

The Economic Impacts Of the Down-Payment Assistance Program On the US Economy

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Prepared for



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The Economic Impacts of the Down Payment Assistance Program

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Introduction

This report will provide an econometric analysis of the economic impacts of the home purchasing and new home construction generated through the downpayment assistance provisions of the FHA 203 (b) program.

Down payment assistance programs have become a cornerstone of efforts to increase the participation in home ownership in the US. There is widespread knowledge and acceptance of the benefits to buyers who are assisted to achieve home ownership under these programs, and to their communities. The social and fiscal benefits from home ownership are discussed briefly below, and are the motivating reasons why the down payment assistance programs exist.

Despite the importance of the DPA programs in meeting social and housing objectives, the programs assist only a very small percentage of US home sales. The figure at right shows that DPA assistance is used for only about 2.83 % of existing US home sales, but a more significant 12.59 % of new home sales.

It would be erroneous, however, to ignore the very large economic benefits generated as a result of down payment assistance programs. The economic benefits occur because of business, financial, insurance and other activities which occur during sales transactions, as well as additional construction of new homes which depend on this additional housing demand. The economic benefits include added employment, income, and tax generation created by the home purchase activities enabled as a result of the down payment assistance, and are distributed throughout the economy, not just to the new home owners, home sellers, and home builders.

Role of DPA Programs in US Housing Market			
<i>Most Recent 12 Months of Data</i>			
Existing Home Sales		Data Source	
US Total	4,983,000	National Association of Realtors	
DPA Total	141,194	Computed from totals below	
DPA %	2.83%		
New Home Sales		Data Source	
US Total	524,000	US Census Bureau, US, Nov 2007-Oct 2008	
DPA Total	65,990	Table 2-B.	
DPA %	12.59%		
Total Home Sales		Data Source	
US Total	5,507,000	Computed from above	
DPA Total	207,184.00	Table 2-A	
DPA %	3.76%		

The Social and Financial Benefits of Home Ownership

The benefits of home ownership are a major component of financial and social stability in the US.

Home ownership provides financial stability by creating a contractual contribution to capital accumulation, establishing a credit rating, and utilizing the home interest deduction which is a

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major benefit of our income tax structure. In subsequent years, accumulated equity in home ownership provides a basis for funding for higher education, investment for retirement, and equity for startup of new small businesses. The accumulated home equity can also become the financial cushion for temporary financial demands such as weddings, new babies, college graduations, or on the other hand unemployment, unexpected health costs, and other of life's expected and unexpected surprises.

This self-reliance is a key part of the strong independence and high productivity of the American society, and home ownership is a cornerstone of this character.

The social aspects of home ownership are as important as the financial aspects. The social aspects arise from the role in our society which established home owners play in community, civic, religious, educational, and many other facets of life. Home owners differ from renters in that they are more anchored in their residential location; they are therefore more likely to make personal and social investments in their neighborhood, school, church, and city because they have a committed, long-run attachment. They cannot just move away from problems without suffering financial loss, and so have a strong incentive to stay and solve the problem, thus becoming strong core constituents for their communities.

The Role of Down Payment Assistance in Increasing Home Ownership

There have been many social and economic studies of first-time home buyers which identify the hurdles they must overcome to achieve home ownership. These include establishment of a record of employment and income, a credit rating based on specific financial and income performance, and accumulation of capital for the down payment and closing costs related to home acquisition. These hurdles can be especially difficult for lower income households, minorities, and recent immigrants, who start from a lower level of capital accumulation, may have occupations with low job stability, may not completely understand the financial, taxation, and legal system, and are sometimes supporting extended family members in the US or elsewhere.

The accumulation of capital for the down payment and closing costs of home acquisition is an especially difficult hurdle for first time buyers and for lower income, minority, and recent immigrant households. Because of the collateralized nature of mortgage lending, lenders make their decisions not only on the credit, income, and other characteristics of the borrower, but also on the financial protection to the lender provided by the equity in the purchased home itself. For most home buyers, the equity for the down payment comes from equity accumulation from previous home ownership; for first-time buyers, it takes much longer to accumulate the down payments, even for lower down payments for FHA and VA loans. Even younger professionals with high income and earning potential take some time to accumulate the capital for first time home ownership.

