Using Vouchers to Support Homeownership

Can the Housing Choice Voucher Homeownership Program Help Address the Racial Homeownership Gap?

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May 2023

The Housing Choice Voucher (HCV) homeownership program allows households with a voucher to apply their voucher to a monthly mortgage rather than to rental housing. This brief explores the HCV homeownership program and whether it could be a tool to help close the Black-white homeownership gap in the US. Because of the homeownership gap, inequities in income, and structurally racist policies, Black non-Hispanic households receive almost half of all HCVs. Because the voucher program is designed to primarily support access to rental housing, less than 0.5 percent of vouchers are used for homeownership, and roughly three out of four housing agencies do not currently support any homeownership vouchers. Staff at housing agencies that support homeownership vouchers told us about the program's potential long-term benefits to families. But there are limitations to the program's benefits and to its potential for advancing homeownership opportunity for Black non-Hispanic households: some agencies may decide that homeownership is not part of their scope or mission; the program does not appear to be suited to high-cost metropolitan areas; high interest rates divert household funds toward interest payments rather than toward wealth generation; and success hinges on collaboration between housing agencies, lenders, and other first-time-homebuyer programs. We evaluated four policies that might expand or strengthen the program; of these, increasing available funding for lump-sum down payment assistance appears most promising, but additional research is needed.

Background

Homeownership is among the primary vehicles for wealth-building in the United States. According to the Federal Reserve, the median net worth of a homeowner in the United States in 2019 was $225,000 compared to $6,400 for renters. But decades of racist policies, including mortgage denials and redlining, have led to racial disparities in homeownership. In 2022, the African American homeownership rate was 45.3 percent while the white homeownership rate was 74.6 percent, and African American homeownership rates are lower than white homeownership rates across all income ranges.[1]

No one policy or program is likely capable of closing the Black-white homeownership gap, which will take adding nearly five million African American homeowners. Researchers and policymakers are therefore exploring policies to make housing more affordable, strengthen government mortgage programs, and reduce renters' barriers to homeownership.[2] Urban Strategies, Inc., a nonprofit community planning and development organization, approached Urban to evaluate the US Department of Housing and Urban Development's (HUD) Housing Choice Voucher (HCV) homeownership program's potential for addressing the racial homeownership gap. Because of inequitable access to economic opportunity in the US, Black non-Hispanic households receive almost half of all HCVs. Based on data from HUD, there are about 1.1 million Black non-Hispanic households in the HCV program in 2021. It is therefore worth considering whether the HCV homeownership program could play a role in addressing the Black-white homeownership gap.

The HCV homeownership program allows HCV recipients that are first-time homeowners to apply their voucher to a monthly mortgage rather than to rental housing. Public housing authorities (PHAs) administer the homeownership voucher program as they do rental vouchers—from the same funding pool as rental vouchers—and can set limits on what proportion of vouchers are allocated for homeownership. Under HUD regulations, households are eligible to receive assistance for up to 15 years if they are nonelderly and nondisabled, or for the full length of the mortgage term if they are elderly (at least age 62) or disabled. PHAs also have the option of offering a onetime down payment assistance grant in lieu of monthly subsidies. The lump sum payment is capped at 12 times the PHA's monthly contribution—the equivalent of one year of subsidy up front.

To participate, households must be awarded a rental voucher, must complete homeownership counseling, and must be able to either finance a down payment and closing costs or qualify for other programs that provide these resources. Eligibility for the homeownership program is the same as for the broader HCV program. To receive a voucher, households must have incomes at or below 50 percent of area median income (AMI) or have incomes below 80 percent of AMI and meet additional criteria, such as being currently assisted under the public housing or HCV program or meeting criteria set by the PHA to address local housing needs (US Department of Housing and Urban Development 2019). PHAs must further ensure that 75 percent of new households each year have incomes below 30 percent of AMI. Households may continue to receive a voucher as their incomes rise until the assistance needed to pay their rent falls to $0.

Additionally, households must put at least 3 percent down on a home purchase. Although PHAs may recommend or partner with mortgage lenders and other assistance programs to serve voucher participants, participants typically seek out a lender and any additional financing support independently. Nonelderly, nondisabled participants must have at least one adult member of their family who is employed full-time and has been continuously employed during the year before receiving assistance.

