

Reading Tips and Study Questions CLASS ELEVEN

Required reading

- Lawrence J. Vale, "The Ideological Origins of Affordable Homeownership Efforts," in Rohe and Watson, *Chasing the American Dream: New Perspectives on Affordable Homeownership* (Ithaca, NY: Cornell, 2007).
- Christopher E. Herbert, Daniel T. McCue, and Rocio Sanchez-Moyano, "Is Homeownership Still an Effective Means of Building Wealth for Low-Income and Minority Households? Was It Ever?" from Eric S. Belsky, Christopher E. Herbert, and Jennifer H. Molinsky, eds., *Homeownership Built to Last: Balancing Access, Affordability, and Risk after the Housing Crisis* (Brookings, 2014).
- William M. Rohe and Mark Lindblad, "Reexamining the Social Benefits of Homeownership after the Housing Crisis" from Eric S. Belsky, Christopher E. Herbert, and Jennifer H. Molinsky, eds., *Homeownership Built to Last: Balancing Access, Affordability, and Risk after the Housing Crisis* (Brookings, 2014).
- Carolina Reid, "To Buy or Not to Buy? Understanding Tenure Preferences and the Decision-Making Processes of Lower-Income Households" (Harvard Joint Center on Housing, 2013)

Session overview

This set of readings addresses the "American Dream" of homeownership and its problematic relationship with low-income and minority households in the U.S. Larry **Vale** outlines the origins of this preference and the long history of public and private efforts to increase the rate of homeownership among working class households – both for the benefit of American families and for the significant boost that homeownership provides to the national economy. Vale outlines the early push for homeownership that helped set the stage for federal programs in the New Deal designed to assist homebuyers, starting with the Federal Housing Administration and Fannie. As the GSEs (Government Sponsored Enterprises – Fannie Mae and Freddie Mac) built their mortgage empire in the late 1990s and early 2000s, they pushed for political support to extend the benefits of owning a home to lower-income people. This provided cover for their market-rate money-making mortgage products, increased the demand for their low-income mortgage products, and increased the homeownership rate.

We have two pieces prepared for a conference last year on the effects of the mortgage crisis. **Herbert**, et al. shows several ways in which researchers go about

studying the effects of homeownership on household wealth. The paper points out that there are many different ways to study these issues, and that each has different assumptions that can color the findings. The first part of the paper provides a good accounting of the positive and negative aspects of owning a home for working class people. Look through the last half of their paper at their review of two types studies of the effects of homeownership: **simulations** of the economic benefits of homeownership and **panel surveys** that use long-term survey data on actual household incomes. They find varying results about the efficacy of homeownership between these different approaches, but in their own use of data and statistical analyses, they paint a relatively positive picture of homeownership for low-income households despite the recent crisis.

Rohe and Lindblad focus on attitudes about and social effects of homeownership in their review of recent studies. They find that the desire for homeownership and opinions about its benefits remain fairly resilient despite the pitfalls demonstrated in the recession. Like the Herbert piece, their review of research shows how people go about studying housing, but the specific details are less important to us here.

Finally, the recommended piece by Carolina **Reid** offers a qualitative approach to researching, in which she interviews many low-income households directly to learn about their needs from and attitudes about homeownership.

You can also look over the homeownership section of "**State of the Nation's Housing**" for a sense of the aftermath of the Great Mortgage Industry Meltdown.

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11.401 Introduction to Housing, Community, and Economic Development
Fall 2015

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