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To make matters worse, the acquisition of real estate comes with very high transactions costs. A recently published HUD study shows that the average total in fees and closing costs on FHA loans originated in 2001, when the average home cost was \$110,000, was nearly \$11,000, as shown in Table 1.

Table 1. Closing Costs for FHA Loans	
Average Sale Price:	\$110,000
Title Charges	\$ 1,350
Lender and Mortgage Broker Charges	\$ 3,400
Other: Credit report, flood certification, Tax services	\$ 500
Real Estate Agent fee	\$ 6,600
Total	\$ 11,850
Data for 7,60 FHA Loans closed in May and June, 2001	
Source: A Study of Closing Costs for FHA Mortgages , Susan E. Woodward, Ph.D., The Urban Institute, for the US Department of Housing and Urban Development, Office of Policy Development and Research, May 2008.	

The table shows that for many or even most FHA loans, the closing costs are likely to exceed the cash down payment amount required for loan reduction. This additional acquisition cost constitutes a large additional barrier to home ownership for lower income buyers, and is in part a rationale for the need for down payment assistance for lower income home buyers.

Many efforts are being implemented to assist home buyers overcome these obstacles, including down payment assistance programs funded or sponsored by Cities and Counties, State programs, and non-profit organizations using the FHA 203b Down Payment Assistance program.

While the down payment assistance programs are increasingly achieving their social and financial objectives, the increasing home ownership generates an additional benefit to society not usually considered: economic benefits.

The Economic Benefits of the Down Payment Assistance Program

In order to assess the economic impacts of the down payment assistance program, it is necessary to quantify the direct expenditures and costs associated with the sales transactions and new home purchases. From an economic perspective, it is not the sales prices of houses or the dollar amount of the down payment subsidy which create the economic stimulus, since neither of these identify creation of new economic value; these are simply transfers of existing assets from one entity to another. The real creation of economic value occurs through the production of new goods or services.

In the case of sales of existing and new houses, one creation of value is through the expenditures for goods and services which are paid for and rendered to the buyer as part of the transaction process. This includes the finance, insurance, agency, tax payments, and other services which occur during the transaction. Most of this activity is contained in the so-called “closing costs,” a misnomer which identifies when they are paid for rather than what they contain. A synopsis of the closing costs in 2001 was shown above in Table 1.

For the current analysis, it is necessary to convert the closing costs to 2007-2008 values. The FHA study previously cited (Woodward, 2008) provides multiple regression statistics of the

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determinants of each of the closing costs, showing the relative importance of variables including sale price, loan/value ratio, credit scores, purchaser income, neighborhood demographics, and other variables. While some of the other variables are statistically important, the dominant determinant of most of the closing costs is the sale price or loan amount. The data available for loans originated during the current 2007-2008 period contain information on sales price and loan amount, but not on these other variables. If one were to assume that the relative values of these other variables were unchanged over the 2001-2007 period, then the change in sales price and loan amount could be used to estimate the 2007-2008 transactions costs. That is the procedure used to obtain the transactions data for this analysis.

The other economic determinant needed for the study is the value of new housing constructed and sold to the buyer in the assisted transaction. In this case, the construction of the home itself is the economic event, and the economic value of the cost to produce the house, including all land and development costs, construction materials and labor, legal and planning costs, government approval fees, and finance charges during the construction phase are the economic impacts to be analyzed, and the value of these goods and services are contained in the sale price of the new asset to its first owner. The sales prices for the homes financed during the period were provided from FHA and other sources, and are current period data and require no adjustment.

The information for the economic analysis for the December 2007 – November 2008 period of analysis is shown in the adjacent Tables 2-A and 2-B.

- The average sales price per housing unit was \$157,240. The total sales of the 207,184 down payment assisted housing was \$32.6 billion.
- The transactions expenses, which represents the economic event from the transactions perspective, totals \$3.04 billion in direct expenditures, or about \$14,700 per unit. (Note that this considerably exceeds the down payment assistance average of \$6,617 per unit.)
- New home construction included 65,990 units at a value of \$171,300 per unit, for a total new construction value of \$11.3 billion.
- Nehemiah comprises about 41.8% of the US DPA market, financing 65,990 home sales, of which 27,587 are new construction. Newly constructed units comprise about 32% of Nehemiah home sales. (Note: Data on newly constructed units is not available in the HUD data base; the Nehemiah percentage is used to estimate new construction for the entire DPA industry in the table below.)

