

Expanding Affordable Homeownership With Private Capital:

A Study of the Nehemiah Down Payment Assistance Program

INTRODUCTION

Down payment assistance program beneficiaries and the communities in which they live benefit in three distinct, yet interconnected ways—economically, socially and culturally.

***Section Abstract:** Promoting homeownership has always been an important housing policy goal in the United States. Homeownership is one of the few assets to trigger multiple benefits almost simultaneously. This study collected and analyzed both statistical and empirical data to evaluate the economic and socioeconomic impact of homeownership. While other studies have focused on loan defaults and foreclosure rates, this is one of the few analyses of its kind to examine home appreciation and the fiscal impacts and benefits on city, county and state government revenues in a study of homeownership in lower-income neighborhoods. The Nehemiah Corporation DAP beneficiaries and the communities in which they live benefit from homeownership economically, socially and culturally. These benefits extend to city, county and state governments by directly increasing revenues to those entities.*

Much has been written about the nature and impact of down payment assistance programs by advocates and opponents alike. The Milken Institute undertook the following study to evaluate the economic and socioeconomic impact of the Nehemiah Corporation Down Payment Assistance Program (DAP) on its recipients and the communities in which they live. Nationally, over 115,000 primarily low-to moderate-income households (approximately 70% of Nehemiah's total DAP portfolio) saw their home equity rise by an aggregate total of over \$2 billion between 1997-2003—an average of more than \$18,000 per household over the past six years. Our analysis explored the challenges facing housing and community development programs, examined the link between the Nehemiah DAP and homeownership, and tested the findings from the literature review. We went on to compute the impact of homeownership on property taxes in the regions under study and found that it had significant implications for public finance. Our empirical as well as our statistical analysis captures owners who purchased their homes between 1997 and 2004 under the Nehemiah DAP in the six regions: Atlanta Metropolitan Statistical Area (MSA), Baltimore Primary Metropolitan Statistical Area (PMSA), Columbus MSA, Philadelphia PMSA, Sacramento PMSA, St. Louis MSA. These six markets are part of the portfolio that Nehemiah serves in the country.

In this case, the gift of financial capital has catalyzed the creation of three types of capital essential to society—*economic, social and cultural*—for the modest median amount of \$3,957 per beneficiary.

Much can be said about Nehemiah's work; as much, if not more, can be theorized about home-buying assistance. Promoting homeownership has always been an important goal of housing policy in the United States. A recent study from Collins, Belsky and Tripathi (1999) on economic impacts of community lending found that:

“Low-income households, those with incomes less than the area median income, are a significant segment of the home buying market.”

Conversely, Anthony Downs, Senior Fellow for Economic Studies at the Brookings Institution (2000) argued:

“Our housing markets are working well for most households with money.”

Still, by working with down payment assistance programs, homebuilders and financial institutions can expand the number of qualified homebuyers in low- to moderate-income brackets. Ian McCarthy, president of Beazer Homes, one of the nation's largest builders, explicitly announced that his company is looking for a “creative and innovative solution” such as down payment assistance programs to serve the needs of first-time homebuyers (Sichelman 2001).

One major argument in favor of the American Dream is that homeownership is the path to financial security, as well as family and neighborhood stability. The most visible and rapid benefits that come with homeownership are purely economic. Economic benefit is no longer simply defined by monetary value. What makes homeownership an increasingly valuable asset is the fact that it is the vehicle for capital creation. Homeownership enables people to produce value above and beyond the monetary value of the house itself. As will be discussed in the pages that follow, homeownership enables people to leverage its value when seeking credit to purchase items such as a car, appliances or a computer.

Beyond building and enhancing an individual household's economic and financial standing, expanding homeownership also has tremendous implications for public finance. Increased homeownership rates and enhanced property values directly benefit state and local governments. In this regard, the study analyzes the fiscal impacts and benefits that may be expected from the ongoing property tax payments of the Nehemiah DAP recipients on local government revenues.

It is now well documented that the benefits of homeownership extend well beyond that to the social and cultural as well. This study is one of the few to diverge from the traditional method of studying loan defaults and foreclosure rates, and to assess the benefits of homeownership on multiple levels. Our empirical approach surveys homeowners' perceptions and insights in order to understand and estimate the impacts of homeownership on low- to moderate-income households. The analysis also provides a very comprehensive examination of the relationship between homeownership and neighborhood stability. Our analysis pays particular attention to the socioeconomic and financial impacts of homeownership. These interviews along with the quantitative analysis and our review of the critical literature illustrate the importance of homeownership to Nehemiah DAP recipients.

An equally important benefit of homeownership is social. Homeownership, plainly stated, creates better, more responsible citizens. Our pool of interviewees includes individuals with prior bad credit who are now responsible personal financiers, and recipients with criminal records who are now in the workforce and out of trouble. Some critics feel that enabling people to purchase a house they would not have otherwise been able to purchase would engender a lack of appreciation and eventually lead them to continue to act irresponsibly since the asset came at the expense of relatively little hardship. However, it is our finding that, contrary to the aforementioned notion, DAP beneficiaries are embracing the challenges and opportunities that homeownership bring and they are better citizens for it.

Finally, perhaps the most subtle and powerful of all are the cultural benefits associated with homeownership. Homeownership is a central component of the American Dream. The survival of culture is ensured only if the majority of its participants see to it that it is carried from one generation to the next. People do not support a system that does not support them.

The cultural benefits of homeownership were witnessed in every single interview. Homeowners care for their neighborhoods. Homeowners get involved in the community they belong to by doing things ranging from neighborhood watch programs to helping neighbors shovel snow during the winter months. Whereas economic and social benefits can be seen and thus measured and analyzed, cultural benefits are felt and expressed in immeasurable ways. It is our finding that in all cases, homeownership armed DAP beneficiaries with the tools, desire, reinforcement and motivation to continue “fighting to stay in the game” and to, perhaps most importantly, pass on these values on to future generations.