As it stands today, the HCV homeownership program is limited in size and scope. Nationally, 736 PHAs, about 22 percent, participate in the homeownership program, with 11,672 active vouchers in 2021. Whether and where there might be opportunities to expand this program are unclear. Little research has been done to date on homeownership vouchers, with the last comprehensive study on the topic published in 2006 (US Department of Housing and Urban Development 2006). The 2006 study found that median home values and incomes were lower in jurisdictions with higher numbers of home purchases from people in the program, that housing cost burdens averaged 38 percent, and that foreclosures and delinquencies were rare. Since the time of the study, two economic recessions and a pandemic have exacerbated inequities, warranting deeper study of the program's potential to advance homeownership opportunities for households with very low incomes in current market conditions.

BOX 1

Race and Ethnicity Terminology in This Brief

The authors use the terms African American, Black, and Black non-Hispanic in this brief depending on the source of information about a population. HUD data on household demographics in the voucher program uses the term Black non-Hispanic. Because not every Black non-Hispanic person may identify as African American and not every African American person may identify as Black non-Hispanic, we use this precise language to describe the relevant sub-population of households in the voucher program.

Benefits and Risks of Homeownership among African American Households and Households with Low Incomes

While homeownership can generate positive financial and social gains, the overall impact of homeownership in the context of low-income communities is less easily evaluated. Historical discrimination has been responsible for a disparity in both access to homeownership as well as to its benefits.

As a financial asset, homes play a significant role in American households' wealth generation. A paper in the *Journal of Housing Economics* found that low-income households that had been renters until purchasing a home in 1989–1999 experienced significant gains in wealth as of 2011 compared to low-income households that remained renters during that time (Wainer and Zabel 2020). Analysis by

Harvard's Joint Center for Housing Studies found a similar connection between homeownership and wealth accumulation for low-income households that purchased a home between 1999–2009 (Herbert, McCue, and Sanchez-Moyano 2013). Homeownership has also been linked to several social benefits, including increased political engagement (Engelhardt 2010), increased participation in neighborhood associations (Manturuk, Lindblad, and Quercia, 2012) and improved quality of home environment for children (Haurin, Parcel, and Haurin 2001) in communities with low incomes.

But the benefits and costs of homeownership are not equally distributed between African American and white households. Black households are more likely than white households to own less expensive homes that generate less equity: in 2019, the average home value for a Black family was $240,156 compared with $331,281 for a white family (Young, Neal, and Ratcliffe 2022). Black households are also more likely than white households to have debt via mortgages, and are more likely to use Federal Housing Administration (FHA) loans, which offer lower down payments but also lower equity for homeowners (Young et al. 2022). Additionally, Black households tend to incur higher homeownership costs, in part because of a greater likelihood of living in inadequate housing requiring more upkeep and paying relatively more in property taxes (Young, Neal, and Ratcliffe 2022). Finally, legacies of redlining and present-day discriminatory lending have hampered Black households' opportunities for equitable access to quality, high-value housing.

Research Approach

This work aims to explore the HCV homeownership program from multiple angles. Using HUD data,[3] we examined data on program use, rates of uptake, and demographics of participating PHAs. We collected data on housing markets to understand the cost implications of applying homeownership vouchers to monthly mortgages. We interviewed PHA staff and program participants to learn more about their experiences administering and navigating the homeownership voucher program. Finally, we examined the ramifications of policy proposals and their potential to expand participation in the program.

In our quantitative analysis, we used HUD HCV program data, HUD Fair Market Rent data, Zillow Home Value Index data, and vacant housing unit data from the American Community Survey to explore how local housing markets and PHA characteristics may affect homeownership voucher program uptake.[4] We identified PHAs with high rates of program uptake relative to national trends, as well as PHAs that do not offer vouchers but have offered some form of homeownership assistance previously.

A core limitation of this research is the lack of race-disaggregated data for the homeownership program, as well as a lack of income data for homeownership voucher participants. We do have access to race-disaggregated data for the HCV program, and use this as a proxy to assess the demographics of households served by a given PHA who would be eligible to participate in the homeownership voucher program.

