

IN DEFENSE OF LOW-INCOME HOMEOWNERSHIP

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I. INTRODUCTION

The mortgage crisis has caused homeowners, policy-makers, and academics alike to take a second look at the “American Dream” of owning a home. Once the threshold of success, homeownership has real and significant downsides that are clearer now than ever before. Many have been quick to assert that the lesson learned from the crisis is that the policies and initiatives encouraging homeownership went awry, permitting too many low-income individuals to buy homes that they could never afford.¹

Before the dust had even settled from multiple bank implosions in 2008, news outlets began the attack on low-income homebuyers, indicating that mortgage lending to such homebuyers was at the root of the financial crisis.² Academics and policy-makers have since followed with more measured conclusions on why low-income homeowners have often been unsuccessful at achieving the American Dream, suggesting that we reconsider whether low-income homeownership merits the effort.³ And yet, homeownership remains a powerful tool for social good. Studies show that homeownership can create significant personal wealth, strengthen families and communities, help children succeed in school, encourage active political participation, and contribute to the general welfare.⁴ What then, should be the aim of homeownership initiatives in a post-mortgage crisis landscape? Who should buy homes? Under what circumstances, if any, should low-income individuals be encouraged to buy homes?

While the country continues to lick the wounds inflicted upon it by the mortgage crisis, we should re-examine long-held assumptions about buying homes in general and encouraging low-income homeownership in particular. Politicians and policy-makers have often thought that once the poor become homeowners, a variety of other social ills will take care of themselves.⁵ For the past several decades they have encouraged homeownership through a lender-based framework designed to enable low-

1. See, e.g., Jeff Jacoby, Op-Ed., *Fannie, Freddie, Frank, and Fiction*, BOSTON GLOBE, Oct. 20, 2010, Opinion, at 13, available at http://www.boston.com/bostonglobe/editorial_opinion/oped/articles/2010/10/20/fannie_freddie_frank_and_fiction/; Peter J. Wallison, *The True Origins of This Financial Crisis*, THE AMERICAN SPECTATOR, February 2009, spectator.org/articles/42211/true-origins-financial-crisis.

2. See, e.g., David Streitfeld & Gretchen Morgenson, *Building Flawed American Dreams*, N.Y. TIMES, Oct. 18, 2008, http://www.nytimes.com/2008/10/19/business/19cisneros.html?page_wanted=all&_r=0; Eric Dash, *Failures of Small Banks Grow, Straining F.D.I.C.*, N.Y. TIMES, Oct. 10, 2009, http://www.nytimes.com/2009/10/11/business/economy/11banks.html?_r=0.

3. See, e.g., A. Mechele Dickerson, *The Myth of Home Ownership and Why Home Ownership is Not Always a Good Thing*, 84 IND. L.J. 189, 207–13 (2009).

4. See discussion *infra* Part III.

5. See Stephanie M. Stern, *Reassessing the Citizen Virtues of Homeownership*, 111 COLUM. L. REV. 890, 897–98 (2011). See also Dickerson, *supra* note 4, at 190–91.

income homeownership.⁶ Both President Clinton and President Bush put pressure on government-sponsored entities (GSEs) and conventional lenders alike to think of new ways to extend credit to low-income borrowers, and lenders gladly accepted the challenge.⁷ The lender-based framework was intended to create a win-win-win: low-income borrowers get homes, lenders make profits, and politicians can claim the expansion of homeownership as a great success.

Lenders were creative in developing exotic loan products and loose underwriting guidelines, and again creative in developing new financial products by which they could package and sell the loans and corresponding risk to the secondary market.⁸ Lenders were relentless in marketing and selling the new products in low-income and minority neighborhoods and made profits at a breakneck speed in the process.⁹ Low-income borrowers were eager to get their own home, become part of the ownership society, and start on a path of wealth creation and economic prosperity through homeownership, as had generations of Americans before them. It was as if the lender-based framework for creating low-income homeowners was a complete success.

Successful homeownership, however, takes more than a lender willing to make a loan and an individual willing to sign the mortgage. The subprime and predatory loan products that lenders offered stripped equity, precipitated foreclosures, devastated neighborhoods, and helped create a crisis that has cost trillions of dollars.¹⁰ Any gains in homeownership and quality of life provided only the veneer of shared prosperity in America. The soon-discovered reality was that many individuals were simply living beyond their means. The cost of purchasing a house had become absurdly out of reach for many Americans, but that fact was cloaked by a similarly absurd access to mortgage credit.

The housing bubble eventually burst and sent the economy into a free-fall,¹¹ and the nation has spent the last few years trying to figure out what went wrong. Many have asserted that if only lenders were not pressured

6. See generally Dickerson, *supra* note 4, at 196–97.

7. See Andrew T. Young, A Government-Sponsored Crisis: How Fannie and Freddie Caused the Recession 19–22 (May 3, 2010) (unpublished manuscript) (available at papers.ssrn.com/sol3/papers.cfm?abstract_id=1599642).

8. See Dickerson, *supra* note 4, at 196–207 (detailing the “wide array of nontraditional . . . products” offered by lenders); *Developments in Banking and Financial Law: 2006–2007*, 27 REV. BANKING & FIN. L. 1, 16–18 (2007) (describing regulatory changes “which enabled the use of variable-rate loans and balloon payments” as well as “factors [that] contributed to the growth of the subprime market in the 1990s”).

9. See generally Jared Ruiz Bybee, *Fair Lending 2.0: A Borrower-based Solution to Discrimination in Mortgage Lending*, 45 U. MICH. J.L. REFORM 113 (2011).

10. TYLER ATKINSON ET AL., STAFF PAPERS: HOW BAD WAS IT? THE COSTS AND CONSEQUENCES OF THE 2007–09 FINANCIAL CRISIS 3 (2013).

11. Wendy Gerwick Couture, *Price Fraud*, 63 BAYLOR L. REV. 1, 4 (2011) (“This financial crisis, like many depressions and recessions, emanated from the bursting of an investment bubble.”).

to make loans to low-income families, then the housing market never would have become so inflated.¹² These commentators conclude that the quest for low-income homeownership was the problem.¹³ Such an observation ignores both the lenders' willingness to make the loans and the reality that a lender-based framework is not the only way to enable low-income homeownership. The challenge of low-income homeownership should not have been wholly outsourced to lenders.

This article presents a vigorous defense of the merits of low-income homeownership and advocates a new community-based framework for creating sustainable homeownership opportunities for low-income families. Such a framework should spring from the small-scale successes of community-based organizations that have proven extremely capable of understanding local markets and tailoring homeownership and other economic development activities to meet the needs of low-income individuals and communities. So far, the role of such organizations in homeownership has been relatively small in scale, and yet there are noteworthy examples of community-based organizations stepping beyond the bounds of common homeownership initiatives to create novel solutions to their community's particular challenges.¹⁴ As opposed to national lenders and policy-makers, community-based organizations have "skin in the game" since they are run by people who live in the very same communities they are trying to develop.¹⁵ They have proven sufficiently competent and creative to provide real and lasting solutions. The federal government should encourage and expand the role of community-based organizations in creating a new framework for low-income homeownership.

This article is organized into four parts, including this introduction. Part II offers an analysis of the old framework for low-income homeownership that relied too heavily on lenders and addresses the suggestion that perhaps low-income individuals should remain renters. Part III of this article argues that homeownership opportunities for low-income individuals remain a worthwhile goal by first reviewing the key theoretical under-

12. See e.g., Darrell Issa, *Unaffordable Housing and Political Kickbacks Rocked the American Economy*, 33 HARV. J.L. & PUB. POL'Y 407 (2010); Editorial, *Villain Phil*, NAT'L. REV. ONLINE (Sept. 22, 2008, 10:45 AM) [hereinafter *Villain Phil*], <http://www.nationalreview.com/articles/225742/villain-phil/editors>; Yaron Brook, *The Government Did It*, FORBES (July 18, 2008, 11:30 AM), http://www.forbes.com/2008/07/18/fannie-freddie-regulation-oped-cx_yb_0718brook.html.

13. Issa, *supra* note 13; *Villain Phil*, *supra* note 13; Brook, *supra* note 13.

14. See discussion *infra* Part IV.

15. See Michelle S. Viegas, *Community Development and the South Beach Success Story*, 12 GEO. J. ON POVERTY L. & POL'Y 389, 391 (2005).

pinnings of homeownership, and second looking at the real and measurable benefits of homeownership, both for the individual and the society at large. Part IV offers a new community-based framework for creating homeownership opportunities for low-income individuals. This section reviews noteworthy examples of particular community-based organizations and their ability to tailor homeownership and community development programs to meet the needs of low-income individuals and communities. It also addresses the need for holistic community development to accompany increases in homeownership and increased government support for such programs. The article concludes with a proposal on how the expansion of one program, the Community Development Block Grant, can make sustainable homeownership a reality for many low-income families across the country.

II. THE LENDER-BASED FRAMEWORK FOR LOW-INCOME HOMEOWNERSHIP, AND ITS DEMISE

Low-income homeownership has long been a goal of policy-makers.¹⁶ There can be substantial benefits realized from owning a home, including many discussed in Section III, below. Politicians and policy-makers in particular have been devout adherents to the benefits of homeownership, sometimes touting homeownership as the silver bullet that will cure a host of societal ills.¹⁷ And while homeownership can be a powerful force for social and individual betterment, the framework used for growing homeownership rates, especially among the low-income, has been wrong-headed.

