Policy objective: Increasing access to sustainable homeownership

Local jurisdictions may want to provide assistance that helps low- and moderate-income households become homeowners, and enables existing owners to stay in their own homes, for several reasons. When buyers have access to safe and sustainable mortgage products, homeownership presents a way to accumulate savings which, along with any price appreciation can be the basis for passing wealth down to future generations.

Fixed-rate, long-term mortgages allow homeowners to control the part of their housing costs attributable to financing, an option not possible with rental housing. The combination of more control over future housing costs and the very fact of ownership also allow for greater housing stability which has been associated with positive social and economic outcomes for families with children, particularly with respect to physical and psychological health and children’s educational attainment. And for those who want to age in place it can make it easier to stay in their current housing and benefit physically and psychologically from not having to adjust to a new environment.

Depending on the community, homeownership may also provide access to resource-
rich neighborhoods where rental housing is not available. (See the related brief, To what extent should cities focus on helping residents become homeowners in addition to increasing the availability of rental housing? for further guidance.)

Finally, homeownership may have community development benefits for the city. A city may want to attract new, upwardly mobile residents in order to increase its tax base. Or it may want to bring homeowners with moderate incomes into areas with concentrations of low-income renters to help stabilize those neighborhoods.

Increasing access to homeownership with the housing policy toolkit

Local jurisdictions can use several approaches to increase access to homeownership. These include:

- **Financial assistance** to help homebuyers overcome common barriers to homeownership (e.g., accumulating sufficient savings to cover downpayment and closing costs) and access to affordable mortgage products and homeownership programs that lower overall costs for low- and moderate-income households. The nature and level of assistance may depend on the income group a community seeks to serve. Prospective home purchasers with stable incomes may only need help overcoming a lack of savings for closing costs and a minimum downpayment, while prospective purchasers with lower incomes may need a deeper level of assistance that helps to lower the ongoing costs of homeownership.

- **Regulatory relief and incentives** for private developers to stimulate housing development and facilitate the creation of more and potentially lower-cost owner-occupied housing types, such as duplex, triplexes, and condominiums.

- **Programs** that enable low-income households to successfully sustain homeownership over time, including housing education and counseling, tax relief, foreclosure prevention, and assistance with home modifications and repairs. Some of these programs help potential buyers as they prepare to become homeowners—for example, housing education and counseling helps families determine whether they are ready to pursue homeownership and to avoid unsustainable mortgage products when they make a purchase. Others make it possible for existing owners to stay in their homes over time, through financial support to cover rising property taxes, assistance handling crises that may threaten a homeowner’s ability to meet their mortgage obligations, or assistance undertaking home modifications to improve safety and accessibility, including as residents age and potentially develop mobility impairments.

This exhibit describes how policy tools in the Housing Policy Library can be used to
increase access to homeownership. The policies listed here are illustrative options within each of the four categories. Please see the Housing Policy Library for a full listing and explanation of policy options.

## I. Create and preserve dedicated affordable housing units

**Logic/mechanism:**
Communities can create dedicated affordable homeownership units through incentives or requirements for the inclusion of affordable housing within new development.

Communities can use capital subsidies, tax abatements, housing trust fund revenue and other approaches to subsidize the development of affordable homeownership units.

Public programs can create permanent affordable homeownership opportunities by using a subsidy to bring the cost of homeownership down to affordable levels and then setting the conditions for resale of participating properties to future homebuyers.

**Specific policies:**
- **Inclusionary zoning** and other incentives to set aside affordable units in market-rate developments can apply to for-sale projects, creating lower-cost opportunities for homeownership.

A portion of **housing trust fund** revenues can be used for activities that support homeownership, including downpayment and closing cost assistance.

**Capital subsidies** and **tax abatements** can reduce the cost of new development, allowing homes to be sold at prices affordable to low- or moderate-income families.

Affordable homeownership programs such as **community land trusts**, **deed-restricted homeownership**, and **limited equity cooperatives** help to moderate housing costs and typically also provide counseling and other services to support new homeowners.

