The State of Homeownership in America

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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

Sources: Eurostat; Statistics Canada; U.S. Census Bureau; Statistics Bureau of Japan; Australian Bureau of Statistics; Statistics New Zealand
Homeownership Rates in 1995

Source: Federal Reserve Bank of St. Louis, Geofred
Homeownership Rates in 2005

Source: Federal Reserve Bank of St. Louis, Geofred
Homeownership Rates in 2013

Source: Federal Reserve Bank of St. Louis, Geofred
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
Young and Middle-Aged Homeownership Rates Are Falling

Source: Federal Reserve Board, Survey of Consumer Finances
Homeownership Rates Are Falling Across Education Categories

Source: Federal Reserve Board, Survey of Consumer Finances
Minority Homeownership Rates Are Falling the Most

Homeownership Rates by Race or Ethnicity of Family Head

Source: Federal Reserve Board, Survey of Consumer Finances
Minority Homeownership Gaps Virtually Unchanged Since 1989

Homeownership Gaps by Race or Ethnicity of Family Head Compared to White Non-Hispanic Families

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.

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

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

2013 dollars
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

Net-Worth Percentiles and House-Price Index

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

Net-Worth Percentiles and House-Price Index

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

High rate of early delinquencies suggests lending standards were loose, not tight.

Source: Haver Analytics

NBER recession dates indicated with gray shading.
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?

National Homeownership Rate

Percent

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 per household

Annual through 2013

Source: Census Bureau / Haver Analytics
Population Aging Will Be Rapid and Permanent

Age Composition of U.S. Households

Source: Census Bureau
Annual data through 2013; projections through 2060
Population Aging Will Be Rapid and Permanent

Age Composition of U.S. Households

- **History**
- **Forecast**

- 75 and over
- 55-74
- 35-54
- Under 35

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

National homeownership rate if the age-specific homeownership rates of 1997 are applied to the actual and projected number of households through 2060.

Source: Census Bureau
Annual data through 2013; projections through 2060
The Median Homeowner Will Be Older

Applies the age-specific homeownership rates of 1997 to the actual and projected number of households.

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)

- **White alone**: 78% (2012), 69% (2060)
- **Black alone**: 13% (2012), 15% (2060)
- **AIAN alone**: 1.2% (2012), 1.5% (2060)
- **Asian alone**: 5.1% (2012), 8.2% (2060)
- **NHPI alone**: 0.2% (2012), 0.3% (2060)
- **Two or More Races**: 2.4% (2012), 6.4% (2060)
- **Non-Hispanic White Alone**: 63% (2012), 43% (2060)
- **Hispanic (of any race)**: 17% (2012), 31% (2060)

AIAN = American Indian and Alaska Native; NHPI = Native Hawaiian and Other Pacific Islander
In Sum: 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.

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