A. *Lender-based Framework for Low-Income Homeownership*¹⁸

Throughout the buildup of the housing bubble, lenders demonstrated an almost insatiable desire and unquestioning willingness to extend credit to low and middle-income borrowers, including consumer credit cards to purchase-money and refinance mortgages.¹⁹ During the boom time—and for mortgages in particular—this lender-based approach to creating homeownership seemed like the answer to many problems: Low-income borrowers bought homes; banks made record profits from the loan processing fees; construction workers building houses tried to keep up; investors pur-

16. See Dickerson, *supra* note 4, at 192–96. See also Issa, *supra* note 13, at 409–11.

17. Stern, *supra* note 6, at 896–97; Dickerson, *supra* note 4, at 190.

18. See A. Michele Dickerson, *Over-Indebtedness, the Subprime Mortgage Crisis, and the Effect on U.S. Cities*, 36 *FORDHAM URB. L.J.* 395, 397 (2009).

19. See *id.* at 396–410 (summarizing deregulation in the consumer credit market that has led to “the over-consumption of consumer credit”).

chased stable mortgage-backed securities; and the economy was humming.²⁰

Policy-makers were excited by the almost-universal access to credit. By encouraging lenders to venture into underserved low-income markets, policy-makers were able to achieve record levels of homeownership especially among the poor and racial minorities.²¹ Part of the “encouragement” came from the increased willingness of Fannie Mae and Freddie Mac—both GSEs with the implicit backing of the federal government—to purchase the loans being originated by lenders to low-income borrowers.²²

Some argue that the GSEs were pressured by “successive administrations’ campaign promises to increase homeownership regardless of the individual or systemic risk.”²³ Others argue the lure of a new market of borrowers, rather than the GSEs, spurred lenders’ willingness to lend in poor neighborhoods.²⁴ Still others claim that the widespread use of financial instruments, such as mortgage-backed securities and collateralized debt obligations that had little to do with the GSEs, allowed lenders to off-load the risk of any loan to investors.²⁵ Additionally, institutional investors demonstrated an almost insatiable appetite to purchase these mortgage-based instruments.²⁶ All of this combined to transition lenders from being gate-keeping entities tasked with finding qualified borrowers to fee-based entities that would earn money simply for making loans. And lenders were paid not only based on the number of loans, but lenders also were compensated more for higher-risk loans that provided a bigger return for investors.²⁷

This new system gave lenders the green light to go beyond their traditional lending markets and offer new and exotic loan products. Lenders and their mortgage brokers branched out into low-income areas across the country to offer homeownership through a variety of products and relaxed underwriting criteria.²⁸ The new lending bonanza seemed to ensure anyone with the most meager of incomes an opportunity to become a homeowner.

20. See Dickerson, *supra* note 4, at 209; James R. Hagerty,

21. CHRISTOPHER E. HERBERT & ERIC S. BELSKY, U.S. DEP’T OF HOUS. & URBAN DEV., OFFICE OF POL’Y DEV. & RESEARCH, *THE HOMEOWNERSHIP EXPERIENCE OF LOW-INCOME AND MINORITY HOUSEHOLDS: A REVIEW AND SYNTHESIS OF THE LITERATURE* (2006).

22. See Young, *supra* note 8, at 5–7.

23. See *id.* See also Issa, *supra* note 13, at 409.

24. Issa, *supra* note 13, at 412.

25. Luisa Fernandez et al., *On Democratizing Financial Turmoil: A Minskian Analysis of the Subprime Crisis* 5 (The Levy Econ. Inst. of Bard Coll., Working Paper No. 548, 2008), available at http://www.levyinstitute.org/pubs/wp_548.pdf.

26. Bradley J. Bondi, *Securities Arbitrations Involving Mortgage-Backed Securities and Collateralized Mortgage Obligations: Suitable for Unsuitability Claims?*, 14 *FORDHAM J. CORP. & FIN. L.* 251, 254–55 (2009).

27. *Id.*

28. See Dickerson, *supra* note 4, at 196–207.

Lenders offered products to low-income borrowers with a host of terms ostensibly designed to lower the barriers to entry into homeownership, including no down payment, interest-only, negative amortization, low introductory rates, and adjustable rate balloon loans, to name a few.²⁹ A variety of eye-brow raising lending practices became commonplace, including accepting loan applications with no proof of income, mortgage brokers altering loan applications to get borrowers qualified, steering borrowers that could qualify for cheaper loans to more expensive ones, and middle- and upper-income borrowers using loan products originally designed for low-income borrowers in order to buy bigger and more expensive homes than their incomes would traditionally justify.³⁰ On the whole, borrowers at every income level used more credit and became more highly leveraged than ever before.³¹ Over the past thirty years, the ratio of house price to income has averaged 4-to-1, indicating that, on average, individuals buy homes that equal four times their annual income, but in 2005, that ratio reached 8-to-1.³²

The lender-based framework used credit to bridge the gap between low-income individuals and the cost of homeownership. Some described this new and open access to credit as the democratization of credit and recognized the lender-based framework as a powerful force that gave incredible strength to the growing rates of homeownership, the building industry, and the entire American economy.³³ Unfortunately, the democratization of credit and robust economy that it produced was much more of an illusion than reality.

B. *The Illusion of Prosperity Created by Over-borrowing*

The term “democratization of credit” was first coined in the 1910s and referred to the new inclusion of the working class borrowers in credit markets.³⁴ By the 2000s, however, the term had come to justify a proliferation of exotic mortgage products and lax lending standards that, while making the barrier of entry to homeownership almost disappear, resulted

29. *Id.* at 197–201, 227.

30. Diane M. Standaert & Sara K. Weed, *Secure Transactions: Restoring Our Communities with Responsible Lending*, 19 J. AFFORDABLE HOUS. & CMTY. DEV. L. 71, 75–77 (2009). *See, e.g.*, Bybee, *supra* note 10, at 123–25; Issa, *supra* note 13, at 410.

31. Issa, *supra* note 13, at 410–11.

32. *Id.* at 409; Andrew Laperriere, *Housing Bubble Trouble: Have We Been Living Beyond Our Means?*, WKLY. STANDARD, Apr. 10, 2006, at 26, available at <http://www.weeklystandard.com/Content/Public/Articles/000/000/012/053ajgwr.asp#>.

33. *See*, Fernandez, Kabob, & Todorova, *supra* note 26, at 5–6.

34. Regina Austin, *Of Predatory Lending and the Democratization of Credit: Preserving the Social Safety Net of Informality in Small-Loan Transactions*, 53 AM. U. L. REV. 1217, 1253 n.201 and accompanying text (2004) (placing the original coining of the term in 1914, and discussing its history and development); Mehrsa Baradaran, *How the Poor Got Cut Out of Banking*, 62 EMORY L.J. 483 (2013).

in distorted mortgage and housing markets. It is now clear that the so-called democratization of credit—and the attendant increase in consumer debt and spending that spurred the economy—was naturally short-lived and unsustainable. It was only possible due to decades of financial deregulation, “a very-low-interest-rate policy by the [Federal Reserve], an aggressive lending strategy by mortgage companies and banks seeking fees and commissions, and a set of financial innovations” that allowed mortgage originators to offload the risk of their loan burden onto Wall Street with little regulation or supervision.³⁵ The lender-based framework and the democratization of credit it produced gave Americans only the veneer of shared prosperity when, in reality, much of the low- and middle-income socioeconomic classes were living beyond their means, and the new gains in homeownership and in the economy were simply over-inflated. The free flow of credit masked a growing cancer of stagnant wages among the poor and middle class in America.

While worker productivity has grown and the economy expanded since the 1970s, wages for low and middle class workers have flattened during the same time.³⁶ Both the average hourly wage and average hourly compensation in 2007 were almost identical to the wage and compensation in 1977.³⁷ The federal minimum wage was 94% of the total wage needed for a family of four to be at the poverty line in 1964, 81% of that number in 1979, and only 57% of that number in 2007.³⁸

During the same time that wages have stagnated, housing prices have grown steadily and remained high despite the crash of the market after the housing bubble.³⁹ To make up the growing difference between income and the costs of homes and consumer goods, low- and middle-income families initially sent another adult to work. Only 12% of married women with young children in the 1960s worked for pay, but by the late 1990s that number had grown to 55%.⁴⁰ When the contribution of the second income could no longer get families the products they needed and the homes they sought, families turned to the increased consumer and mortgage credit offered by the democratization of credit described above.⁴¹

35. Fernandez et al., *supra* note 26, at 2.

36. See Robert B. Reich, Op-Ed., *The Limping Middle Class*, N.Y. TIMES, Sept. 4, 2011, § SR, at 6.

37. THE STATE OF WORKING AMERICA, *Real Hourly Earnings and Compensation of Private Production and Nonsupervisory Workers, 1947-2011*, stateofworkingamerica.org/chart/swa-wages-figure-4b-real-hourly-earnings/ (last updated May 14, 2012).

38. Fernandez et al., *supra* note 26, at 8.

39. See U.S. CENSUS BUREAU, *Median and Average Sale Prices of New Homes Sold in United States*, <http://www.census.gov/const/uspricemon.pdf> (last visited Dec. 30, 2013) (showing median sales price of new homes in 1979 between \$60,000 and \$66,000 versus median sales price in 2007 between \$227,000 and \$262,000).

40. Reich, *supra* note 37.

41. Cf. Robert M. Lawless, *The Paradox of Consumer Credit*, 2007 U. ILL. L. REV. 347, 354 (discussing Todd J. Zywicki, *An Economic Analysis of the Consumer Bankruptcy Crisis*, 99 NW. U. L.

Families were willing to borrow the money necessary, and lenders were willing to lend.