The Economic Impacts of the Down Payment Assistance Program

Table 2-A. Down-Payment Assisted Sales of New and Existing Homes				
	Industry US		Nehemiah US	
	<i>Total</i>	<i>Per Unit</i>	<i>Total</i>	<i>Per Unit</i>
Number of Units Financed	207,184		86,613	
Sales Price	\$32,577,621,004	\$ 157,240	\$ 16,002,434,202	\$184,758
Down Payment Assistance	\$ 1,370,963,737	\$ 6,617	\$ 543,025,982	\$ 6,270
Transactions Costs	\$ 3,036,015,408	\$ 14,654	\$ 1,341,005,463	\$ 15,483

Table 2-B. New Homes Construction Supported by Down Payment Assistance				
	Industry US		Nehemiah US	
	<i>Total</i>	<i>Per Unit</i>	<i>Total</i>	<i>Per Unit</i>
Number of Newly Constructed Units	65,990		27,587	
Construction Impact	\$ 11,303,336,247	\$ 171,289	\$ 5,552,305,202	\$201,265

Sources: US DPA sales data from HUD database at www.huduser.org. Nehemiah data from Nehemiah Data Warehouse with detailed information on all transactions. Data period is December 2007-November 2008.

HUD database does not identify new homes; a ratio was assumed based on the Nehemiah composition (31.9% of sales are new construction).

Price estimate for HUD new homes is based on the Nehemiah ratio where the price of new homes is 8.9% above the average of all transactions.

Nehemiah comprises 41.8% of the US DPA market

Summary

Economic Impacts Due to All FHA 203(b) Down Payment Assistance Transactions

Computation of the full economic impacts of the \$3.04 billion in transactions activity and \$11.3 billion in new construction requires the use of an econometric model which can measure not only the distribution of the direct transactions (the amounts identified in Table 2) but all of the subsequent transactions which are also created. These are summarized below:

- Indirect transactions related to the sales transactions occur when the lenders, brokers, insurers, and home builders purchase inputs to their business process. This could include rent on their offices, utilities, experts in law, accounting, and marketing, transportation, and other costs of doing business which create additional revenues to those business and government entities who supply these goods and services. This creates additional transactions, income, and employment in the economy.
- Indirect transactions for the new home construction includes transactions with lumber companies, manufacturers of plumbing and electrical components, concrete producers, local government fees and charges, and many other sources of construction inputs.
- Induced transactions occur when the employees in the direct and indirect industry sectors then purchase consumer goods and services including housing, groceries, clothing, autos and fuel, health care, education, entertainment, and many more categories of consumption. The increases in expenditures in the household sectors result in even more sales and expenditures, create demand for additional employees, generate retail and other tax revenues, all still related to the down payment assisted housing purchases.
- The Total Impacts are the sum of the Direct, Indirect, and Induced effects, and can easily be several times the direct impact, showing how an economic multiplier is created as the economic benefits flow throughout the complex economy.

An input-output model named IMPLAN is widely used to perform this type of analysis, and can follow the full economic consequences generated by direct transactions through the indirect and induced activities to show the total economic impact. (More discussion on the model and its computations is provided later in this report.)

A summary of the findings from the IMPLAN analysis is shown in the following tables.

The Economic Impacts of the Down Payment Assistance Program

Table 3. Summary Table								
Economic Impacts of US Down Payment Assistance Programs								
Measure of Economic Activity → Type of Activity↓	Number of Units	Average Sales Price	Total Economic Impacts including Direct, Indirect and Induced Multiplier Effects					
			Economic Output (\$ Billions)	Employment (Thousands)	Employee Compensation (\$ Billions)	Federal Tax Revenues (\$ Billions)	State & Local Tax Revenues (\$ Billions)	
All US DPA Activities	Total	207,184	\$ 157,240	\$ 38.6	235	\$ 9.5	\$ 2.8	\$ 1.8
	All Home Sales	207,184	\$ 157,240	\$ 6.1	40	\$1.51	\$ 0.53	\$ 0.45
	New Home Construction	65,990	\$ 171,289	\$32.5	195	\$7.99	\$ 2.26	\$ 1.36

