
Preserving and Expanding Homeownership

By Sophie House

Director of Law and Policy, NYU Furman Center

October 2021

SUMMARY

QUESTION: HOW WILL THE NEXT MAYOR OF NEW YORK CITY BOTH PRESERVE THE BENEFITS OF HOMEOWNERSHIP FOR CURRENT HOMEOWNERS WHILE EXPANDING ACCESS TO THE SAME BENEFITS IN WAYS THAT ARE RACIALLY EQUITABLE?

WHY IMPORTANT:

1. *Owning a home has many benefits: stability, wealth-building, and protection from displacement. However, governments and private entities excluded Black households from homeownership opportunities and created segregated American cities.*
2. *COVID has caused an economic crisis in New York City which has jeopardized homeowners' financial stabilities, and further showed the racial inequalities in New York City.*

RECOMMENDATIONS:

1. *The City must focus on providing homeowners the resources needed to avoid foreclosure (mortgage forbearance, tax exemptions for lower-income homeowners.)*
2. *Create long-term solutions for home financing (for example, co-op financing loans.)*
3. *The City must enforce fair housing protections to ensure meaningful access for home ownership opportunities.*

CONSTRAINTS:

1. *Economic resources: where will the city find the money to help new homeowners?*
2. *Housing Supply: will there be enough new homes for people to buy and rent?*



INTRODUCTION

Homeownership can serve as a stabilizing force in New York City’s neighborhoods, providing a bulwark against gentrification and displacement. When real estate markets are thriving, homeownership allows households to reap the benefits of appreciations in home value and provides protection against rising rents.

Nevertheless, the progressive case for preserving homeownership faces a few challenges right out of the gate. Both scholars and advocates have offered incisive critiques of the emphasis in American social policy on homeownership, arguing, among other things, that this policy regime disadvantages renters (who are disproportionately people of color) and that a focus on homeownership diverts resources from more diversified or collective forms of wealth-building. A key challenge for the next mayor will be how to preserve the benefits of homeownership for existing homeowners, and how to expand access to those benefits in ways that are racially equitable.

The benefits that homeownership does offer—stability, wealth-building, and protection from displacement—have accrued to white households and communities at wildly disproportionate rates (Baradaran, 2017). For decades, both government and private entities formally excluded Black households from homeownership opportunities and engineered the segregation of people of color into concentrated poverty (Rothstein, 2017). Federal housing policy then shifted in the 1960s to facilitate the “predatory inclusion” of Black households in exploitative home financing mechanisms (Taylor, 2019). Racism continues to affect how home values are appraised, further depriving Black homeowners and communities of wealth. Comparing homes and neighborhoods of similar quality, Perry, Rothwell & Harshbarger (2018) found that homes in majority-Black were valued at 23 percent than homes in neighborhoods with fewer or no Black residents.

New York City is not immune to these forces. In 2018, 44 percent of Asian and 43 percent white New York City residents owned their homes, compared with 27 percent of Black and 17 percent of Hispanic (the Census designation) households (NYU Furman Center, 2020). These homeownership disparities contribute to the city’s broader racial wealth gap. Pursuing racial equity through preserving homeownership must therefore also focus on creating and expanding homeownership opportunities and addressing the barriers to homeownership for low-income households and people of color.



SUPPORTING HOMEOWNERS

Many low-income homeowners struggle to afford basic utility bills and housing repairs, much less structural improvements. As of 2018, 22 percent of City households with a mortgage reported being severely housing cost-burdened (NYU Furman Center, 2019). This undermines homeowners' safety and stability. Providing resources to help with home maintenance can ease these financial burdens on homeowners. One such initiative is the Department of Housing Preservation and Development (HPD)'s "HomeFix" program, which launched in 2019. Through HomeFix, HPD offers potentially forgivable loans to low- and middle-income homeowners to carry out repairs. The city also partners with nonprofit service providers to provide in-kind assistance—in the form of technical assistance, education, and financial counseling. A variety of federal funding sources—including Community Development Block Grant and HOME Investment Partnerships Program funds; HUD's Title I Property Improvement Loan; and FHA's 203(k) Rehabilitation Mortgage Insurance Program—can help local government and private sector entities provide rehabilitation assistance to homeowners (Local Housing Solutions, 2021). This kind of assistance can bring benefits not only to homeowners, but to the neighborhoods they live in, helping to provide revitalization and renewal without displacement.