Throughout the time the gulf between incomes and the costs of homes widened, politicians and lenders consistently stuck to the message that everyone could own a home and that owning a home would bestow wealth and a plethora of other benefits on a family and community.⁴² Homeownership can potentially bring about many benefits, but the reality was that it was simply unaffordable for a growing class of Americans. In order for homes truly to be affordable, incomes needed to rise, home prices needed to decline, or the government needed to provide a subsidy to low-income borrowers.⁴³ None of these happened, but rather the lending market provided the illusion of affordability by offering the opportunity to take on record levels of debt.

The record levels of debt created the fiction of affordability for low-income borrowers, and they were willing to go along with the fiction in droves.⁴⁴ Similarly, many middle- and upper-income borrowers jumped on the high-leverage bandwagon and borrowed to purchase bigger houses and expensive toys.⁴⁵ Housing prices took a fictitious surge, encouraging borrowers who bought early to trade up, and other individuals to hurry and buy before prices went higher.⁴⁶ Developers overbuilt across the country based on a fictitious demand for more and more houses.⁴⁷

But all good fictions eventually end, as did the housing and robust economy fiction created by the lender-based framework for homeownership and attendant “democratization of credit.” Where wages have stagnated since the 1970s and housing prices continuously climbed, the extension of novel forms of credit alone could not make homeownership affordable. There is no lender-based framework for affordable homeownership that can bridge the gap between incomes and home prices. In fact, our country’s experiment with the “democratization of credit” only served to

REV. 1463, (2005)) (“The overall level of consumer credit as a ratio of disposable personal income was only 0.105 in 1950 and much lower (0.042) in the war year of 1943. As compared to the 2003 level of 0.237 consumer debt has as much as quintupled as a ratio of disposable income . . .”).

42. See Dickerson, *supra* note 4, at 190–91.

43. Fernandez et al., *supra* note 26, at 3.

44. See Dickerson, *supra* note 4, at 207 (“[A]dditional financing . . . encouraged people who could never afford to buy a home to engage in extreme means to buy one to avoid missing out on the supra-normal price appreciation. Because of the affordability features of the loan products, almost all potential homebuyers could suddenly buy a house. This increased the pool of potential buyers, and . . . sellers could then demand more for their homes, which caused housing prices to go even higher.”).

45. *Id.* at 217–18.

46. See *id.* at 207.

47. Hagerly, *supra* note 21 (noting that “builders and speculators vastly overestimated demand for housing during the boom of the first half of this decade”).

send the economy into a recession that has cost jobs and dramatically increased poverty.⁴⁸

C. Some Indicate that Low-income Families Should Not Own Homes

Many of the attempts to explain the financial crisis seem to surround low-income homeownership.⁴⁹ Some blame federal agencies for pushing the GSEs, and in turn lenders, to extend credit to low-income borrowers.⁵⁰ Others claim that the goal of affordable housing for low-income families gave corrupt politicians, lenders, and builders the opportunity to exchange policy favors for money.⁵¹ Some claim that borrowers “gamed” the mortgage lending system by purchasing homes with less and less skin in the game.⁵² Still others blame laws, such as the Community Reinvestment Act (CRA), which encourages lenders to extend credit in low-income neighborhoods.⁵³ And others, while not laying blame directly on programs or policies meant to encourage low-income homeownership, observe that through the build up of the housing bubble, low-income borrowers have not enjoyed all the same benefits of homeownership, and postulate that perhaps low-income families should simply rent.⁵⁴

Each of these claims asserts that low-income borrowers and the policies that encouraged them to buy homes were at the heart, or were the cause, of the housing bubble that eventually burst. In the build-up to the financial crisis, there were certainly borrowers at every income level that took out loans with little capacity, or real intention, to repay them; and in that regard, borrowers were complicit with lenders in exacerbating the financial crisis.⁵⁵ But those who take the relevant data from the housing fallout and conclude that low-income borrowers are unable to be successful homeowners fail to challenge the dominant framework of a lender-based solution for low-income homeownership. It was not the low-income

48. Sabrina Tavernise, *Soaring Poverty Casts Spotlight on 'Lost Decade'*, N.Y. TIMES, Sept. 13, 2011, http://www.nytimes.com/2011/09/14/us/14census.html?_r=1&hp

49. See Young, *supra* note 8, at 14–15.

50. *Id.*

51. See Issa, *supra* note 13, at 412–13 (claiming that political kickbacks and insider deals between GSEs, lenders, and politicians were commonplace during the establishment of an “affordable housing” market and the buildup of the housing bubble).

52. *Id.* at 412.

53. See Brook, *supra* note 13. The Community Reinvestment Act was designed to prevent lenders from taking deposits from a low-income neighborhood and then refusing to extend loans there. *Cf.* 12 U.S.C. § 2901 (2012) (expressing Congress’s intent to facilitate lending because the “needs of communities include the need for credit services as well as deposit services.”).

54. See Herbert & Belsky, *supra* note 22, at 5; DEAN BAKER, CENTER ECON. & POL’Y RES., WHO’S DREAMING? HOMEOWNERSHIP AMONG LOW-INCOME FAMILIES (2005), available at http://www.cepr.net/documents/publications/housing_2005_01.pdf.

55. See Dickerson, *supra* note 4, at 214–17 (“While not all borrowers acted irresponsibly, a combination of fraudulent behavior, lack of financial sophistication, and unrealistic expectations about the housing market and the U.S. economy clearly helped create the mortgage crisis.”).

borrowers' part of the equation that we should see as the failure, but rather the reliance on lenders to bridge a chasm of unaffordability between what low-income families are able to pay and the cost of owning a home.

The various discussions surrounding low-income home ownership—whether centered on the CRA, subprime loans, predatory loans, liar loans, GSE policies, or the like—and their role in the financial crisis amount to little more than swatting at the flies that swarm to garbage. Each is a trouble and needs to be addressed, but without removing the source of the problem, others will only take their place. Economic inequality and unaffordable housing are at the root of the housing debacle, and our efforts to mask that fact by searching for new financial or lending novelties will only provide disappointing outcomes and delay our ability to address the issue at hand.

III. LOW-INCOME HOMEOWNERSHIP IS STILL A WORTHY GOAL

The underlying assumption during the buildup to the housing crisis, and thus far in this article, is that low-income homeownership is a good thing—a goal for which we should create solutions and apply resources. The concept that there is a social benefit to having a society of homeowners has been prevalent in American culture for generations.⁵⁶ Homeowners are the beneficiaries of legal structures and policies that encourage and protect the home.⁵⁷ The desirability of homeownership is rooted in theory and volumes of research designed to identify the individual and social benefits of homeownership. Understanding these will make the case that it is socially desirable to include low-income families in the benefits of sustainable homeownership.

A. *Theoretical Basis for a Society of Homeowners*

The underlying theories of American homeownership are vital to understanding why such a premium is placed on American homeownership and why we should care about low-income homeowners in particular. The measurable benefits of homeownership are likewise important, and are discussed below, but an analysis of theory will help paint a picture of why low-income homeownership is critical to a healthy society. Two theories stand out as particularly influential to the American conception of homeownership as it relates to the poor, namely traditional republicanism and communitarianism.

56. See Rachel D. Godsil & David V. Simunovich, *Protecting Status: The Mortgage Crisis, Eminent Domain, and the Ethic of Homeownership*, 77 *FORDHAM L. REV.* 949, 954 (2008).

57. See Stephanie M. Stern, *Residential Protectionism and the Legal Mythology of Home*, 107 *MICH. L. REV.* 1093, 1099–1102 (2008).

1. *Traditional Republicanism*

At its core, traditional republicanism rests upon ideas of public virtue, liberty, and freedom from domination and interference.⁵⁸ Private property acts as a bulwark between a citizen and her government. Cass Sunstein writes:

A central point here is that in a state in which private property does not exist, citizens are dependent on the good will of government officials, almost on a daily basis. Whatever they have is a privilege and not a right. They come to the state as supplicants or beggars, rather than as rightholders.⁵⁹

Republicanism prefers small, geographically-based political units with a high level of autonomy.⁶⁰ “Property is important to republicans because it confers power.”⁶¹

One implication of power attendant to property is a distrust of “absentee” ownership, since such ownership vests individuals outside the community with power relevant to the affairs of the community.⁶² For Nineteenth Century republicanism, the model adversary was embodied in the railroad.⁶³ The railroad was controlled by outside interests that held enormous power over local interests by controlling the rates and schedules that could starve a community or permit it to flourish.⁶⁴ Republicanism favored some local autonomy over economic pressures, and democratic control over regional and national pressures.⁶⁵

Self-government requires that each citizen have a stake in the political authority that governs. For republicanism, the stake most clearly takes the form of real property ownership, so that “the individual will share in both the successes and failures of collective decision; it is both an inducement to participation and bond against recklessness.”⁶⁶ French republican Anne Robert Jacques Turgot wrote that landowners “are attached to the land by virtue of their property; they cannot cease to take an interest in the district where it is placed . . . It is the possession of land . . . which, by linking

58. See generally J.L. Hill, *The Five Faces of Freedom in American Political and Constitutional Thought*, 45 B.C. L. REV. 499 (2004); WILLIAM H. SIMON, *THE COMMUNITY ECONOMIC DEVELOPMENT MOVEMENT: LAW, BUSINESS, & THE NEW SOCIAL POLICY* 62 (2001).

59. Cass R. Sunstein, *On Property and Constitutionalism*, 14 CARDOZO L. REV. 907, 915 (1992)

60. SIMON, *supra* note 58 at 62.

61. *Id.* at 62–63.