To understand motivations for engaging in the homeownership voucher program, trends in program uptake, and factors influencing homeownership affordability and access to opportunity, we interviewed 11 staff members at five Public Housing Agencies (PHAs) located across the United States. Four of these—Chicago Housing Authority (CHA), Louisville Metro Housing Authority (LMHA), Housing Authority of New Orleans (HANO), and Knoxville Community Development Corporation (KCDC)—currently offer homeownership vouchers. We selected these PHAs based on rate of program uptake, degree of growth in voucher enrollment since 2015 (the earliest year for which program data are available), percentage of Black or African American households in the PHA's jurisdiction, and the percentage of Black non-Hispanic households enrolled in the rental voucher program. States with some of the highest statewide rates of homeownership voucher usage—New Mexico, New Hampshire, and Vermont—were not considered in our qualitative research given small African American populations. We also interviewed the Saint Paul Public Housing Agency (SPPHA), which does not offer the program but previously offered a homeownership assistance program that predated the homeownership voucher. Additionally, we spoke to four program participants who shared their experiences navigating the transition from renting to pursuing homeownership.

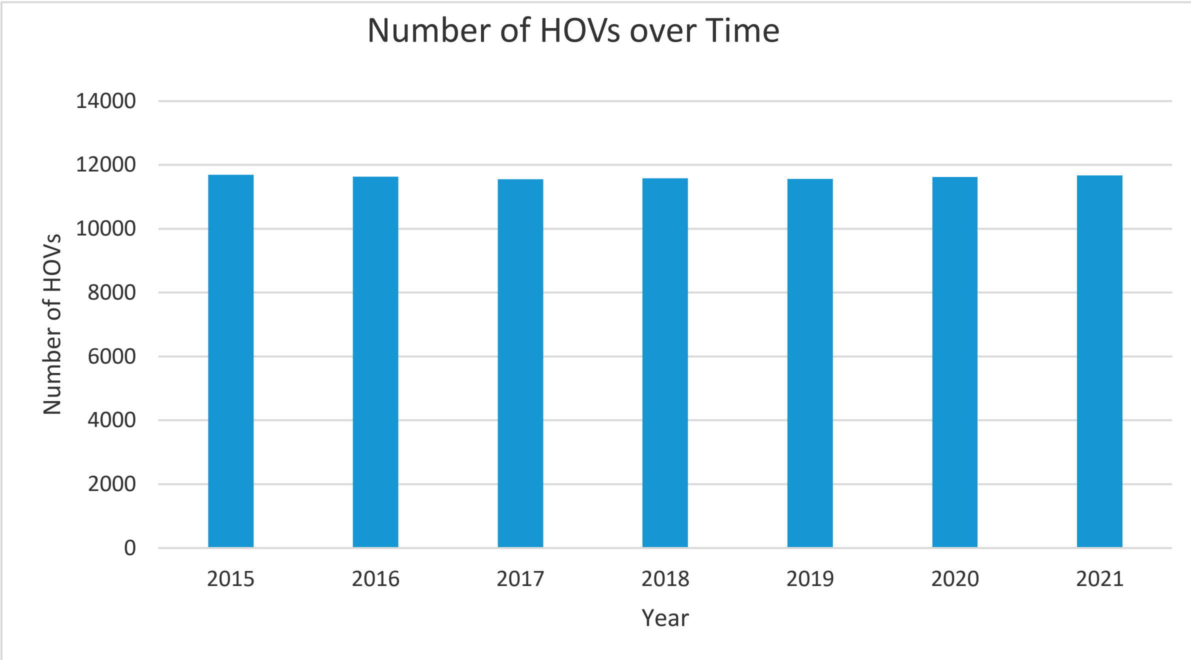
Finally, we evaluate four policy options and considerations for changes to the HCV homeownership program. As part of this work, our funder Urban Strategies proposed three policies for altering the HCV homeownership program for Urban Institute to independently evaluate. Our team independently researched and evaluated these policies to consider costs, trade-offs—including PHA's ongoing capacity for rental assistance—and potential for increasing uptake and homeownership rates. Over the course of our research, we identified a fourth policy for consideration.

Size and Scope of the Homeownership Voucher Program

The homeownership program is used by only a small fraction of households with vouchers. As of 2021, HUD reports that there were 11,672 HCVs used for homeownership. This constitutes only 0.37 percent of all HCVs nationally. The program has remained roughly the same size since 2015, with between 11,500 and 11,700 active vouchers used for homeownership each year.

