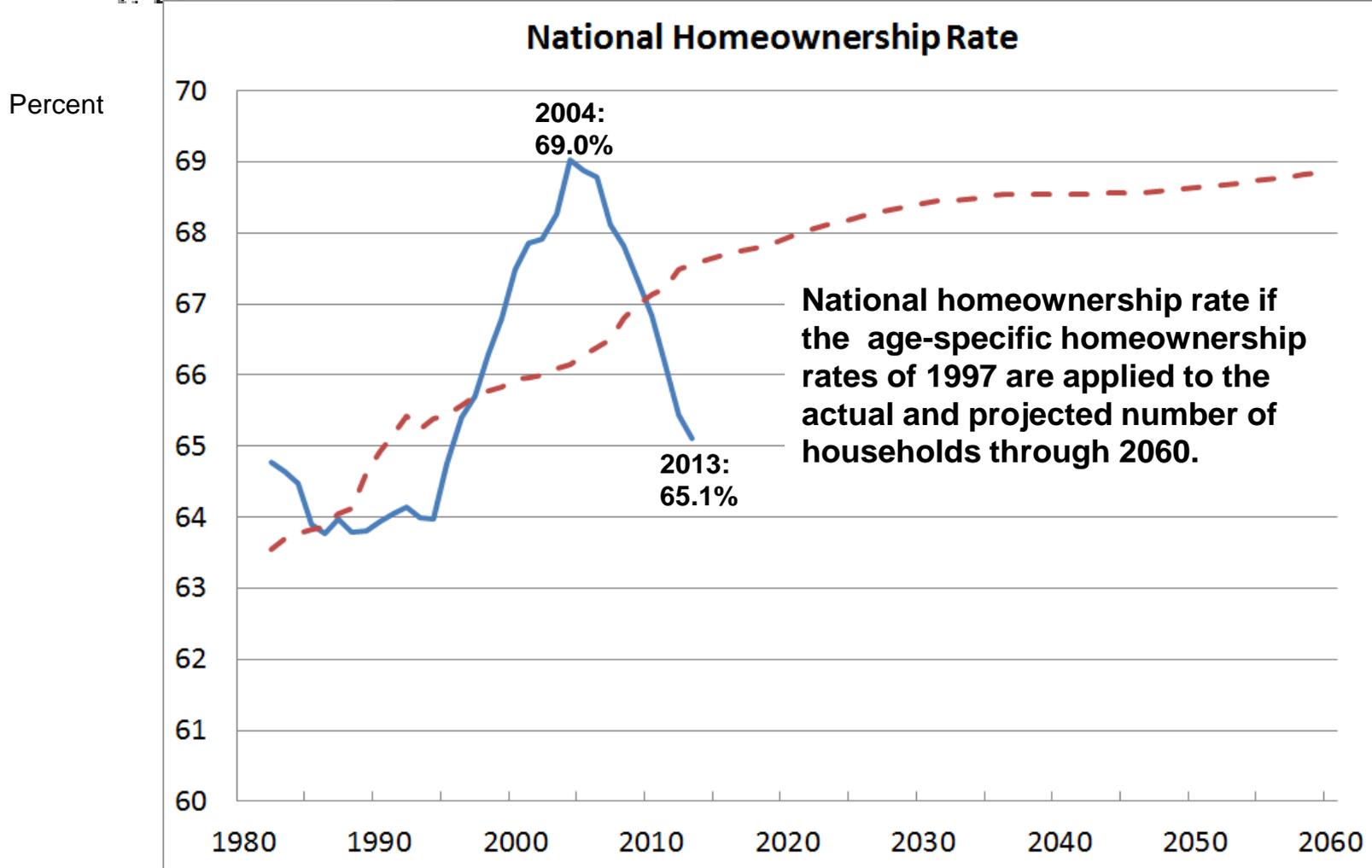


Source: Census Bureau

Annual data through 2013



The Aging Population Should Lift Homeownership Rate

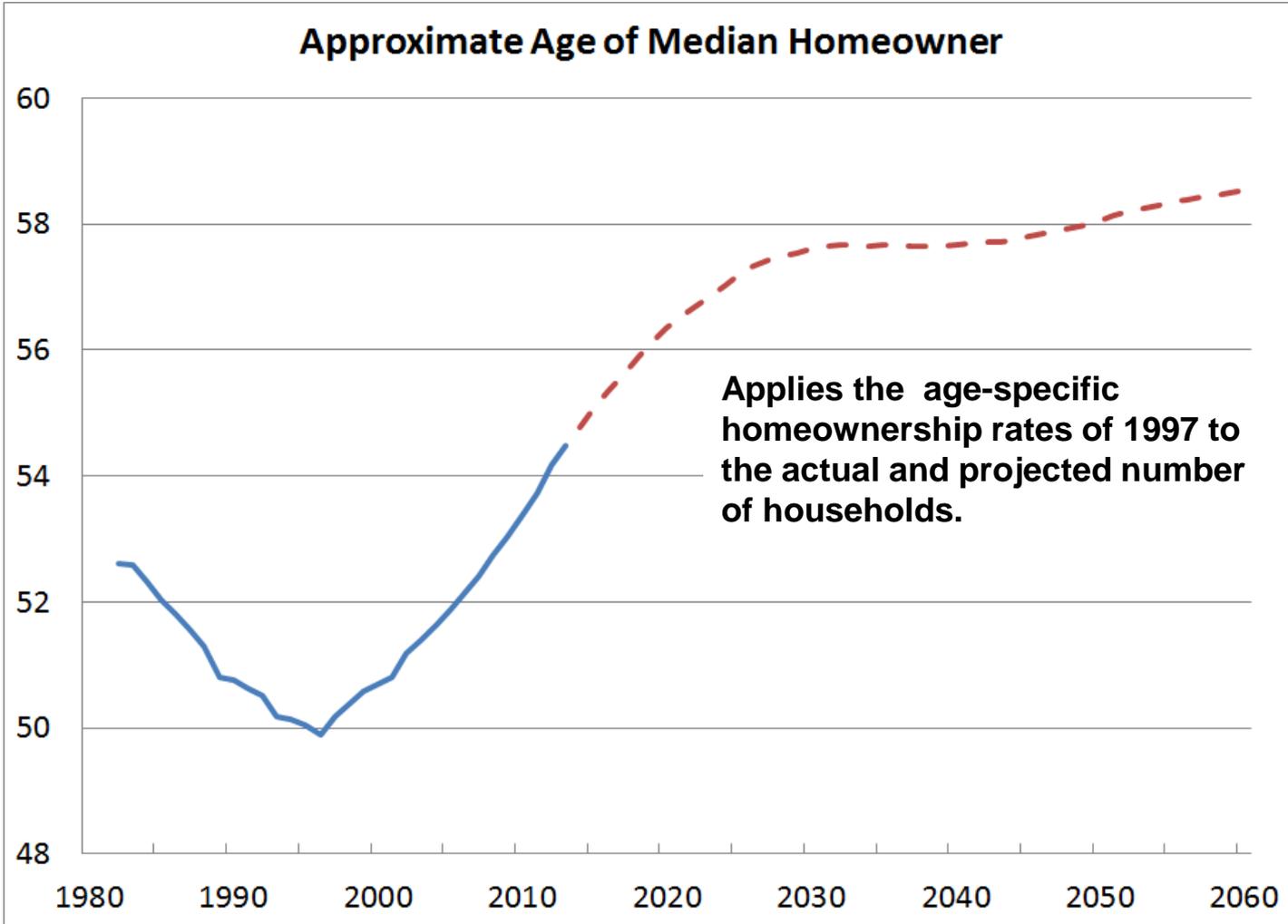




The Median Homeowner Will Be Older

Approximate Age of Median Homeowner

Years of age



Source: Census Bureau

Annual data through 2013; projections through 2060



Implications of an Aging Homeowner Population

- **Fewer home sales and moves.**
- **Fewer defaults.**
- **Less refinancing.**
- **Greater accumulation of homeowners' equity.**