62. *Id.* at 63.

63. *Id.*

64. *Id.*

65. *Id.*

66. *Id.*

the possessor to the State, constitutes true citizenship.”⁶⁷ Politics is thus geographical; individual real property owners have a vested interest in the success of their community.

Property ownership has historically been used as a prerequisite to political participation.⁶⁸ Some justified this requirement by arguing that property ownership gave the owner sufficient interest in preserving the nation.⁶⁹ “According to this ‘argument from interest,’ ownership of land evinced a permanent attachment to the country, a connection to the common interest, and even an investment in the future, all of which non-freeholders lacked.”⁷⁰ Still others argued, “that property ownership gave one the requisite worldly experience and *capacity* for making informed and intelligent decisions.”⁷¹ A more prevalent and noble-minded argument posits that ownership of property provides for a measure of personal autonomy, and thereby contributes to citizen participation in the political process uninfluenced by factors other than the public good.

The republican vision for citizenry that required the ownership of land for full political participation had two logical extensions in the Nineteenth Century, one exclusionary and the other inclusionary.⁷² The exclusionary interpretation required the disenfranchisement of those who did not own property, giving rise to voting laws that permitted only landowners into the democratic process.⁷³ The inclusionary interpretation, however, held that some distribution of property to all citizens was required for self-government.⁷⁴ Thus republicanism provided theoretical footing for both “Senator John Calhoun’s insistence that propertyless laborers were unqualified for political participation” and “General Sherman’s insistence that meaningful emancipation would entail giving each former slave ‘40 acres and a mule.’”⁷⁵

Traditional republican thought applied to modern conceptions of universal political participation requires that the poor have more than simply a vote on Election Day.⁷⁶ A robust reading would require that each citi-

67. *Id.* at 63–64 (quoting WILLIAM SEWELL, *WORK AND REVOLUTION IN FRANCE: THE LANGUAGE OF LABOR FROM THE OLD REGIME TO 1848* 127–28 (1980)).

68. Rob Atkinson, *Reviving the Roman Republic; Remembering the Good Old Cause*, 71 *FORDHAM L. REV.* 1187, 1203 (2003).

69. Hill, *supra* note 59, at 514.

70. *Id.*

71. *Id.*

72. Simon, *supra* note 58, at 64–65.

73. *Id.* at 65. More recently, the leader of one Tea Party group has suggested that similarly restricting the right to vote to only landowners is a “good idea” based on traditional republican theory. See Max Read, *Tea Party Leader: Restricting Voting to Property Owners “Makes a Lot of Sense”*, *GAWKER* (Nov. 30, 2010, 9:29 p.m.), <http://gawker.com/5702830/tea-party-leader-restricting-voting-to-property-owners-makes-a-lot-of-sense>.

74. See SIMON, *supra* note 58, at 65.

75. *Id.*

76. Cf. Sunstein, *supra* note 59, at 914.

zen, including the poor, have some propertied interest in the land. A milder interpretation might suggest that, at a minimum, every citizen be given a meaningful opportunity to own real property. Absent a real possibility to own property, low-income citizens would be categorically disenfranchised, perennial “supplicants or beggars, rather than as rights holders,” by traditional republican standards.⁷⁷

Additionally, traditional republicanism would posit that poor communities, absent a base of homeowners, are left without a citizenry truly invested in the community’s success.⁷⁸ Social issues that plague low-income communities could be considered evidence of the lack of invested citizenry and homeownership initiatives for residents to fight crime, create better schools, and generate wealth. Without the possibility that low-income communities be habited by homeowners rather than renters, and that such neighborhoods and communities experience some degree of autonomy rather than continuously being subject to absentee landlords, traditional republicanism would indicate that low-income communities will be relegated to grappling with persistent social problems and lacking the ability to solve them.⁷⁹

Finally, the typical lending schemes launched in low-income neighborhoods could be considered antithetical to traditional republican thought. Like railroad companies in the Nineteenth Century, lenders in the Twenty-First Century have the power to kill distant communities. Banks over-extended credit to some low-income communities and targeted others for subprime loans, and now the fate of such communities rests on the foreclosure policies of lenders and maintenance of bank-owned properties.⁸⁰ The affected communities have neither local autonomy nor any real democratic control over the way lenders operate, as is advocated by traditional republicanism.⁸¹

2. *Communitarianism*

In the 1990s, a group of scholars, sometimes referred to as the “new communitarians,” redefined the theory of communitarianism.⁸² Amitai Etzioni, a sociologist and professor at George Washington University, emerged as a leader of the movement, which stresses the importance of social relations and homeownership in neighborhoods.⁸³ Etzioni has con-

77. *See id.* at 915.

78. *Id.* at 916.

79. *See* SIMON, *supra* note 58, at 64.

80. *See* Bybee, *supra* note 10 (discussing one lender’s impact through foreclosures on the city of Baltimore).

81. *See id.* at 126 (discussing the inadequacy of current fair lending laws).

82. *See* INST. FOR COMMUNITARIAN POL’Y STUD., <http://icps.gwu.edu> (last visiting Jan. 31, 2014)

83. *See The Essential Biography*, AMITAI ETZIONI, http://www.amitaietzioni.org/bio_

sequently trumpeted his social and economic ideology while serving as an advisor to both President Bush and President Obama, and is credited with guiding many communitarian-based government initiatives.⁸⁴ Communitarians argue the need for a sense of “personal and social responsibility, a sense that we are not only entitled but also must serve, that the individual good is deeply intertwined with the needs of commons.”⁸⁵ In further describing the place of communitarianism in political thought, Etzioni illustrates:

The course of community should be compared to a bicycle, forever teetering in one direction or another—towards the anarchy of extreme individualism and the denial of the common good or toward a collectivist ethos that makes the collective group morally superior to its individual members. Hence, communities constantly need to be pulled toward the centre course, where individual rights and social responsibilities are properly balanced.⁸⁶

Communitarians separate themselves from the capitalist underpinnings of many political ideologies and argue that the market is merely a tool in achieving common good and should not be used as a barometer to determine good on some other scale.⁸⁷ Good is not achieved through market forces driven by individuals seeking their own interests.⁸⁸ Rather, common good is achieved through communal decisions, which, in turn, should dramatically affect the mechanics and rules of the marketplace.⁸⁹

Communitarian thought incorporates “social justice,” in that “each member of the community owes something to all the rest, and the community owes something to each of its members. Justice requires responsible individuals in a responsive community.”⁹⁰ Community members have “a responsibility, to the greatest extent possible, to provide for themselves and their families: honorable work contributes to the commonwealth and to the community’s ability to fulfill its essential tasks,” but simultaneously, “individuals have a responsibility for the material and moral well-being of others.”⁹¹ This concept of social justice underpins social policies, including the opportunity for homeownership. Communitarians argue that the

essential.html (last visited Dec. 30, 2013).

84. *Id.*

85. Amitai Etzioni, *Nation in Need of Community Values*, LONDON TIMES, Feb. 20, 1995, <http://www.gwu.edu/~ccps/etzioni/B262.html>.

86. *Id.*

87. See M. Neil Browne & Nancy K. Kubasek, *A Communitarian Green Space Between Market and Political Rhetoric About Environmental Law*, 37 AM. BUS. L.J. 127, 131 (1999).

88. *Id.*

89. *See id.*

90. *See* INST. FOR COMMUNITARIAN POL’Y, *supra* note 82.

91. *Id.*

need for equality and opportunity is not based merely on decency or compassion; rather, it is the fundamental method to build a community.⁹²

The communitarian conception of morality, coupled with the underlying premise of the common good, influences our policies regarding homeownership, and especially low-income homeownership.⁹³ We can even interpret the so-called democratization of credit as an attempt to influence the market to bring about the common good of pervasive homeownership. This concept is not new. Calvin Coolidge asserted:

It is of little avail to assert that there is an inherent right to own property unless there is an open opportunity that this right may be enjoyed in a fair degree by all. That which is referred to in such critical terms as capitalism cannot prevail unless it is adapted to the general requirements. Unless it be of the people it will cease to have a place under our institutions⁹⁴

Coolidge's statements echo communitarian thought as he declares that homeownership must be available to all and that the capitalistic market must respond to such a mandate so as to be relevant.⁹⁵ An important distinction, however, between the democratization of credit and communitarian call for a responsive market is that the former was bank-led at a national level and required that individuals accept its terms for homeownership (often in the form of onerous mortgage terms and high home prices). Communitarianism might require that communities define the terms for homeownership and engage the banks and lenders in the manner in which they are needed.

Communitarianism would clearly advocate homeownership initiatives particularly for low-income individuals and communities. Mainstream society has a social obligation to consider the well being of low-income individuals and families and foster their inclusion as full participants in society. Given the benefits of homeownership described in section b, below, society should appreciate the role of homeownership in creating wealth, better living situations, and better learning environments for low-

92. Philip Selznick, *Social Justice: A Community Perspective*, 6 THE RESPONSIVE CMTY. 13, 22–23 (1996), available at <http://www.gwu.edu/~ccps/rcq/issues/6-4.pdf> (“In a thriving community people want to be treated as members; and they aspire to full membership. Therefore inclusion is a major principle of social justice. The most important ways of being included—of participating in community—flow from the basic continuities of life: procreation, child-rearing, kinship, friendship, and work. Religion and politics are distorted if those continuities are weak, or absent, or if they are excessively demanding. The underlying truth is that community brings people together, not as manipulated or mobilized ‘masses,’ but in ways that sustain the wholeness and soundness of personal life.”)

