



Larry Vaughn, 53, is a retired machinist who makes his living as a landscaper and handyman. Since losing his house and all his possessions in Hurricane Katrina in 2005, he spent time living in his truck, then a FEMA trailer and then a Mississippi Emergency Management Agency cottage before qualifying for a home built in partnership with Habitat for Humanity of the Mississippi Gulf Coast, which will be completed in 2009.

Executive Summary: The facts of success

“Discussions about low-income homeownership can be extremely complex, or they can be as simple as imagining a family either continuing to live in a cycle of poverty or having the opportunity to break free, make changes and discover a world of hope and promise.”

–Jonathan Reckford, CEO,
Habitat for Humanity International

The success of low-income homeowners is certainly inspiring, but it is more than feel-good news. It is key evidence that should unlock smart government policy.

Owning a house is a “power move” for low-income families, an Asheville, N.C. homeowner likes to say. It powered the creation of his own small business and helped him afford to send his children to college.

A 28-year-old college graduate was only 10 when his family built a house with a low-income housing

nonprofit. Now as a Sonoma County supervisor, he sees the big picture. Investing in a home for a low-income family doesn’t just help the family but the whole community, he says. And the investment comes back.

Another child of low-income homeowners in Oregon says empowerment is a cliché, but “it’s the spirit of the experience my family went through,” the spirit that got him to Harvard Medical School committed to a life of service.

A single mom says at first owning her own house was a dream come true, now it’s “a push to do something more.”

High-cost loans, poor underwriting standards and fraud in the subprime mortgage market spurred the worst economic slide in decades, heightening the anxiety of many Americans. Too many consumers of subprime, and even prime, mortgages are in default or foreclosure. Recent studies debunk the myth that subprime loan default was highest among low-income



STEFFAN HACKER

Homeowner O'Linda Pritchard has lived in her Habitat house for a little less than one year. She and her family were among the first to move into a new Habitat neighborhood in St. Louis, Mo.

homeowners; delinquency for subprime loans was high in neighborhoods of all income levels.

Through this economic crisis, Habitat and other low-income homeowners continue to thrive.

The case for homeownership for low-income people remains as compelling as the lives of Habitat families.

Homeownership has unique potential to break the cycle of poverty for low-income families, especially for the next generation. Low-income families that become homeowners often accumulate wealth and become more self-sufficient, depending less on state and federally supported assistance programs. They have improved mental and physical health and become more active in their communities. These families are also able to offer their children a greater sense of

stability, meaning children often make better grades and stay in school longer.

Before, during and after this economic crisis, financially informed, low-income families with mortgages of appropriate size and with reasonable terms prove to be successful homeowners, benefiting themselves, their children, their neighborhoods and larger communities in which they live.

Every child may not go to Harvard or Berkeley, but children of homeowners look to a better future because so much of a good life starts at home.

Homeownership at any income level ought to require:

- A mortgage with fair and reasonable terms, fully understood by the borrower,
- Sufficient family income to cover monthly

mortgage payments and other associated costs (utilities, maintenance, taxes, etc.) as well as other living expenses.

In addition, success for low-income homeowners improves with:

- Pre- and post-purchase financial and homeowner education and counseling after careful screening of homeowner families.
- Low building and borrowing costs through:
 - Down payment assistance.
 - No- or low-interest mortgages.
 - Donated or discounted land, building materials and labor.
- Loan servicing that emphasizes person-to-person relationships between borrower and lender.



Habitat house of Lora Romero in the Santa Fe, N.M., Habitat development Casas del Corazon II.

- Sweat equity and self-help.
- Socialization with volunteers, many of whom are successful in their work and family life.

Policy recommendations

Habitat for Humanity International encourages the U.S. Congress to highlight and support low-income homeownership by:

- Holding hearings to highlight best practices for low-income homeownership, including pre-purchase financial education programs and requirements, underwriting standards and applicant screening, mortgage-servicing strategies and the use of volunteers or sweat equity. Testimony should include successful low-income homeowners.
- Creating federal incentives for renters benefiting from government housing subsidies to achieve self-sufficiency through savings programs, financial literacy training and opportunities for future homeownership.
- Commissioning a congressionally sponsored study on the costs and benefits of federal rental and homeownership programs including the costs and benefits to the federal, state, and local governments and taxpayers, and the costs and benefits to individual and family recipients of the federal programs.
- Increasing federal resources for already effective homeownership programs such as the Self-Help Homeownership Opportunity Program (SHOP), the HOME program, and programs that build the capacity of organizations providing low-income homeownership, including a national housing trust fund that can be used for low-income homeownership.
- Passing a resolution affirming the benefits of homeownership for low-income persons.
- Ensuring that government-sponsored enterprises (Fannie Mae, Freddie Mac, and the Federal Home Loan Banks) fulfill their low-income housing mission.