Guest Editors' Introduction

Symposium on Housing Tenure and Financial Security

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Homeownership has long been a central pillar of financial security for American families. The inclusion of homeownership in the American Dream reflects its close association with wealth creation and residential stability. A decade after the depths of the foreclosure crisis, however, important questions remain about the reliance of U.S. households on homeownership, the different financial options for achieving homeownership, and homeownership's role in facilitating wealth building and financial security.

Emerging issues also raise important questions about the future role of homeownership in the lives of American families. For example, which barriers currently limit households' access to homeownership? What is the role of affordable homeownership programs and non-traditional lending in facilitating homeownership? What are the recent homeownership experiences of low- and moderate-income households? What are the implications of these and other questions for housing policy?

These questions illustrate the need for insight into the breadth of households' experiences with homeownership in recent years. To examine these questions, Fannie Mae and the Harvard Joint

Center for Housing Studies (JCHS) organized a symposium to analyze the evolving relationship between tenure choice and financial security. Held in March 2019 on the campus of Harvard University, the symposium invited the submission of papers that explored the relationship between homeownership and wealth, barriers to mortgage credit availability and homeownership sustainability, alternative tenure and financing options, and the homeownership experiences of older adults and other subpopulations of specific interest.[1] The symposium section in this issue includes a selection of the papers first presented and discussed at that event; each paper describes homeowners' experiences and the operation of mortgage and housing markets in recent years.[2]

In the first article, "Mortgage Journeys: A Video Ethnography of the Homebuying and Mortgage Process," authors Jefferson and Thomas discuss findings from their ethnographic study that followed low- and moderate-income prospective first-time homebuyers through the home purchase process. The authors specifically focused on mortgage shopping behaviors, which prior research shows have the potential to reduce homeowner costs and facilitate long-term financial security. Their approach identified five major influences on potential homebuyers' attitudes toward mortgage shopping: social networks, real estate professionals, downpayments, time and technology, and participants' financial self-perception. The authors also documented and examined the extent to which participants deviated from recommended mortgage shopping practices; they found this often occurred during the last and most stressful purchasing phase, when mortgage shopping may be most beneficial.

The second and third studies in the symposium examine geographic lending patterns in land contracts and in loans backed by the U.S. Department of Veterans Affairs (VA), respectively, both of which have shown consistent growth during the past decade. In "The American Dream or Just an Illusion? Understanding Land Contract Trends in the Midwest Pre- and Post-Crisis," authors Carpenter, George, and Nelson use a unique proprietary data source to document the growth of land contract activity in six Midwestern states and to examine the extent to which land contracts are concentrated in disadvantaged neighborhoods. The study finds that contract-for-deed usage varies greatly by area, and it tends to be more concentrated in neighborhoods with lower incomes, higher shares of non-White residents, higher rates of vacancy, and less access to traditional mortgage credit. When compared with mortgaged sales, contracts for deed are more likely to be entirely financed and have sales prices that fall below mortgaged sale prices. The results point to the need for greater consumer protection for buyers and greater access to mortgage credit for potential homebuyers purchasing homes valued below $75,000.

In "Institutions and Geographic Concentration in VA Mortgage Lending," authors Spitzer and Lambie-Hanson examine the role of institutions and geography in determining patterns of VA lending—an important segment of the mortgage market on which limited research has focused. Building on the literature on the importance of institutions and their physical presence in local

[1] The conference agenda, working papers, and videos of the symposium panels are available on the JCHS website at https://www.jchs.harvard.edu/research/symposia-special-projects/symposium-housing-tenure-and-financial-security-2019.

[2] The revised symposium papers submitted for inclusion in this volume were subjected to a peer review process administered by the co-editors of this issue. Each paper was reviewed by at least two referees who were at least single blind (that is, authors were universally blinded to the identity of the referees, but the pool of potential referees included both attendees and non-attendees of the symposium).

markets, they analyzed disproportionate concentrations of VA loan originations using Home Mortgage Disclosure Act data. Among other findings, Spitzer and Lambie-Hanson concluded that proximity to a military site is a strong, positive predictor of county-level VA mortgage lending, even after controlling for a number of related factors. Because VA lending provides veterans with an important tool in the path to homeownership, this analysis offers insight into the pathways through which VA lending broadens access to homeownership for eligible households.