Sources: Based on data in Table 2. Computations of multiplied impacts were performed using the IMPLAN model using the 2007 (latest available) economic structural data for the United States. More detailed information on the IMPLAN analysis is contained

Table 3 shows the full economic impacts from the US down payment assistance program including the indirect and induced multiplier effects. The Direct transactions of \$11.3 billion in new construction and \$3.3 billion in transactions (a total of \$ 14.6 billion) shown in Table 2 generates a total of \$38.6 billion total economic output in the US economy.

The labor force impacts are a critical part of the total economic impact. The down payment assistance transactions create a total of 235,000 new jobs in the national economy, with employment compensation totaling \$9.5 billion.

Finally, the economic activity increases in Federal and State & Local tax revenues, with \$2.8 billion in Federal and \$1.8 billion in State & Local taxes.

The bottom line for this analysis is that down payment assistance in the US created \$38.6 billion in revenues, 235,000 new jobs, and \$ 4.6 billion in total tax revenues.

Economic Impacts Due to the Nehemiah Corporation’s Down Payment Assistance

Table 4. Summary Table								
Economic Impacts of Nehemiah Down Payment Assistance Programs								
Measure of Economic Activity → Type of Activity↓	Number of Units	Average Sales Price	Total Economic Impacts including Direct, Indirect and Induced Multiplier Effects					
			Economic Output (\$ Billions)	Employment (Thousands)	Employee Compensation (\$ Billions)	Federal Tax Revenues (\$ Billions)	State & Local Tax Revenues (\$ Billions)	
Nehemiah DPA Activities	Total	86,613	\$ 184,758	\$ 18.6	113	\$ 4.6	\$ 1.3	\$ 0.87
	All Home Sales	86,613	\$ 184,758	\$ 2.7	17	\$ 0.67	\$ 0.23	\$ 0.20
	New Home Construction	27,587	\$ 201,265	\$ 15.9	96	\$ 3.94	\$ 1.11	\$ 0.67

Sources: Based on data in Table 2. Computations of multiplied impacts were performed using the IMPLAN model using the 2007 (latest available) economic structural data for the United States. More detailed information on the IMPLAN analysis is contained

The Economic Impacts of the Down Payment Assistance Program

Analysis of the Nehemiah Corporation's program, which is about 41.8% of the nation's total FHA 203(b) down payment assisted loans, is shown in Table 4. As shown previously in Table 2, Nehemiah provided down payment assistance for 86,613 loans with total home sales of \$16 billion. This included 27,585 newly constructed homes with a sales value of \$5.552 billion.

Figure 4 shows that adding the indirect and induced activities resulted in a total of \$18.6 billion in new economic output in the US economy, including 113,000 new jobs with \$4.6 billion in transactions, as a result of Nehemiah activities.

The Nehemiah activity also generated \$ 1.3 billion in Federal tax revenues and \$ 870 million in State & Local tax revenues. Total tax revenues of about \$2.2 billion result from the Nehemiah program.

The Economic Analysis and Methodology

Data Sources

Two data sources for DPA sales of new and existing homes were used for the study. Data for the entire DPA industry was extracted from the HUD data base at www.huduser.org, while Nehemiah data is from the Nehemiah Data Warehouse.

The use of the Federal Housing Administration's database has significant limitations for this study. A number of published studies have documented inconsistencies and inadequacies of this data for research purposes, asserting that FHA significantly under counts the number of down payment assisted transactions taking place on a historical basis. Further, FHA does not provide detail on seller-funded down payment assistance loan originations by type such as new construction or resale, multifamily, micro-location, and socio-economic details.

Since Nehemiah comprises over 41% of the entire DPA industry, in some cases additional detail to the FHA data was estimated based on ratios derived from the Nehemiah data. The Nehemiah data warehouse contains extensive and detailed records of individual down payment assistance gift transactions and is the oldest and most comprehensive for this loan type in the nation.