93. See, e.g., Calvin Coolidge, *Better Homes*, in *Better Homes in America*, at 3, 4, available at <http://www.munseys.com/diskone/btrha.pdf>.

94. *Id.*

95. *See id.*

income families. Additionally, full inclusion of low-income individuals in American society demands access to the exalted status of homeowner.

3. *The Importance of Theory*

Traditional republicanism and communitarianism represent theories that strongly influence the way Americans think about homeownership for the individual and as a society and provide support for the proposition of creating homeownership possibilities for the poor. We want citizenry engaged in and controlling of the polity where they live, and homeownership can provide a tie to community and geography that gives owners a vested interest in the success of their community. The theories discussed above posit that low-income individuals can only be vested members of society through meaningful opportunity to own property. Providing such an opportunity is incumbent upon the rest of our American community.⁹⁶

The theories of homeownership are important anchors to whatever initiatives or policies they engender, but are insufficient alone to justify initiatives that require a significant outlay of resources. But homeownership also yields real and measurable benefits to individuals and communities. In the following section I review the literature to identify the evidenced-based benefits of homeownership in order to complement the theoretical discussion of why homeownership is important for the poor.

B. Benefits of Homeownership for the Individual and Community

Much of the justification for the policies and initiatives that support homeownership assert that owning a home creates a plethora of benefits to the individual owner, her family, her community, and society at large.⁹⁷ These benefits can be especially critical for low-income individuals who aim for social mobility and to generally better their situation. As discussed below, homeownership is hardly a silver bullet for all social ills, and many benefits come with caveats—especially for low-income homebuyers. Yet a significant amount of empirical evidence suggests that homeownership for low-income individuals creates significant benefits and is worth the investment.⁹⁸

96. See, e.g., *id.*

97. *Id.*

98. See George McCarthy et al., *The Economic Benefits and Costs of Home Ownership: A Critical Assessment of the Research* 43 (Research Inst. for Hous. Am., Working Paper No. 01-02, 2001), available at http://www.housingamerica.org/RIHA/RIHA/Publications/48517_RIHAwp01-02.pdf.

1. *Economic Benefits to Individual Homeowners*

The benefits of homeownership to the individual take two forms: economic benefits and social benefits. One of the most cited benefits of homeownership is that wealth can be accumulated for the individual homeowner.⁹⁹ The literature indicates that housing is a relatively good investment as compared to other investment choices.¹⁰⁰ “It brings a return that is lower than riskier stock market investments and higher than lower-risk bonds and bills.”¹⁰¹ Across America, the value of a home accounts for, on average, 65% of a middle-class household’s wealth,¹⁰² and, despite the housing crisis, remains a significant creator of wealth for families.¹⁰³

One reason homeownership can create such wealth is that a buyer gets to enjoy the appreciation on what is often a highly-leveraged asset. A new buyer may only pay for 20% of the home in the form of a down payment, but immediately gets to enjoy the appreciation in value on 100% of the asset., Owner-occupied home purchases are largely made with mortgage lending, and there are no other assets with a comparably efficient and inexpensive financing system for the average individual to so highly leverage their money.¹⁰⁴

Additionally, homeownership can act as a forced savings program for homeowners with a fully-amortizing loan.¹⁰⁵ There is incredible pressure on homeowners to stay current on making their monthly payments; failure to do so may not only ruin a credit history, but can also jeopardize the home to foreclosure and at least a partial loss of whatever equity has been accumulated.¹⁰⁶ Mortgage payments are often at the top of the monthly priority list. And yet a portion of each monthly mortgage payment is applied to pay off the principle amount of the loan, and a homeowner will fully recoup this amount when the home is sold. In this sense, the homeowner is forced to make consistent and significant savings that a renter is not.

99. *See id.* at 5.

100. *See id.* at 32.

101. *Id.*

102. Edward N. Wolff, *Recent Trends in Household Wealth in the United States: Rising Debt and the Middle-Class Squeeze—an Update to 2007*, 48 *tbl.* 6 (The Levy Econ. Inst. of Bard Coll., Working Paper No. 589, 2010) available at http://www.levyinstitute.org/pubs/wp_589.pdf.

103. *See id.* at 15.

104. *See* Morgan Brenna, *Nearly 50% of All Home Sales Now Cash, as Institutional Investor Activity Hits New High*, FORBES (Oct. 24, 2013, 5:43 PM), <http://www.forbes.com/sites/morganbrennan/2013/10/24/nearly-50-of-all-home-sales-now-cash-as-institutional-investor-activity-hits-new-high/>; Quentin Fottrell, *All-Cash Home Sales Reach New High: Why the Fed Tapering May Help Drive More All-Cash Buyers*, MARKET WATCH (Dec. 20, 2013, 12:49 PM), <http://www.marketwatch.com/story/nearly-half-of-all-homes-are-purchased-in-cash-2013-08-29>.

105. McCarthy et al., *supra* note 99, at 19.

106. *See id.* at 30.

Financial benefits of homeownership, however, do not accrue evenly across income brackets. Low- and moderate-income homeowners enjoy lower financial security in their homes than wealthy owners for several reasons. Lower-income households accumulate less non-house savings, making housing a more significant portion of low-income family wealth and exposing them to greater risk.¹⁰⁷ Lower-income households also tend to borrow more against their equity, and more expensively.¹⁰⁸ Additionally, houses available to low- and moderate-income owners are in areas that have “more volatile and generally lower price appreciation” than wealthy areas.¹⁰⁹ Yet even considering each of those caveats, few greater opportunities exist for low-income individuals to create wealth on the scale that a home can provide.

2. Social Benefits to Individual Homeowner

Beyond the economic benefits of owning a home, research shows that there are a host of social benefits that accrue to homeowners. Research has shown that homeowners tend to have more life satisfaction than renters.¹¹⁰ One study interviewed homeowners a year and a half after purchasing a home, and again three years after their home purchase and found that the homeowners had experienced statistically significant increases in their rating of life satisfaction that persisted through the three-year mark.¹¹¹ Even when a host of other variables are controlled, including neighborhood characteristics, housing unit characteristics, and demographic information, homeowners are “substantially more satisfied with their homes than renters.”¹¹²

Homeownership may positively affect an individual’s self-esteem.¹¹³ One study tracked 143 individuals starting from the time they signed contracts on new homes in central Baltimore and interviewing them again at two eighteen-month intervals.¹¹⁴ Eighty-five percent of the homeowners

107. *Id.* at 31.

108. *Id.*

109. *Id.*

110. William Rohe et al., *The Social Benefits and Costs of Homeownership: A Critical Assessment of the Research* 3 (Joint Ctr. for Hous. Study, Working Paper No. LIHO-01.12, 2001), available at <http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/liho01-12.pdf>.

111. *Id.* at 7 (discussing William M. Rohe & Victoria Basolo, *Long-Term Effects of Homeownership on the Self-Perceptions and Social Interaction of Low-Income Persons*, 29 ENV'T & BEHAVIOR 793 (1997); William M. Rohe & Michael A. Stegman, *The Effects of Homeownership on the Self-Esteem, Perceived Control and Life Satisfaction of Low-Income People*, 60 J. AM. PLANNING ASS'N 173 (1994)).

112. *Id.* at 4 (discussing Julie A. Lam, *Type of Structure, Satisfaction and Propensity to Move*, 12 HOUS. & SOC'Y 32 (1985)).

113. *Id.* at 6–8.

114. *Id.* at 7.

said that owning a home made them feel better about themselves.¹¹⁵ While there are indications that homeownership contributes to an improvement in self-esteem,¹¹⁶ further research is required to confidently make a causal connection.

As with self-esteem and life satisfaction, studies show that homeowners are generally healthier than renters.¹¹⁷ Studies controlling for age, sex, income, and self-esteem find that homeowners report more positive self-assessments of physical health.¹¹⁸ Another study interviewed laid-off workers and showed that, after controlling for income and education, home-owning workers reported “significantly less economic strain, depression, and problematic alcohol use than did renters,” indicating that homeownership may ameliorate job-related stress.¹¹⁹

The positive benefits of homeownership on self-esteem, life satisfaction, and physical health each assume, however, that the homeownership experience is a successful one. When homeowners are unsuccessful in their ownership, most importantly by delinquency on mortgage payments or deteriorating neighborhood, then not only is there no evidence of the social benefits described above, but there may be corresponding negative social costs to the homeowner.¹²⁰ Thus, for low-income homeownership policies in particular, care should be taken to understand lessons from the financial crisis so that future low-income homeowners have the greatest chance for success.

3. *Benefits to the Children of Homeowners*

In addition to economic and social benefits accruing to individual homeowners, there is research that shows significant benefits to the children of homeowners.¹²¹ A child growing up in an owned home is better able to succeed in school and has cognitive outcomes “up to nine percent higher in math achievement and seven percent higher in reading achieve-

115. *Id.* at 7–8. (stating that Rohe’s study of the impact of homeownership on self-esteem suffered from methodological problems, including small sample size, confounding influences, and poor measures).

116. *See generally, id.*

117. *Id.* at 9.

118. *Id.* at 9–10 (discussing Sally Macintyre et al., *Do Housing Tenure and Car Access Predict Health Because They Are Simply Markers of Income or Self Esteem? A Scottish Study*, 52 J. EPIDEMIOLOGY & COMTY. HEALTH 657 (1998); Peter H. Rossi & Eleanor Weber, *The Social Benefits of Homeownership: Empirical Evidence from National Surveys*, 7 HOUS. POL’Y DEBATE 1 (1996)).

