



Consumer Federation of America

For Immediate Release
Tuesday, December 16, 2003

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STUDY CONCLUDES THAT HOMEOWNERSHIP IS THE MAIN PATH TO WEALTH FOR LOWER INCOME AND MINORITY AMERICANS

America Saves Campaign Helps Consumers Save for A Home and Preserve Their Home Equity

Washington, DC -- Well over one-half of the personal wealth held by lower income and minority homeowners represents home equity, and their wealth is far greater than that of comparable non-homeowning households, concludes a study prepared for the Consumer Federation of America (CFA) and released by CFA and national housing groups.

"Paying off the mortgage on a home has been, and will continue to be, the easiest way for lower income and minority households to build personal wealth," said Stephen Brobeck, CFA's executive director.

To help these households save for a home and preserve their equity in their home, CFA, Fannie Mae, and other national housing groups are announcing a new "Build Wealth Through Homeownership" initiative that is part of a broader America Saves campaign to help low- and moderate-income households save and build wealth.

"We have developed effective messages and services that will be incorporated into the work of the most important housing networks in the country," said Pamela Banks, vice president of Regulatory Compliance at Fannie Mae, and co-chair of the America Saves Homeownership Advisory Committee.

The new report on homeownership is based on data collected by the Federal Reserve Board's Survey of Consumer Finances and analyzed by Professor Catherine Montalto of The Ohio State University. The most recent data, released earlier this year by the Fed, were collected in 2001 among a sample of 2,400 representative American households.

Most Lower Income and Minority Household Wealth Represents Home Equity

According to the Fed data, in 2001 almost all homeowners (97%) held at least some home equity, and the typical homeowner (median) had accumulated \$70,000.

For all these homeowners, home equity represented 42% of their net wealth. But for lower income and minority households, this percentage was much higher. In fact, as the table below shows, for lower-income households, home equity represented four-fifths (80%) of their net wealth. And, for moderate-income, African-American, and Hispanic households, home equity represented more than one-half of their net wealth.

Home Equity as a Share of Homeowner Household Net Wealth, 2001

All households	42%
Low-income*	80
Moderate-income*	60
African-American	52
Hispanic	63

*Low income households are the one-fifth with the lowest incomes, while moderate income households are the one-fifth with the next lowest incomes.

In contrast, this home equity/net wealth ratio was much lower for affluent households. For the one-fifth of all households with the highest incomes, only 26% of their net wealth represented home equity.

“Most lower income and minority households hold few financial investments, including retirement accounts, so they depend on homeownership to accumulate personal wealth,” said the CFA's Brobeck.

Moreover, the data suggest striking differences in the wealth accumulation of lower income households who own a home compared to those who do not. In 2001, the typical low-income *homeowner* had net wealth of \$50,000, while the typical low-income *household* had net wealth of only \$7,900.

Rise in Homeownership Provides Opportunities for Lower Income and Minority Households to Build Wealth

Increases in the percentage of lower income and minority households that own a home have expanded the opportunity for these individuals and families to build personal wealth. As the table below shows, between 1989 and 2001, the proportion of low-income, moderate-income, African-American, and Hispanic households who were homeowners increased significantly.

Homeownership of U.S. Households

	1989	2001
All households	64%	68%
Low income*	33	40
Moderate income*	55	57
African-American	42	47
Hispanic	42	44

*Low income households are the one-fifth with the lowest incomes, while moderate income households are the one-fifth with the next lowest incomes.

“Increasing access to the American dream of homeownership has created important opportunities for lower income and minority households to build personal wealth,” said Fannie Mae’s Banks.

America Saves Launches New "Build Wealth Through Homeownership" Initiative

America Saves -- the campaign begun by CFA in 2001 to encourage and assist non-saving Americans to save and build wealth -- is launching a new "Build Wealth Through Homeownership" initiative to promote personal wealth accumulation through home ownership and the preservation of home equity.