FIGURE 1

Number of Homeownership Vouchers by Year (2015-2021)



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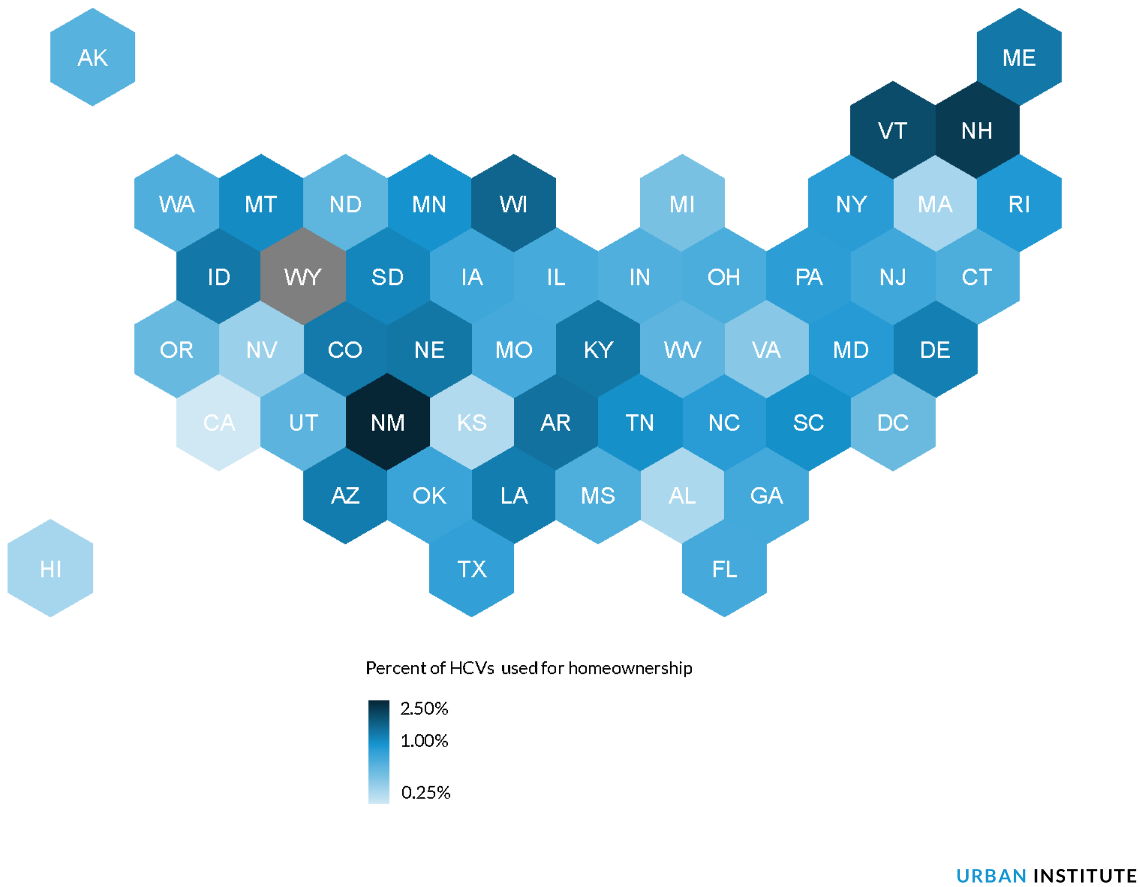
Source: Urban Institute Analysis of HUD HCV homeownership enrollments report data.
Notes: HOV = homeownership voucher

Homeownership vouchers are used more frequently in some places than others. But we did not find any consistent geographical patterns of program uptake nationally. The states with the overall lowest uptake of homeownership vouchers as a percentage of HCVs are California, Kansas, and Alabama. The states that have the overall highest uptake of homeownership vouchers are New Mexico, New Hampshire, and Vermont. These findings do not indicate any definitive regional patterns in homeownership voucher usage and may to some degree reflect PHA-level jurisdiction over whether to offer the program and to what scale. Among high uptake states, homeownership voucher use is still low both in volume and in proportion to overall active vouchers. In New Mexico, for instance, where homeownership voucher use is highest compared to all states, state-wide usage does not exceed 2.5 percent.

FIGURE 2

Share of Housing Choice Vouchers Used for Homeownership, by State (2021)



Source: Urban Institute analysis of HUD Picture of Subsidized Households and HCV homeownership enrollments report data.

Notes: HCV = Housing Choice Voucher; Wyoming, shown in gray, had no homeownership vouchers in 2021.