The Economic Impacts of the Down Payment Assistance Program

Methodology

The economic impact analysis does not focus on the sales transaction or loan amounts themselves, as these are not events which generate employment or new economic value. The analysis is narrowly focused on expenditures which create employment and value added in the economy, and which have impacts on other sectors of the economy. As a result, the analysis focuses on the transactions expenditures generated at the time of sale, and for new houses being introduced into the market for the first time, the construction expenditures which have been made in creating the new asset. These two economic components have been previously shown in Table 2.

- a. Transactions expenditures of \$3.04 billion during the sale of the 207,184 homes financed using down payment assistance during the 12-months December 2007 – November 2008.
- b. New housing construction expenditures of \$11.3 billion which result from the 65,990 new homes financed through down payment assistance during this time.

In the economic analysis, these amounts are called the Direct Transactions because they are the direct expenditures related to the purchase of the homes.

Indirect and Inter-Industry Transactions

Indirect Transactions. In addition to the direct costs paid by the housing consumer, there are additional indirect economic effects when the lenders, brokers, insurers, and home builders purchase inputs to their business process. This could include rent on their offices, utilities, experts in law, accounting, and marketing, transportation, and other costs of doing business which create additional revenues to those business and government entities who supply these goods and services.

In the case of home builders, it also included transactions with lumber companies, manufacturers of plumbing and electrical components, concrete producers, and many other sources of construction inputs.

The Economic Impacts of the Down Payment Assistance Program

A partial listing of these indirect transactions is shown in Table 5, which is truncated to the largest indirect sectors which total about 50% of the \$12.129 billion of indirect transactions.

As the result of the down payment assisted transactions, all of these other business and government entities receive additional revenues, expand their employment, and pay additional taxes, leading to a further expansion of the highly inter-related economy.

Table 5. Indirect Revenues Created Through New Home Construction Generated by Down Payment Assistance Programs		
Industry Sector	Indirect Revenues \$	Percent of Total
TOTAL INDIRECT REVENUES	12,129,493,329	100%
Wholesale trade businesses	689,390,592	6%
Architectural- engineering- and related services	482,880,160	4%
Petroleum refineries	412,555,008	3%
Ready-mix concrete manufacturing	388,940,448	3%
Transport by truck	382,468,544	3%
Real estate establishments	342,009,440	3%
Monetary authorities and depository credit interme	263,015,616	2%
Management of companies and enterprises	255,529,888	2%
Retail Stores - Motor vehicle and parts	209,811,824	2%
Telecommunications	196,541,296	2%
Ornamental and architectural metal products manufa	194,438,800	2%
Securities- commodity contracts- investments	190,238,208	2%
Extraction of oil and natural gas	189,093,328	2%
Sawmills and wood preservation	186,857,312	2%
Wood windows and doors and millwork manufacturing	173,412,800	1%
Wood kitchen cabinet and countertop manufacturing	171,564,928	1%
Legal services	162,719,280	1%
Electric power generation- transmission- and distr	158,690,976	1%
Other plastics product manufacturing	149,208,736	1%
Retail Stores - Food and beverage	146,098,512	1%
Retail Stores - General merchandise	139,086,608	1%
Commercial logging	119,124,632	1%
All other miscellaneous professional- scientific-	114,693,240	1%
Accounting- tax preparation- bookkeeping	109,952,192	1%
Air conditioning- refrigeration- and warm air heat	108,731,944	1%
Source: IMPLAN computations for Indirect Revenues from US DPA New Construction		
Table is truncated to show only the top 50% of indirect revenues.		

The Economic Impacts of the Down Payment Assistance Program

Induced or Household Transactions. There is still one more round of economic effects created by the home purchases. The expansion of both the home sales industries and the indirect industries creates large increases in employment and employee compensation. The households of the employees in the direct and indirect industry sectors then purchase consumer goods and services including housing, groceries, clothing, autos and fuel, health care, education, entertainment, and many more categories of consumption. The induced activity is summarized in Table 6, which shows the largest indirect sectors whose transactions total about 50% of the \$9.03 billion total.

The increases in expenditures in the household consumption sector result in even more sales and expenditures, create demand for additional employees, generate retail and other tax revenues, all still related to the downpayment assisted housing purchases.