119. *Id.* at 10 (discussing Deborah Page-Adams & Nancy R. Vosler, *Homeownership and Well-Being Among Blue-Collar Workers* (Wash. Univ. St. Louis, Ctr. for Soc. Dev., Working Paper No. 97-5, 1997)).

120. *See id.* at 3, 8, 10.

121. *See* Donald R. Haurin et al., *The Impact of Homeownership on Child Outcomes* 1 (Harv. Univ. Joint Ctr. for Housing Stud., Working Paper No. LIHO.01-14, 2001), available at <http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/liho01-14.pdf>.

ment.”¹²² Additionally, a child in an owned home has behavioral problems “up to three percent lower” than if the child lived in a rented one.¹²³

Research has also found that after controlling for a variety of variables including “race, family income, parent education, family composition, size and work status,” children of homeowners are less likely to drop out of high school than children of renters.¹²⁴ Additionally, children of homeowners are less likely to be involved in a teenage pregnancy.¹²⁵ Homeownership has been shown to substantially raise the cognitive outcomes in children and reduce behavioral problems like “having a bad temper, being argumentative, and feeling worthless.”¹²⁶

Perhaps as a natural result of children living in owned homes doing better in school than children in rented homes, studies have shown that parental homeownership impacts a child’s income as an adult.¹²⁷ This relationship between growing up in an owned home and future earnings is particularly relevant in low-income households.¹²⁸ Not surprisingly, in addition to better school outcomes and increased earning potential, children raised in owned homes are more likely to eventually own homes themselves, suggesting that the home-owning ethic may be passed from one generation to the next.¹²⁹

Clearly these benefits are particularly relevant for children in low-income families. Homeownership can help them, their families, and society avoid a host of behavioral problems as they grow up and give these children the best chance for intergenerational social mobility.

4. *Benefits of Homeownership to Community*

The research also shows that homeowners are more actively involved in voluntary organizations and political activity than renters, though strict causation between owning a home and such participation has yet to be definitively shown.¹³⁰ Still, there is a strong correlation, even after several variables are controlled, between homeownership and actions that typify good citizenship, such as “membership in non-professional organizations and involvement in local politics.”¹³¹ Homeowners are:

122. *Id.* at 15.

123. *Id.*

124. Rohe et al., *supra* note 111, at 20 (discussing Richard K. Green & Michelle J. White, *Measuring the Benefits of Homeowning: Effects on Children*, 41 J. URBAN ECON. 441 (1997)).

125. *Id.*

126. *Id.* at 21.

127. Thomas P. Boehm & Alan M. Schlottmann, *Housing and Wealth Accumulation: Intergenerational Impacts* 16 (Joint Ctr. for Hous. Study, Working Paper No. LIHO-01.15, 2001), available at <http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/liho01-15.pdf>.

128. *Id.*

129. *Id.*

130. Rohe et al., *supra* note 111, at 11.

131. Denise DiPasquale & Edward L. Glaeser, *Incentives and Social Capital: Are Homeowners*

10 percent more likely to work to solve local problems or know their U.S. representative by name. They are 13 percent more likely [sic] know the identity of their school board head. Homeowners are 16 percent more likely to vote in local elections. On average, they are members of .22 more non-professional organizations than non-owners. Homeowners are 18 percent more likely to garden. . . . Homeowners attend church more frequently than renters.¹³²

The increased community participation by homeowners is reflective of traditional republican thought and particularly relevant for low-income individuals and communities.¹³³

Homeowners express greater concern for their neighborhoods. They more frequently attend neighborhood and block association meetings.¹³⁴

Homeowners seem more willing to become involved with and protect their neighborhoods. Habitat for Humanity will often build homes in clusters within a neighborhood, or build an entire neighborhood of low-income homeowners.¹³⁵ These clusters of homes have been reported to change entire neighborhoods, reclaiming some as “a safe and desirable place to live” that were not safe before the Habitat homes were built.¹³⁶

Higher proportions of homeownership produce more stable neighborhoods and higher rates of property value appreciation.¹³⁷ Homeowners stay in neighborhoods longer than renters and keep their properties in better condition.¹³⁸ Controlling for a host of other variables, a “5-percentage-point change in the homeownership rate of a tract would be associated with about a \$4000 increase in mean single-family property value over a 10-year period.”¹³⁹

Homeownership has consistently been shown to decrease family mobility, but the benefit or detriment of such a result is far from established.¹⁴⁰ On the one hand, decreased mobility creates more stable

Better Citizens? 30 (Nat'l Bureau of Econ. Research, Working Paper No. 6363, 1998), available at http://www.nber.org/papers/w6363.pdf?new_window=1.

132. *Id.* at 3.

133. See generally William M. Rohe & Victoria Basolo, *Long-Term Effects of Homeownership on the Self-Perceptions and Social Interaction of Low-Income Persons*, 29 ENV'T & BEHAVIOR 793 (1997).

134. *Id.* at 816.

135. APPLIED REAL ESTATE ANALYSIS, INC., MAKING HOMEOWNERSHIP A REALITY, SURVEY OF HABITAT FOR HUMANITY INTERNATIONAL IV-26 (1998), available at <http://www.huduser.org/portal/publications/affhsg/habhome.html>.

136. *Id.*

137. McCarthy et al., *supra* note 99, at 39 (discussing William M. Rohe & Leslie S. Stewart, *Homeownership and Neighborhood Stability*, 7 HOUS. POL'Y DEBATE 37 (1996)).

138. William M. Rohe & Leslie S. Stewart, *Homeownership and Neighborhood Stability*, 7 HOUS. POL'Y DEBATE 37, 39 (1996).

139. *Id.* at 72.

140. Rohe et al., *supra* note 111, at 15.

neighborhoods and communities where social interactions can lead to increases in social capital and community experience.¹⁴¹ On the other hand, decreased mobility may trap an owner in an undesirable neighborhood or prevent relocation for work.¹⁴² Low-income communities in particular need the benefit of residents invested and willing to become involved in solving social problems.

5. *Benefits can be Muted for Low-Income Homeowners*

Despite the number of significant benefits that are enjoyed by homeowners and their communities, there are also data that indicate low-income homeowners enjoy a lesser share of these benefits for a variety of reasons.¹⁴³ First, “[l]ower- and moderate-income households purchase a disproportionately larger share of older housing than wealthier households.”¹⁴⁴ Such homes require higher maintenance and upkeep costs and thus diminish the financial benefits of ownership.¹⁴⁵ Second, low-income homeowners are more likely to purchase homes in neighborhoods with significant crime and poor schools, and such factors may limit the ability for children to succeed.¹⁴⁶ Third, homeownership ties an individual to a particular location, and the ties between the job and housing markets indicate that, for low-income owners, local job losses can be coupled with housing price declines so that in the very moment that an owner needs to sell her house or access accumulated equity she may least be able to do so.¹⁴⁷

Additionally, low-income homeowners rarely benefit from preferential tax treatment enjoyed by higher income homeowners, especially the mortgage interest deduction.¹⁴⁸ After the tax reform of the 1980s raised the standard deduction and thus lowered the benefits of itemizing deductions for low- and moderate-income households, the mortgage interest and property tax deductions largely became a tax advantage for only the wealthy.¹⁴⁹ The mortgage interest deduction cost the treasury \$76 billion in 2006, and more than half of that benefit is taken up by the top 12% of earners.¹⁵⁰ Those taxpayers with large mortgages, high incomes and often multiple

141. *Id.* at 12.

142. *Id.* at 13–14.

143. *See* McCarthy et al., *supra* note 99, at 17.

144. *Id.* at 16.

145. *Id.*

146. Scott J. South & Kyle D. Crowder, *Escaping Distressed Neighborhoods: Individual, Community, and Metropolitan Influences*, 102 AM. J. SOC. 1040, 1080 (1997), available at <http://www.jstor.org/stable/2782026>.

147. McCarthy et al., *supra* note 99, at 34.

148. *Id.* at 3.

149. *Id.*

150. *Cf.* Roger Lowenstein, *Tax Break: Who Needs the Mortgage Interest Deduction?*, N.Y. TIMES, March 5, 2006, § 6, at 79.

houses can amplify the benefit of the tax deduction, whereas the deduction is irrelevant for homeowners who claim the standard deduction.

Yet simply because some benefits of homeownership can be diminished for low-income buyers does not indicate that the benefits are insignificant. To the contrary, and especially in terms of wealth creation, the benefits of homeownership can be more significant to low-income homebuyers than their wealthy counterparts when a family's overall wealth is considered. Homeownership accounts for a more than 70% of a low-income household's total wealth, but less than 30% of an upper-income household wealth.¹⁵¹ While the homes purchased by upper-income households may appreciate faster and cost less to maintain, the appreciation of homes purchased by low-income households still represents a greater boon to that family's wealth as compared to the increase in wealth from home appreciation experienced by upper-income households. In other words, while some benefits of homeownership may be muted in real terms, those same benefits can be more significant for low-income households in marginal terms.

C. Homeownership for Low-Income Families – Is it Worth it?

There are real and significant reasons why homeownership is an important policy goal. As discussed, homeownership can be a tool to foster active political participation and a vested interest in one's community as advocated by traditional republican and communitarian theories. Homeownership can create significant wealth, and other societal benefits flow to the homeowner, her family, and her community. But, while it was once assumed that the benefits would spontaneously follow from the purchase of a home,¹⁵² the mortgage crisis has taught that some benefits are not guaranteed, and the accumulation of such benefits as the creation of wealth is not always positive across time.¹⁵³ For low-income families in particular, the benefits of homeownership can be muted, and those families and their homes may be more vulnerable to economic instability.