More ambitious plans might target low-income homeowners for assistance with energy and resiliency retrofits that benefit not only the environment but also homeowners through reduced energy costs. Such an approach would enlist low-income homeowners as partners as New York pursues ambitious climate and resiliency goals. Expanding assistance with energy-efficiency improvements for low-income partnership may thus provide multiple benefits to the city.

PREVENTING FORECLOSURE AND HOME LOSS

The economic crisis caused by the pandemic has jeopardized homeowners' financial stability, threatening housing and economic stability as well as racial equity in New York City. The Great Recession decimated wealth in Black and Latinx communities, and recovery in the intervening years has exacerbated racial wealth gaps (Kochhar and Fry, 2014). Before 2008, Black and Hispanic residents within racially segregated neighborhoods nationwide were more likely to receive high-cost loans, which are associated with a greater likelihood of foreclosure (Been, Ellen, and Madar, 2008). In 2019, foreclosure filings were most common in Brooklyn, the Bronx, and Queens, and citywide rates remain higher than those before the 2008 recession (NYU Furman Center, 2020). In addition to disparities in foreclosure rates, the period following the financial crisis saw a backslide in home purchasing rates among Black and Hispanic borrowers (NYU Furman Center, 2019).



Preventing a similar catastrophe today is imperative. And while federal funding will be crucial to the City’s recovery, the City must target and administer recovery programs in ways that promote rather than undermine racial equity. First, the City must focus on providing homeowners with the resources needed to prevent foreclosure. Mortgage forbearance has helped to keep many homeowners afloat, but longer-term solutions are needed as monthly mortgage bills come due once again. In implementing these programs, the City can partner with and provide support to reputable foreclosure assistance organizations to conduct outreach, identify at-risk homeowners, and connect them to available financial and in-kind resources. Tax exemptions targeted to low-income or otherwise vulnerable homeowners—such as the existing Senior Citizen Homeowners’ Exemption—can also help to relieve the financial pressures of homeownership and prevent foreclosure.

Homeowners in financially precarious positions, and low-income senior citizens in particular, are vulnerable to fraud, from deed theft to reverse mortgage scams. In February 2021, the Office of the Attorney General announced an \$800,000 grant to HPD and a coalition of community partners to combat deed theft (New York State Attorney General, 2021). Both HPD and the Mayor’s Office to Protect Tenants have important roles to play in identifying and fraudulent practices, and in cooperating with the New York Attorney General’s office in enforcing consumer protections.

CREATING AND EXPANDING HOMEOWNERSHIP OPPORTUNITIES

Pursuing racial equity in homeownership will require New York City not only to protect existing homeowners but to expand access to homeownership, so that the homeownership population will better reflect the City’s racial and economic diversity and so that households of color can participate in the financial and stabilizing benefits of homeownership. While overall mortgage lending has remained roughly constant over the last ten years, the Black share of borrowers decreased from 18 percent to 9 percent, and the Hispanic share of borrowers fell from 14 percent to 9 percent between 2004 and 2018 (NYU Furman Center, 2020). Moreover, in 2014, only 9 percent of sales in the City were affordable to low- and moderate-income households (NYU Furman Center, 2016). And while housing prices rose nearly 200 percent between 1990 and 2015, median household incomes have stagnated (NYU Furman Center, 2016).

Down payments pose an initial and substantial obstacle for prospective homeowners. Racial disparities in wealth and in access to credit limits many households’ abilities to meet the particularly burdensome down payment requirements of New York City’s real estate market. Down payment assistance programs can help first-time homebuyers overcome this hurdle. HomeFirst currently provides first-time homebuyers earning below 80% of the Area Median Income (AMI) with down payment assistance through a



forgivable loan of up to \$40,000, or approximately one-third of the median down payment required in New York City. Expanding the program to serve homeowners at higher AMI thresholds (New York Housing Conference, 2021) or exploring avenues for providing down payment assistance through grants, rather than loans, could open up homeownership opportunities to more households.