The sequence of events discussed above shows the degree of inter-relationships in the US economy, and the extent to which retail sales may be related to the distant event of a down payment assisted home purchase of which the retail purchaser had no involvement or knowledge, but from which the flow of economic transactions originated.

Table 6. Induced Revenues Created Through New Home Construction Generated by Down Payment Assistance Programs		
Industry Sector	Induced Revenues \$	Percent of Total
TOTAL INDIRECT REVENUES	9,033,806,583	100%
Imputed rental activity for owner-occupied dwellings	614,479,168	7%
Real estate establishments	489,958,464	5%
Wholesale trade businesses	425,228,544	5%
Food services and drinking places	313,539,776	3%
Offices of physicians- dentists- and other health	300,158,848	3%
Private hospitals	283,709,888	3%
Insurance carriers	255,597,216	3%
Securities- commodity contracts- investments	247,578,432	3%
Monetary authorities and depository credit	241,783,440	3%
Telecommunications	226,113,312	3%
Petroleum refineries	212,442,144	2%
Electric power generation- transmission- and distr	146,608,368	2%
Management of companies and enterprises	143,160,432	2%
Nondepository credit intermediation and related ac	123,526,344	1%
Retail Stores - Motor vehicle and parts	117,970,840	1%
Legal services	117,316,584	1%
Extraction of oil and natural gas	104,068,688	1%
Retail Stores - Food and beverage	99,358,104	1%
Medical and diagnostic labs and outpatient and oth	94,847,368	1%
Retail Stores - General merchandise	93,043,872	1%
Source: IMPLAN computations for Indirect Revenues from US DPA New Construction		
Table is truncated to show only the top 50% of indirect revenues.		

The IMPLAN model

Tracing transactions through the economy from the direct activity to the induced activity is necessary to measure the full economic impact of a direct transaction; failure to do this computation under-estimates the importance of a direct transaction, and may result in policy makers failing to correctly estimate the value of the activities to the economy.

In order to trace the transactions, it is necessary to employ an econometric model called an input-output model, often referred to as an I-O model. These models are based on complex economic analyses performed by the US Bureau of Economic Analysis, the Bureau of Labor Statistics, and the Census Bureau, which embody the types of sales and purchases every type of business in the US makes. The most widely used I-O model is one called IMPLAN, developed by the USDA and the Forest Service in the mid-1970s with University of Minnesota economists for community impact analysis of Federally-funded projects. This model has been used in thousands of studies over several decades, and the model is currently specified as the methodology required for analysis on many Federal and State public works and natural resources projects, and is widely used in California for CEQA environmental impact assessments.

In this study, the IMPLAN model was used to show the full impacts of the \$3.04 billion in transactions expenditures and \$11.3 billion in new home construction resulting from the down payment assistance. The model was specifically calibrated for the United States economy in 2007.

The IMPLAN Results

The analysis to follow shows the full economic impacts of the down payment assisted home lending transactions and new home construction.

The Economic Impacts of the Home Sales Transactions.

The following discussion will detail the findings from the analysis of the 207,184 home sales transactions, and is illustrated in Table 7. The direct expenditure of \$3.04 billion is the direct transaction described in Table 2, while the rest of the data in Table 7 are generated by the IMPLAN model.

Direct Expenditures. The first column gives greater information on the types of economic impacts which are measured. For example, the direct expenditures of \$3.04 billion on assisted transactions creates \$2.2 billion in value added, an increase to the US Gross Domestic Product. It also generates a total of 18,400 employment positions, with annual compensation of \$640 million.

The Economic Impacts of the Down Payment Assistance Program

Table 7. Economic Impacts of Sales Transactions Created by US Down-Payment Assistance Programs

Measure of Impact	Direct Expenditures on Construction Industry	Indirect Expenditures Effects on Suppliers	Induced Expenditures Effects of Consumption by Employees	Total Expenditures
Total Output (\$ Billions) Revenues, Sales	\$ 3.04	\$ 1.34	\$ 1.71	\$ 6.09
Value Added (\$ Billions) New Value Created	\$ 2.20	\$ 0.79	\$ 0.92	\$ 3.91
Employee Compensation (\$ Billions) Including Benefits	\$ 0.64	\$ 0.40	\$ 0.47	\$ 1.51
Employment (thousands) Annual equivalent jobs	18.4	9.1	12.1	39.6
Federal Tax Revenues (\$ Billions) Business, Personal, and Social Taxes (\$ Billions)				\$ 0.53
State & Local Tax Revenues (\$ Billions) Business, Personal, Property, Sales, and Social Taxes				\$ 0.45

Source: IMPLAN analysis based on previous tables.