From a policy perspective, those advocating low-income homeownership opportunities must face two questions. First, is it worth the effort? And second, how do we do it? When policy-makers still had faith in the market's ability to deliver on democratized credit, perhaps the answer to the first question was obvious: if homeownership opportunities for the poor can be provided at no monetary cost to the public, then yes, it is worth the effort. But now that the lender-based framework for creating low-income homeownership has failed, any new effort to create home-

151. Wolff, *supra* note 103.

152. See Stern, *supra* note 6.

153. See McCarthy et al., *supra* note 99, at 31.

ownership opportunities for the poor can only come from higher wages, lower housing prices, or government subsidy. Absent efforts to increase wages for the poor or affirmatively push down the cost of houses, creating new opportunities for low-income families to buy homes will necessarily put a greater burden on the public purse than such efforts have to date. Perhaps, given the catastrophic and expensive failure of the lender-based approach, there will be an increased willingness to provide funds for sustainable homeownership opportunities for the poor on the front end rather than deal with the fallout of unsustainable homeownership on the back.

Providing homeownership opportunities for the poor is worth the effort. Homeownership is a powerful tool for social mobility and the slow, steady creation of wealth. Given the stagnant wages discussed above, it is increasingly difficult for the poor and their children to better their situation, yet homeownership remains a realistic path to the middle class. Additionally, all Americans benefit from adding new members to the middle class. A broad-based middle class keeps the economy steadily growing while “[a]n economy so dependent on the spending of a few is also prone to great booms and busts.”¹⁵⁴ And ownership can create individuals that are more willing and able to work and solve the problems in their local communities and nation. Creating opportunities for sustainable homeownership should be a critical part of whatever housing policy emerges from the mortgage crisis.

The second question of how it is that we can achieve opportunities for sustainable homeownership can only be answered by establishing a new framework for low-income homeownership, discussed in detail in the section below. The lender-based framework has proven unable to provide low-income families with a real chance at successful homeownership,¹⁵⁵ and thus a new framework is required. This new framework, however, need not be untested and completely original. Community-based organizations across the country have a long history of providing location-appropriate initiatives to strengthen communities and give the poor opportunities for sustainable homeownership.

IV. COMMUNITY-BASED FRAMEWORK FOR HOMEOWNERSHIP OPPORTUNITIES

Here I propose the broad outlines of a community-based framework to create real homeownership opportunities for low-income families. The new community-based framework must contain three general elements: first, reliance on community-based organizations and their tailored approach at creating homeowners; second, a holistic approach to strengthen-

154. Reich, *supra* note 37.

155. Dickerson, *supra* note 4, at 209.

ing the community in which homeowners will buy; and third, increased investment from the federal budget. Beyond the three general elements of a community-based framework, homeownership initiatives for the poor can take a variety of alternative forms. Below, I propose one such initiative that would adhere to a community-based framework for low-income homeownership: the expansion of the Community Development Block Grant (CDBG) program.

A. Reliance on Community-based Organizations

Community-based organizations are intimately tied to the success of their communities. They are vested in having healthy and growing communities because they have skin in the game as opposed to national agencies or lenders.¹⁵⁶ Community-based organizations understand the particular challenges that exist in their communities, and can often have a good idea of solutions that will work. Therefore, a successful framework for creating homeownership opportunities for low-income families should rely on community-based organizations for their practical expertise.

One example of community-based organizations steering the development of a novel solution to a particular problem comes from Syracuse, New York and the development of home equity insurance products.¹⁵⁷ Similar to other former industrial centers that bucked the national trend of rising home prices, Syracuse faced rapidly declining home prices, deteriorating neighborhoods, and an overwhelming number of absentee-owner properties.¹⁵⁸ In an effort to stave off the growing urban decline, Syracuse Neighborhood Initiative (SNI), a collaboration between the “City of Syracuse, local and national non-profit community development organizations, and private sector leaders,” took the challenge of devising a way to revitalize neighborhoods in Syracuse through homeownership.¹⁵⁹

i) Among the key questions asked by SNI and other community leaders was why more renters were not interested in buying homes in Syracuse, given that the houses were so affordable.¹⁶⁰ Through interviews and surveys SNI discovered that residents feared continued price declines for homes in the area, such that whatever money they put down as equity would be wiped out.¹⁶¹ While the

156. Andrew Caplin et al., *Home Equity Insurance: A Pilot Project 3* (Yale Int'l Ctr. for Fin., Working Paper No. 03-12, 2003), available at

<http://cess.nyu.edu/caplin/wp-content/uploads/2010/07/Home-Equity-Insurance.pdf>

157. *Id.*

158. *Id.*

159. *Id.*

160. *Id.* at 4 (the median price in 2001 was \$60,000).

161. *Id.*

purchase of a home has potential to generate great amounts of wealth as a home appreciates, there is also risk that falling prices will wipe out any equity in the home.¹⁶² In a falling market, declining prices may further depress demand and prices as potential buyers think the home will be a bad investment, while exiting owners may try to sell their homes in order to get out of the bad investment before all their equity is lost.¹⁶³ Thus, a falling real estate market has the potential to compound upon itself, as was the case in Syracuse.

Because risk of losing equity was the major impediment to new homeownership in Syracuse, SNI proposed a home equity insurance program for homeowners.¹⁶⁴ The organization studied the benefits and drawbacks of several different models of home equity insurance from around the country and grappled with local law on how to market and sell the insurance product.¹⁶⁵ In the end, homeowners in Syracuse had the opportunity to purchase a policy that would pay out if, when they sold their house, an index of local housing prices was lower than at the time they purchased their home.¹⁶⁶ The policies mitigated the risk of losing home equity and reversed the housing market that had been falling for a decade to the point where Syracuse experienced modest price appreciation even during the national housing slump when prices fell across the country.¹⁶⁷ And while the home equity insurance program is still available, it appears to be a victim of its own success because its existence gives homebuyers the confidence that prices are stable, and thus they no longer buy the insurance policies to insure against a loss of equity.¹⁶⁸

The experience in Syracuse shows a collaborative community-based organization that understood the issues that contributed to low homeownership rates and the continued decline of their neighborhoods and was able to sift through various policy responses to find the one that was right for them.¹⁶⁹ While traditional homeownership initiatives focus largely on help such as down payment assistance or homeownership education courses, the community-based organizations in Syracuse understood that such initiatives were not relevant to their community and went on to identify and

162. *See id.*

163. *Id.*

164. *Id.*

165. *See generally id.* at 5–8 (discussing an equity insurance pilot program in Oak Park, Illinois).

166. *See generally id.* at 4 (outlining the need to develop an equity insurance program for Syracuse).

167. Lee Egerstrom, *Home Equity Protection Plan Tried, Worked in Syracuse*, MINN.2020 (May 7, 2009), <http://www.mn2020.org/issues-that-matter/economic-developmentfiscal-policy/home-equity-protection-plan-tried-worked-in-syracuse>.

168. *Id.*

169. *Id.*

address the true impediments to homeownership in Syracuse.¹⁷⁰ This type of experience, however, is not limited to Syracuse. Community-based organizations around the country work daily to solve complicated problems that plague their communities.

B. Holistic Community Development

Simply creating more homeowners from among the residents does not always solve the problems affecting low-income communities. Low-income homeowners often have difficulty being successful owners when their communities have persistent problems like poor transportation, high crime, low-performing schools, and lack of neighborhood services.¹⁷¹ Successful initiatives for low-income homeownership will combine efforts to tackle community distress in tandem with increasing homeownership rates.

The expertise for understanding the assortment of problems that a particular community faces, along with the best options for addressing the problems, will come from community-based organizations. One example of such a holistic approach comes from Overtown, Florida, a community near Miami once designated as a “slum and blighted area”.¹⁷² In the late Nineteenth Century, Overtown was known as “Colored Town,” created to geographically segregate the working class black population from Miami, and it grew in the first half of the Twentieth Century to be the “Harlem of the South,” a thriving and vibrant black community.¹⁷³ A variety of factors, including desegregation, urban renewal, newly built expressways, and mass transit trains built through and over the city led to crime, neglect, riots, and a population decline from 33,000 to fewer than 8,000 residents in less than fifty years.¹⁷⁴

The Southeast Overtown Park West Redevelopment District and Community Redevelopment Agency, St. John Community Development Corporation, and the Black Archives, History, and Research Foundation of South Florida are each community-based organizations that understand not only the particular challenges, but also the assets upon which Overtown could build.¹⁷⁵ The coalition of organizations researched what worked in neighboring communities, held meetings with residents to ensure an understanding of what the community wanted, and made it fit with their un-

170. *Id.*

171. *Cf.* Winton Pitcoff, *Has Homeownership Been Oversold?*, NAT'L HOUS. INST. (2003), <http://www.nhi.org/online/issues/127/homeownership.html>.

172. Viegas, *supra* note 16 at 404 (citing City of Miami Cmty. Redev. Agency, Southeast Overtown/Park West Redevelopment Plan 1.8 (Sept. 2003) (on file with the author)).

173. *Id.* (citing William Yardley, *Overtown's Glitter a Few Blocks and a World Away*, MIAMI HERALD, Jul. 27, 2003, available at <http://www.floridacdc.org/articles/030803-2.htm>).

174. *Id.* at 404–05.

175. *Id.* at 405–07.

derstanding of what would work.¹⁷⁶ They developed a plan to expand the city's tax base, create affordable housing, create jobs, promote the community, preserve the history of Miami's black community, and improve the resident's quality of life.¹⁷⁷ The organizations employed a variety of strategies, projects, and financing solutions to achieve each of these goals.