This initiative has been developed, with financial support from Fannie Mae and the Fannie Mae Foundation, by the American Saves Homeownership Advisory Committee whose members are:

- Center for Community Change
- Co-op Housing Coalition
- The Enterprise Foundation
- Consumer Federation of America
- Fannie Mae
- Fannie Mae Foundation
- Freddie Mac
- Housing Assistance Council
- Housing Partnership Network
- Mortgage Bankers Association of America
- National Community Reinvestment Coalition
- National Congress for Community Economic Development
- National Council of La Raza
- National Council of State Housing Agencies
- Neighborhood Housing Services of New York City
- Neighborhood Reinvestment Corporation
- New Economies for Women
- Rural Development Finance Corporation

The initiative includes widely disseminating homeownership wealth-building messages and services throughout the networks of many of these organizations. The messages include those found in a free "Build Wealth Through Homeownership" brochure and a new America Saves subpage on building wealth through ownership, which can be reached by visiting www.americasaves.org and clicking on "Build Wealth Through Homeownership". The services include motivational workshops and wealth coaching of those who decide to enroll as American Savers with the goal of saving for a home or building equity in their home.

Leaders of Homeownership Advisory Committee member groups voiced their support for the new America Saves initiative

Stacey D. Stewart, president of the Fannie Mae Foundation said: "For hundreds of thousands of Americans, the long journey to homeownership begins with a savings plan. The goal of America Saves is to help more people become first-time homeowners and make sure current homeowners are able to keep their homes. America Saves is all about wealth building and hope building, and the Fannie Mae Foundation is a proud and strong ally."

Stockton Williams, vice president for Public Policy at The Enterprise Foundation, said: "Enterprise strongly supports initiatives, such as America Saves, to encourage and enable low-income people to save and build assets. Homeownership can be an effective way for families to accumulate wealth, so we are working with community-based partners to provide sustainable homeownership opportunities for low-income people."

Margaret Kelly, interim executive director of the Neighborhood Reinvestment Corporation, said: "The NeighborWorks approach is to ensure that homebuyers receive beneficial pre-purchase counseling – including Financial Fitness education – as well as post-purchase counseling and assistance. The America Saves program helps emphasize the importance of savings – before and after the purchase of a home – as a vital element in the family's overall financial well being."

Kevin Kelly, research director of the National Congress for Community Economic Development, said: "America Saves provides community development corporations with another important tool to help people in their communities become homeowners."

Michael Avery, chief operating officer of the Kansas City Neighborhood Alliance, said: "With the launch of Kansas City Saves, we have found that consistently over one-third of our Savers list homeownership as their primary savings goal, while many others include it in their overall savings strategies. The persistent message is that the American dream of homeownership is alive and well in the Heartland, and KCNA is proud to partner with America Saves in launching the 'Build Wealth Through Homeownership' program."

America Saves Advice for Aspiring and Existing Homeowners

The "Build Wealth Through Homeownership" brochure offers basic advice to those wishing to purchase a home or build equity in an existing home. This advice is related to five themes and includes the following:

Prepare yourself for homeownership financially. Pay down consumer debt to increase your credit score. Develop a saving plan to build up money for your down payment. A higher credit score and down payment will significantly reduce your mortgage rate/points, thus lowering monthly payments.

Purchase a home. Get qualified for a home loan before you look for a house, condo, or co-op to learn whether you can afford to purchase a home and at what price. On your own, contact at least three lenders, and be especially skeptical of uninvited loan offers you receive through the mail, by telephone, or at your doorstep.

Make home loan payments on time. Making these payments on time will help you build wealth, avoid costly penalty fees, and in a worst case, avoid losing your home through foreclosure. To help ensure that you afford timely payments, maintain an emergency fund.

If you have difficulty making payments, seek help. Seek assistance as soon as you are aware that you might have difficulty making payments on time. First, contact your lender. Also consider contacting the agency that provided counseling before home purchase. Non-profit consumer credit counseling agencies can also be helpful.

Be cautious in borrowing home equity. When you take out a home equity or other second mortgage loan, you are spending your personal wealth. Consider borrowing only to pay for major emergencies, home improvements, education, or consumer debts (if you do not take on new debt). Again, be especially wary of uninvited loan offers.