Indirect Expenditures. The second column shows the Indirect expenditures, created when the firms directly involved in the sales transactions purchase goods and services from other firms. A total of 1.34 billion in indirect transactions is created, with 9,100 new jobs earning \$400 million.

Induced Expenditures. The Induced column contains the household expenditures of both the Direct and Indirect employees, when they spend their \$400 million plus \$470 million in compensation. The resulting household consumption creates an additional \$1.71 billion in expenditures which generates 12,100 new jobs with \$470 million in compensation.

Total Expenditures. Finally, the right hand total shows the total expenditures, which is the sum of the direct, indirect, and induced steps in the analysis. The total expenditures resulting from the assisted transactions comes to \$6.09 billion, generating 39,600 jobs with \$1.51 billion in compensation.

The Economic Multiplier. Note that the \$3.041 billion in direct expenditures in the housing transactions sectors has resulted in a total of \$6.09 billion in expenditures throughout the US economy, or about 2.0 times the original transactions amounts. Likewise, 18,400 new direct jobs in the housing transaction sectors have resulted in a total of 39,600 jobs throughout the economy, a ratio of 2.1 times the direct employment generation. This is called the Economic Multiplier, and is a key measure of the policy importance of economic decisions.

The Economic Impacts of the Down Payment Assistance Program

Tax Revenue Generation. The overall process also generates Federal taxes on all businesses and individuals of \$530 million, and State & Local tax revenues of \$450 million.

The Economic Impacts of New Housing Construction

The economic analysis of construction of 65,990 new homes sold using down payment assistance is illustrated in Table 8, below. The market value of the new homes totals \$11.3 billion of new direct economic activity, and directly creates \$4.13 billion in value added and 58,700 new jobs with \$2.3 billion in compensation.

Table 8. Economic Impacts of Down Payment Assistance Programs on New Housing Construction				
Measure of Impact	Direct Expenditures Effects on Construction Industry	Indirect Expenditures Effects on Suppliers	Induced Expenditures Effects of Consumption by Employees	Total Expenditures
Total Output (\$ Billions) Revenues, Sales	\$ 11.30	\$ 12.13	\$ 9.03	\$ 32.47
Value Added (\$ Billions) New Value Created	\$ 4.13	\$ 5.96	\$ 4.86	\$ 14.95
Employee Compensation (\$ Billions) Including Benefits	\$ 2.30	\$ 3.24	\$ 2.46	\$ 7.99
Employment (thousands) Annual equivalent jobs	58.7	72.8	63.9	195.5
Federal Tax Revenues (\$ Billions) Business, Personal, and Social Taxes (\$ Billions)				\$ 2.26
State & Local Tax Revenues (\$ Billions) Business, Personal, Property, Sales, and Social Taxes				\$ 1.36

Based on IIMPLAN analysis of data from previous tables.

The indirect expenditures of the construction activities cover the full spectrum of materials purchases, legal and architectural expertise, marketing, and many other activities, previously displayed in Table 5. This adds another \$12.13 billion in economic activity, as well as 72,800 new jobs earning \$3.24 billion in compensation.

The induced transactions in the household services industry sectors were outlined earlier in Table 6. They total \$9.03 billion in economic activity, and generate 63,900 new jobs with compensation of \$2.46 billion.

The Economic Impacts of the Down Payment Assistance Program

The total economic impact of the construction activity is shown in the right hand column of Table 8, and comes to \$32.47 billion in economic activity. This supports 195,500 new jobs earning \$7.99 billion. The economic multiplier of the \$11.3 billion in direct construction activity is therefore about 2.87 in total expenditures and the 58,700 construction employment is multiplied by 3.3.

The bottom line for this analysis is that down payment assistance in the US created \$38.6 billion in revenues, 235,000 new jobs, and \$ 4.6 billion in total tax revenues.

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