There is more variation between PHAs. Just 22 percent of PHAs nationally are using any of their HCVs in the homeownership program. And even among those that do, few use a substantial portion of their HCVs for homeownership. Over half of PHAs that support homeownership vouchers use less than 2 percent of their vouchers for that purpose. Only four PHAs use more than 10 percent of their vouchers for homeownership and each of these PHAs has fewer than 1,200 HCVs and no more than 130 homeownership vouchers.

The top five PHAs in terms of total homeownership enrollment appear in table 1. Philadelphia and Chicago have the highest numbers of active homeownership vouchers in the country, at 465 and 405 respectively, but use fewer than 3 percent of their vouchers for homeownership. Though these PHAs also do not reflect any distinct geographic pattern to program usage, they do reflect generally urbanized areas. And though the demographic composition of the cities and communities in which these PHAs operate varies, the majority of these PHAs serve predominantly Black households in their HCV program (table 1).

TABLE 1

Top Five Highest Uptake Programs by Number of Active Homeownership Vouchers, 2021

PHA	Number of homeownership vouchers (percent of HCVs)	Percent Black or African-American population in PHA jurisdiction	Percent Black non-Hispanic Households in HCV Programs
Philadelphia Housing Authority	465 (2.1%)	40.8%	84%
Chicago Housing Authority	405 (0.7%)	29.2%	85%
New York State Housing Trust Fund Corporation	386 (0.8%)	17.6%	30%
Housing Authority of New Orleans	270 (1.5%)	58.1%	95%
Louisville Metro Housing Authority	231 (1.9%)	23.8%	74%

Source: Analysis of HUD Picture of Subsidized Households, HCV homeownership enrollments report, and United States Census Bureau American Community Survey data.

Notes: HCV = Housing Choice Voucher; PHA = public housing agency.

Enrollment rates may also sit below maximum allocation rates set by the PHA. For example, Knoxville Community Development Corporation has one of the highest levels of participation in the homeownership program among large PHAs. Knoxville uses 3.2 percent of its HCVs for homeownership, below its 5 percent maximum allocation cap.

The small percentage of vouchers used for homeownership, even at PHAs prioritizing the program, suggests that the potential to expand this program may be limited. If every PHA in the country initiated a homeownership program and achieved Knoxville's level of take-up and participation, and if all households in the HCV program were able to advance to homeownership at the same rate regardless of race or ethnicity, the program would help about 36,000 Black non-Hispanic households become homeowners. This shift could be incredibly significant for these new homeowners and their families. However, it would close only 0.7 percent of the national Black-white homeownership gap.

Factors That Influence Use of Homeownership Vouchers

We spoke to PHAs about factors that shaped whether they offered homeownership vouchers and examined national data to look for trends. PHA staff told us about the potential long-term benefits to families and their concern that the program is outside of agencies' main mission of making renting affordable to households with low incomes. We examined whether use of the program differed between PHAs that were and were not majority Black non-Hispanic and found that PHAs in which a majority of households were Black non-Hispanic were more likely to have a homeownership vouchers program but less likely to have a large homeownership voucher program. As expected, homeownership vouchers are even more sparsely used in high-cost metropolitan areas. But the broader relationship between markets and use is relatively weak. And conversations with PHAs raised the importance of lender engagement, among other local factors.

Agency Motivations for Offering the HCV Homeownership Program

With just under a quarter of housing authorities offering homeownership vouchers nationally, what motivates PHAs to offer the program? Many PHA staff described the homeownership voucher program as an opportunity to help households transition out of generational patterns of engagement with public housing and build intergenerational wealth. They noted that the structure of the program and its counseling requirements ostensibly equips people with the information they need to determine whether they are in a position to become homeowners, to set goals for financial independence, and to achieve a "higher level of family self-sufficiency." One staff member noted particular benefits for older adults and people with disabilities, who receive assistance for the full life of their mortgage term, opening opportunities for homeownership that may otherwise be financially unattainable.