The community-based organizations lobbied for widening of sidewalks for street-side cafes and promenades, worked with the department of transportation to reroute or reconstruct portions of the city's expressways, promoted the upgrading of sewer and water services, provided security to club and night-life zones, restored a local church, and coordinated the mixed-use redevelopment of a parking lot to include a Hilton Hotel, 150 units of affordable housing, 160 condos, a club, shops, a museum, and a gallery.¹⁷⁸ Additionally, the organizations provide residents with services, including job training, entrepreneurial development, wealth management, and business counseling.¹⁷⁹

Each of the responses created by Overtown's community-based organizations were aimed to address particular needs by Overtown's residents. They were instrumental in recreating a city where residents could prosper and homeowners would be more able to realize the full benefits of owning their home.

C. Increased Investment from Federal Budget

A new, successful, community-based framework will require a more substantial investment from the federal budget. The idea that we as a nation can get low-income homeownership "on the cheap" by encouraging lenders to offer solutions, is dead.¹⁸⁰ While it may be easy for politicians and policy-makers to promote low-income homeownership when it appears the market will foot the bill, it is much harder when it will require a real budgetary fight to secure the funds necessary for a meaningful homeownership initiative.

Researchers estimate that the federal government spent \$157.5 billion in 2006 in support of homeownership; such funds can be broken down into two types of support: direct outlays and tax subsidies.¹⁸¹ Almost \$3 billion was spent on direct outlays to subsidize the cost of mortgages and provide home repair grants, largely going to low-income and rural individuals.¹⁸²

176. *Id.*

177. *Id.*

178. *Id.* at 406–08.

179. *Id.* at 407.

180. See ADAM CARASSO ET AL., ECON. MOBILITY PROJECT, HOW MUCH DOES THE FEDERAL GOVERNMENT SPEND TO PROMOTE ECONOMIC MOBILITY AND FOR WHOM? 14 (2008) available at http://www.urban.org/UploadedPDF/411610_Economic_Mobility.pdf.

181. *Id.*

182. *Id.*

On the other hand, \$154.8 billion can be attributed to tax subsidies, including mortgage interest deduction, property tax deduction, and capital gains exclusion on home sales.¹⁸³ In other words, more than 98% of the total federal government expenditures on supporting homeownership are in the form of tax subsidies.¹⁸⁴ Those tax expenditures largely flow to Americans in the top fifth of income earners: 81.5% of all mortgage interest deductions, 78.4% of property tax deductions, and 97.6% of capital-gains exclusions go to the top 5%.¹⁸⁵ The benefits of tax expenditures do not accrue to most low- and middle-income homeowners simply because these individuals tend to forego itemizing their income tax returns and take the standard deduction.¹⁸⁶ Instead, the tax expenditures, especially the mortgage interest deduction, have been shown to be ineffective tools to promote homeownership, as middle- and upper-income individuals tend to purchase homes regardless of the subsidy.¹⁸⁷ Rather than promote homeownership, the result of the mortgage interest deduction is merely that expensive homes are priced higher than they would be absent the deduction.¹⁸⁸

The bulk of federal dollars spent on encouraging homeownership is spent on individuals that would buy homes without the subsidy.¹⁸⁹ It could be argued that the current state of federal homeownership initiatives is not only bad policy, but also amounts to a regressive transfer of wealth. Many have argued that the current tax deductions, including the mortgage interest deduction, could be more progressive and truly spur homeownership without any additional loss of revenue if they were converted to tax credits.¹⁹⁰ Others have argued that the deductions are ineffective and should be phased out all together.¹⁹¹

Policy-makers should examine the total support provided to encourage homeownership and allocate a greater amount toward low-income homeownership initiatives. Dollars spent on low-income homeownership are more effective at spurring the economy, creating wealth, and enabling social mobility for the individual homeowner.¹⁹² Even small adjustments

183. *Id.*

184. *See id.*

185. *Id.* at 15.

186. *See* Edward L. Glaeser & Jesse M. Shapiro, *The Benefits of the Home Mortgage Interest Deduction* (Nat'l Bureau of Econ. Research, Working Paper No. 9284, 2002), available at http://www.nber.org/papers/w9284.pdf?new_window=1.

187. *See id.* at 2–4.

188. *See id.*

189. *See id.*

190. *See, e.g.,* Robertson Williams, *Simple Tweak, Profound Effects*, N.Y. TIMES, Aug. 3, 2013, <http://www.nytimes.com/roomfordebate/2011/09/06/can-the-middle-class-be-rebuilt/turn-tax-deductions-into-tax-credits>.

191. *See, e.g.,* VIRAL V. ACHARYA, ET AL., GUARANTEED TO FAIL: FANNIE MAE, FREDDIE MAC, AND THE DEBACLE OF MORTGAGE FINANCE (2011); Lowenstein, *supra* note 151.

192. *See* ECON. MOBILITY PROJECT, RENEWING THE AMERICAN DREAM: A ROADMAP TO

in the allocation of homeownership dollars can create significant improvements in the ability to create sustainable homeownership opportunities for the poor.

D. A Proposal: CDBG and Homeownership

One possible application of the community-based framework for low-income homeownership is the expansion of the Community Development Block Grant (CDBG) program. The program has been the federal government's principal community development program since the 1970s.¹⁹³ The CDBG program is administered by the Department of Housing and Urban Development (HUD) and provides funding to "entitlement communities" that consist of metropolitan cities and urban counties that meet certain size criteria, and to states for allocation to communities that do not qualify as entitlement communities, also called "Small Cities."¹⁹⁴ The recipients are given significant latitude with regard to using the funds, but activities must "(1) principally benefit low- and moderate-income persons, (2) aid in the prevention or elimination of slums or blight, or (3) meet urgent community development needs."¹⁹⁵

CDBG funds may be used for a variety of initiatives designed to encourage homeownership, including homebuyer educational classes and down payment and closing cost assistance. Additionally, since the beginning of the current economic crisis, the CDBG program has also been the vehicle for funds that are part of the Neighborhood Stabilization Program (NSP).¹⁹⁶ These funds too are distributed to entitlement communities and small cities for the purchase and redevelopment of foreclosed and abandoned properties.¹⁹⁷ By comparison to the flexibility given to CDBG funds, 100% of NSP funds must benefit low- and moderate-income individuals and at least 25% of the funds must be used specifically to purchase and redevelop foreclosed and abandoned properties and sell them to low-

ENHANCING ECONOMIC MOBILITY IN AMERICA (2009), available at http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Economic_Mobility/EMP_Road_Map.pdf.

193. See *Community Development Block Grant Program -CDBG*, U.S. DEP'T OF HOUS. & URBAN DEV., http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs (last visited Oct. 16, 2013).

194. *Id.*

195. U.S. GOV'T ACCOUNTABILITY OFFICE, COMMUNITY DEVELOPMENT BLOCK GRANTS: PROGRAM OFFERS RECIPIENTS FLEXIBILITY BUT OVERSIGHT CAN BE IMPROVED, GAO-06-732, at 1 (2006).

196. NSP funds came in three rounds with each of the Housing and Economic Recovery Act of 2008, the American Recovery and Reinvestment Act of 2009, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. *Neighborhood Stabilization Program Grants*, U.S. DEP'T OF HOUS. & URBAN DEV., http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs/neighborhoodspg (last visited Jan. 3, 2014).

197. See *id.*

income individuals.¹⁹⁸ Additionally, the remainder of NSP funds must be used for a short list of other homeownership and blight prevention activities.¹⁹⁹

While the NSP is limited in scope to recovery from the financial crisis, it provides an illustrative example of a program within the greater CDBG framework with a more specific focus and list of permitted uses. Once the economy has recovered to a point where the country is no longer in a panic about neighborhood stabilization, funds should be allocated specifically to a new low-income homeownership fund for the creation of sustainable homeownership opportunities for the poor and the holistic stabilization of neighborhoods such that homeownership can be a successful experience for low-income buyers. Communities should have the flexibility to work out the specifics of how these funds will achieve the goals of homeownership and community development, with sufficient oversight from HUD to ensure that the broad goals and spending criteria are being met.

E. Conclusion

Homeownership remains a powerful force for social mobility in America, and, with thoughtful reexamination, can remain a symbol of the American Dream. The country is emerging from an era when the fundamentals of housing and the growing inequality were masked by a culture of credit and spending. Many homeowners were caught up in the exuberance, but the mortgage fallout has been particularly hard on low-income Americans, and many commentators wonder whether the poor should own homes at all.²⁰⁰

Meaningful opportunities for low-income families to own homes are critical to our collective well being. We need citizens at every economic level invested in the betterment of their neighborhood, schools, and communities. Our economy needs low-income families to slowly grow wealth. We can rely on the experience of community-based organizations to create solutions for sustainable homeownership that can create real prosperity, rather than the illusory affluence generated by the over-extension of credit.

One of the opportunities offered by the “Land of Opportunity” is to own a home and be a full participant in society. Providing opportunities for sustainable low-income homeownership remains a critical part of our American culture and should be preserved. While it is now clear that the lender-based framework for providing such opportunities is flawed, the

198. *Id.*

199. *Id.*

200. *See* Dickerson, *supra* note 3 at 207–13.

new community-based framework introduced in this article can provide a realistic alternative means to unlock the potential of low-income homeownership to transform neighborhoods, families, and our national community. As we attempt to reorganize our collective thoughts on homeownership in America, it is imperative that the poor be given the opportunity to have a place to call their own.