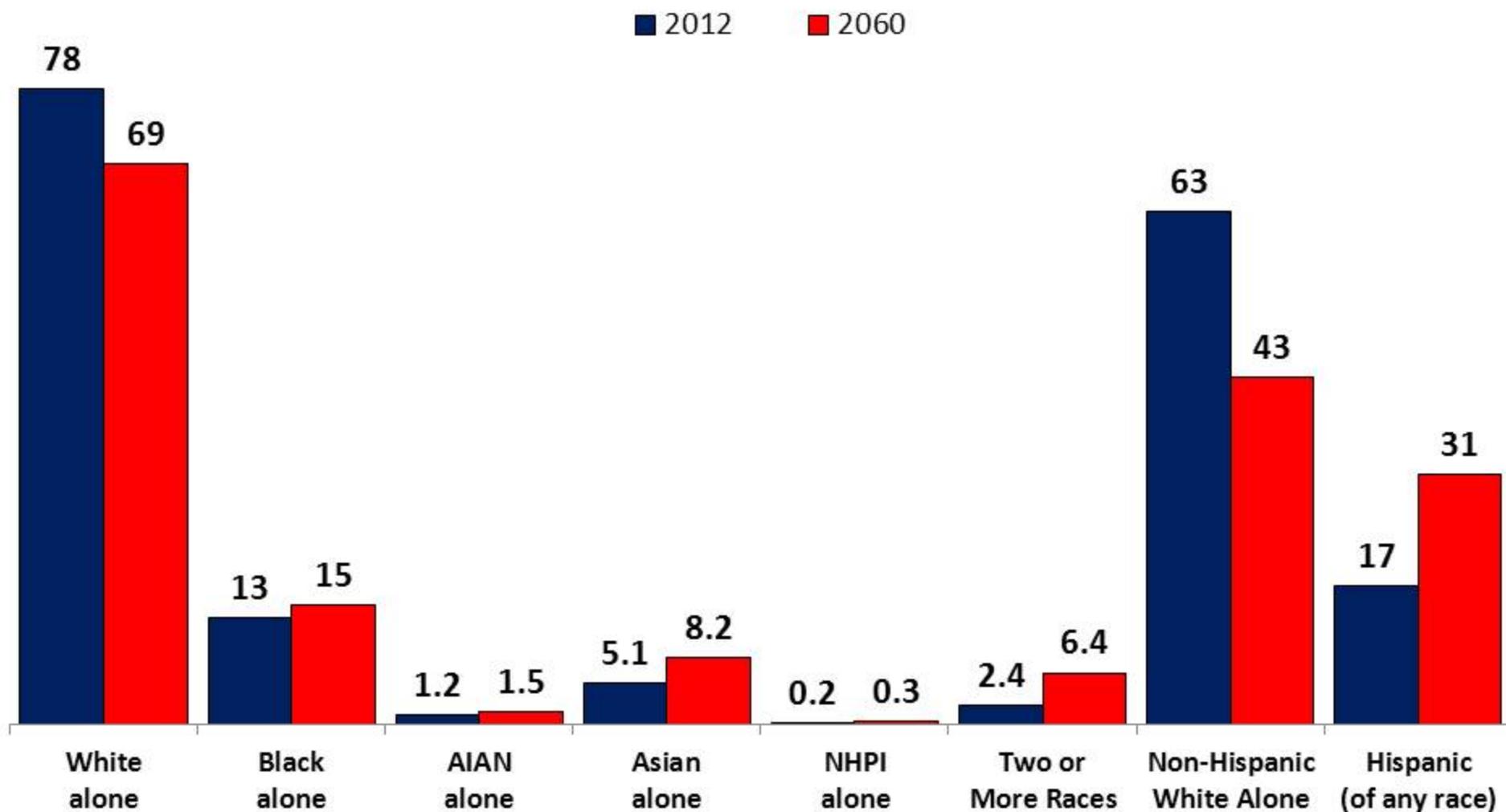


Uncertainties

- **Changes in desire or ability to attain and maintain homeownership among a given demographic group.**
- **Population projections.**
- **Changes in policies related to homeownership and mortgage finance.**
- **Can Hispanics and African-Americans close some or all of the 30-percentage-point homeownership gap with whites?**

Population by Race and Hispanic Origin: 2012 and 2060

(Percent of total population)



■ 2012 ■ 2060

AIAN=American Indian and Alaska Native; NHPI=Native Hawaiian and Other Pacific Islander



In Sum: The State of Homeownership in America

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- The homeownership rate is likely, but not certain, to increase over the long term as the population ages.