## II. Promote affordability by reducing barriers to new supply
**Logic/mechanism:**
Land use policies can be amended to allow the development of more homes and housing types, including homes that are less expensive to build and purchase.

Incentives and regulatory relief help owners rehabilitate homes and keep them available for residential use.

**Specific policies:**
- **Zoning changes** that allow for higher-density development and lower-cost housing types enable the creation of owner-occupied units that are more likely to be accessible to low- and moderate-income households.
- Regulatory relief that **streamlines** and **increases the predictability** of permitting and regulatory review processes can lower development review costs and stimulate new construction.
- **Housing rehabilitation codes** enable existing homeowners to modernize and make repairs to older properties without bringing the properties fully up to current code, helping to avoid costly upgrades that don’t impact home safety.
- Where older homes are in need of substantial rehabilitation, **tax incentives** can encourage redevelopment that preserves their ongoing habitability.

### III. Help households access and afford private-market homes
Logic/mechanism:
Financial assistance and access to lower-cost mortgage products can bring the cost of homeownership within reach of low- and moderate-income families.

Homeownership education and counseling and enforcement of fair housing laws provide protections against unscrupulous practices and unsustainable mortgage products.

Specific policies:
Homeownership education and counseling programs help to prepare households for homeownership and avoid predatory or unaffordable mortgage products.

Households that can afford the monthly cost of a mortgage but have difficulty accumulating assets to cover downpayment and closing costs can benefit from assistance that helps to address these common barriers to homeownership.

Shared appreciation mortgages and subsidized mortgages lower the costs of homeownership for qualifying households.

Enforcement of fair housing laws protects qualified buyers from discrimination when buying a home or applying for a mortgage.

Employer-assisted housing programs often provide homeownership assistance to workers who meet specified criteria. While this is often provided in the form of downpayment assistance that can be used in whatever unit the employee wishes, in some cases employers invest in creating a stock of dedicated affordable homes.

IV. Protect against displacement and poor housing conditions
**Logic/mechanism:**
For individuals and families who already own their homes, assistance covering housing-related costs, such as property tax bills and utility payments, helps to keep homeownership affordable.

Policies and programs to improve housing safety and accessibility enable current homeowners to stay in their own homes as they age.

Financial assistance and counseling can help homeowners avoid foreclosure.

**Specific policies:**
- **Tax relief and circuit breaker programs** help income-qualified homeowners to avoid utility cut-offs or foreclosure due to unpaid property taxes or utility bills.
- **Assistance with home safety modifications, rehabilitation, and weatherization** all improve quality and safety, especially for homeowners.
- **Foreclosure prevention programs** seek to help households keep their homes or, where that’s not possible, to negotiate a short sale or deed-in-lieu of foreclosure.

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**Combining policies to encourage mixed-use development**
The policies highlighted in the exhibit can be used in combination, as illustrated in the following scenario.

After analyzing local housing data, a city determines that homeownership rates among low- and moderate-income households are not meeting local policy goals. Looking at the zoning map with members of the planning department, housing staff identify several areas that are currently zoned for large-lot single-family homes but could accommodate higher density housing as vacant parcels are developed and older buildings are redeveloped. They begin the process of rezoning these areas to allow for duplexes, triplexes, and low-rise condominium buildings. Under the city’s inclusionary zoning ordinance, a share of newly developed units will be affordable to low- and moderate-income households. To help preserve the long-term affordability of any inclusionary units that are offered for-sale, the city requires the units be sold with deed restrictions developed by the city that balance the dual goals of preserving the units’ affordability over the long term and allowing individual homebuyers to build wealth. In addition to the inclusionary zoning units, the city provides low-cost financing to enable the land trust to purchase 15 lower-cost homes in gentrifying areas.
See also:

- Housing education and counseling
- Downpayment and closing cost assistance
- Shared appreciation mortgages