Home financing must also be sustainable over the long term. In part, this will require the City to work with lenders to create and enforce sustainable terms for individual home loans. But the City can also expand alternative approaches to homeownership. One proposal from the New York Housing Conference (2021) suggests a new co-op financing product, the Cooperative Ownership Opportunity Program, that would support new co-ops formed by tenants with low-interest long-term loans.

Finally, the City must enforce fair housing protections to ensure meaningful access to homeownership opportunities. Discriminatory real estate practices—including racial discrimination by co-op boards and residential “steering” by real estate brokers—still perniciously exclude many people of color from New York City homes and neighborhoods in which they can afford to live (Freiberg, 2013). Research has also exposed the pervasiveness of racism in home appraising and valuation practices that keep Black homeowners from receiving equal financial benefits from homeownership (Perry, Rothwell & Harshbarger, 2018). The City must therefore continue both to investigate and sanction discriminatory practices; raise awareness about fair housing protections; and work to prevent discrimination in the real estate industry.

CONCLUSION

The economic crisis resulting from the pandemic poses great risks. Homeownership loss would undermine the stability of both households and neighborhoods and take wealth disproportionately from communities of color. The City must act swiftly and forcefully to prevent these losses. But the current crisis also presents an opportunity. By providing vulnerable homeowners with repair and improvement assistance and sustainable home financing; combating fraud and discrimination; and expanding access to homeownership, New York City can become a more prosperous, equitable, and forward-moving place to call home in 2025.



REFERENCES:

- Baradaran, M. (2017). *The color of money: Black banks and the racial wealth gap*. Belknap Press.
- Been, V., Ellen, I., Madar, J. (2008). The high cost of segregation: Exploring racial disparities in high-cost lending. *Fordham Urban Law Journal*, 36(3): 361-385.
- Freiberg, F. (2013). *Racial discrimination in housing: Underestimated and overlooked*. Fair Housing Justice Center.
<https://www.fairhousingjustice.org/wpcontent/uploads/2013/07/FHJC-PolicyPaper-HDS2012-web.pdf>.
- Kochhar, R., and Fry, R. (2014). *Wealth inequality has widened along racial, ethnic lines since end of Great Recession*. Pew Research Center.
<https://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/>.
- Local Housing Solutions. (2021). *Homeowner rehabilitation assistance programs*.
<https://www.local housingsolutions.org/act/housing-policy-library/homeowner-rehabilitation-assistance-programs-overview/homeowner-rehabilitation-assistance-programs/>.
- New York Housing Conference. (2021). *United for Housing from the ground up: Affordable housing recommendations for New York City's next mayor*.
<https://u4housing.thenyh.org/report/>.
- New York State Attorney General. (2021). *Attorney General James announces \$800,000 grant to further combat NYC deed theft*. <https://ag.ny.gov/press-release/2021/attorney-general-james-announces-800000-grant-further-combat-nyc-deed-theft>.
- NYU Furman Center. (2020). *State of New York City's Housing and Neighborhoods in 2019*. <https://furmancenter.org/stateofthecity>.



NYU Furman Center. (2019). Snapshot of Homeownership in New York City.
<https://furmancenter.org/thestoop/entry/snapshot-of-homeownership-in-new-york-city>.

NYU Furman Center. (2016). NYU Furman Center / Citi Report on Homeownership & Opportunity in New York City.
https://furmancenter.org/files/NYUFurmanCenterCiti_HomeownershipOpportunityNYC_AUG_2016.pdf.

Perry, A., Rothwell, J., & Harshbarger, D. (2018). The devaluation of assets in black neighborhoods: The case of residential property.
https://www.brookings.edu/wp-content/uploads/2018/11/2018.11_Brookings-Metro_Devaluation-Assets-Black-Neighborhoods_final.pdf.

Rothstein, R. (2017). The Color of Law: A Forgotten History of How Our Government Segregated America. Liveright.

Taylor, K-Y (2019). Race for Profit: How Banks and the Real Estate Industry Undermined Black Homeownership. University of North Carolina Press.