"[This program] could potentially lead to a generational paradigm shift for families… A lot of times you have families that, generationally, their grandmother lived in public housing, their parents lived in public housing … So this is a good program for those that want to transition their families and create wealth and an asset ultimately for their descendants." —PHA staff interviewee

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Some PHA staff also noted the potential cost savings of homeownership programs over time, as nonelderly, nondisabled households' 15-year mortgage subsidy limit enforces a cut off for maximum assistance, limiting PHA costs while creating space for the PHA to enroll and serve new households. Evidence for this claim is mixed. Though there is no lifetime limit for receiving voucher-based assistance, the typical household receiving a HCV stays in assisted housing for an average of 6.6 years and a median of 4.8 years, several years below the standard mortgage assistance period of the homeownership program (McClure 2017). PHA staff noted that several households in their programs transition off the program prior to their 15-year maximum—largely due to increased income—supporting the notion that the homeownership voucher can offer a bridge to financial self-sufficiency and reduced dependence on PHA assistance.

PHA staff and program participants described mixed degrees of program awareness despite marketing efforts. PHA staff described offering weekly or monthly program orientations and sending

PHA staff to neighborhood association meetings and PHA meetings to market the program. Others said they promote the program on social media and their website, with some noting that traditional marketing methods—offering pamphlets and flyers in household welcome packets—are unlikely to draw attention amid mounds of housing paperwork. Existing networks and PHA engagement also shape households' awareness of the homeownership program. In interviews with both PHA staff and voucher program participants, people highlighted the word-of-mouth power of family and friends who had been through the program, and described learning about pathways to homeownership through programs like Family Self-Sufficiency (FSS), a HUD program that helps families receiving housing assistance set financial goals, maintain employment, and reduce dependency on subsidies.

Why Don't Some Agencies Offer the HCV Homeownership Program?

The scope of our research primarily focuses on PHAs with active homeownership voucher programs to understand their experiences administering the program and participants' experiences navigating homeownership. In our interviews, we spoke with one PHA, St. Paul, Minnesota, which formerly offered a homeownership assistance program—through counseling and down payment support—that predated the homeownership voucher and is no longer offered. St. Paul PHA staff noted that many housing authorities view their mandate as primarily centering rental housing, and that introducing any new program, whether related to homeownership or not, requires substantial work to properly resource, staff, and engage the community. Staff also noted concerns about "trading" a rental voucher for a homeownership voucher, minimizing availability of rental assistance for which eligibility and demand outpace supply. Staff also noted that generous federal funding for public housing in recent years incentivizes PHAs to center their efforts on serving households through rental housing. Moreover, PHA-administered homeownership programs may be bolstered by complementary housing assistance programs offered by local or state governments or by nonprofits, and absent these programs, it may be challenging to funnel households into homeownership. In St. Paul, the PHA's down payment assistance program benefited from a partnership with the city, which issued bonds to be able to provide lower-interest mortgage products to prospective buyers with lower incomes. When this was no longer financially viable for the city, the PHA lost a core funding partner and a means of providing consistent down payment support. Pathways to homeownership for program participants may be hampered by a lack of external funding programs to leverage in addition to vouchers.

"Currently, the public housing funding is healthier than in years past. Homeownership, it's like extra credit … and there's all these societal goods around homeownership, like wealth-building. We get that. But in addition to homeownership, I could rattle off 50 other programs and services we offer, and they can distract from affordable rental provision if the agency isn't mission-focused." —PHA staff interviewee