The fourth paper documents the unique barriers to homeownership facing households that have had various types of interactions with the criminal justice system. In "Homeownership Experiences Following Criminal Justice Contact," author Bryan uses data from the 1997 cohort of the National Longitudinal Survey of Youth (NLSY97) to estimate the association between four points of criminal justice system contact—arrested, charged with a crime, convicted, and incarcerated—and three homeownership outcomes—current homeownership, age of head of household at homeownership entry, and duration of homeownership. Results from a series of regression models support the conclusion that being arrested and being convicted of a crime are negatively associated with homeownership, independent of being incarcerated. Bryan's findings are important, not only for their implications for the literature on homeownership, but because most prior research focuses only on the negative effects of incarceration. Many millions of individuals, however, experience arrest and conviction but are never incarcerated. This article illustrates the importance of accounting for the negative effects of lower level criminal justice system contact in any assessment of the consequences of criminal justice involvement.

The final two papers in the symposium discuss opportunities to broaden access to homeownership through innovative tenure models and financing options. In "The Potential for Shared Equity and Other Forms of Downpayment Assistance to Expand Access to Homeownership," authors Perkins, Rieger, Spader, and Herbert estimate the number of potential homebuyers who could achieve homeownership with different levels of financial assistance. Using recent Survey of Income and Program Participation data with a conservative interpretation of Federal Housing Administration underwriting guidelines, the authors estimated that 6.6 million households could purchase a median-priced home in their county with assistance of $25,000–$100,000, a subsidy level consistent with typical shared equity programs. An additional 15.2 million households could afford to purchase a home using downpayment assistance of just $10,500 or less. Among other significant improvements over prior attempts to carefully quantify market size, the authors consider not just current renter households but a broader pool of potential homebuyers that includes potential heads of household between the ages of 25 and 65. These findings highlight the size of the opportunity if financial, administrative, and political barriers to shared equity programs could be overcome.

In "Building Wealth Through Homeownership: A Comparative Study of MHP's ONE Mortgage Program and FHA," authors Interrante and Schmiedl examine mortgage and wealth-building outcomes for first-time homebuyers who use the Massachusetts Housing Partnership (MHP) subsidized mortgage program, an affordable mortgage product available to low- and moderate-income households in Massachusetts. The program, which competes with other state Housing Finance Agency products and the Federal Housing Administration (FHA) program, currently has only a modest market share in the state. Using data on a subset of MHP borrowers, the authors simulated alternative FHA mortgage outcomes for the sample, comparing total monthly mortgage payments, overall equity accumulation, and net financial outcomes from purchase to sale for MHP and FHA options. They find overall better net financial outcomes for the MHP mortgages, show lower default and foreclosure rates for this product over time, and address the potential to expand the program's reach within the state.

These papers contribute to the broader literature on the evolving relationship between housing tenure and financial security. Nonetheless, many questions remain unexamined and in need of future investigation. For example, one surprise of the symposium was that few papers were submitted on topics related to innovation in alternative tenure models, which have seen a burst of investment and experimentation by private startups offering shared appreciation mortgages, rent-to-own contracts, and other alternative forms of tenure. Similarly, what are the implications of recent trends in technological innovation, urban restructuring, and growing income inequality for housing markets and tenure outcomes? Also, given the dramatic growth in older households projected for coming decades, how and where will aging baby boomers choose to live, and how will they manage their home equity? On these and other topics, further research is necessary to understand the extent to which the experiences of the past decade have changed anything fundamental in the attitudes of U.S. households toward homeownership, their openness to alternative tenure options, and the role that tenure decisions will play in the financial security of American households in coming decades.