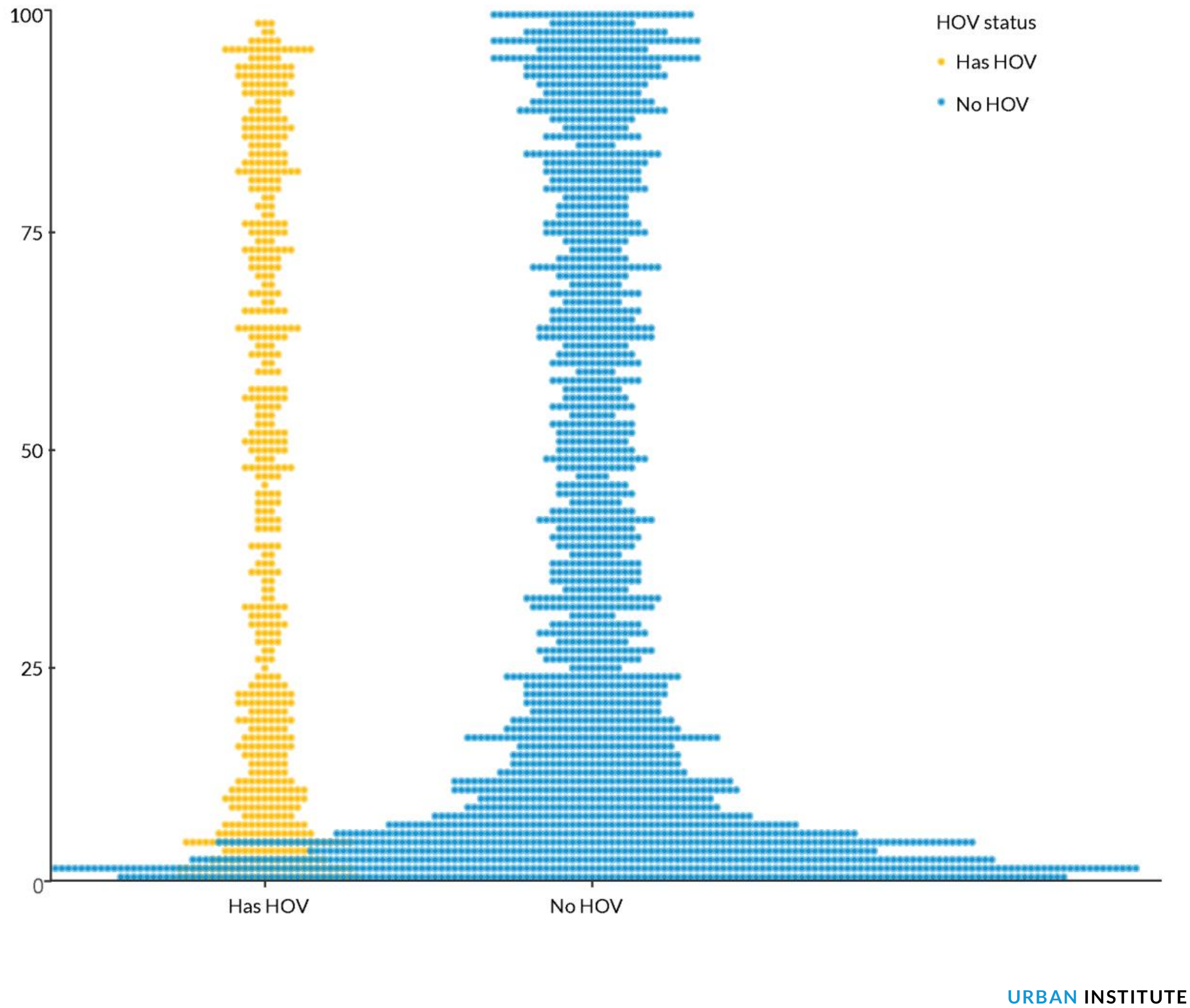
Racial Demographics and Program Availability

Nearly half of all HCV program participants nationally have a Black non-Hispanic head of household, prompting consideration of whether vouchers can offer a viable path to homeownership for Black non-Hispanic households and mitigate racial wealth gaps. As noted above, the homeownership voucher program is small, serving only a few hundred families at a time at higher-uptake, larger PHAs. Moreover, it operates within the rental voucher program, which is small relative to need and eligibility, as just one in four households eligible for rental assistance receives it (Fischer, Acosta, and Gartland 2021). As such, the potential of this program to expand homeownership opportunities for Black or African American households overall is limited, but its presence can contribute to small gains in African American homeownership and wealth-building, especially among households with low incomes for whom homeownership may be otherwise financially out of reach. The program can also formalize homeownership claims in contexts where homeownership may otherwise be achieved through informal, intergenerational systems. For instance, HANO staff noted a rich history of homeownership among New Orleans' Black families, but acknowledged that "muddied deeds" and homes informally passed down through families could obscure ownership claims to land and property.

We explored the relationship between homeownership voucher program availability and HCV program demographics as we were unable to access race-disaggregated data on homeownership voucher program participation specifically. As figure 3 shows, we found a statistically significant difference in HCV program demographics between PHAs that have a homeownership voucher program and the PHAs that do not. Specifically, places that offer the homeownership voucher program have about 41 percent Black non-Hispanic households in their HCV program, compared to 34 percent in places without a homeownership voucher program.

FIGURE 3

Percent of Black non-Hispanic Households in a Housing Choice Voucher Program among Public Housing Agencies with and without Homeownership Vouchers

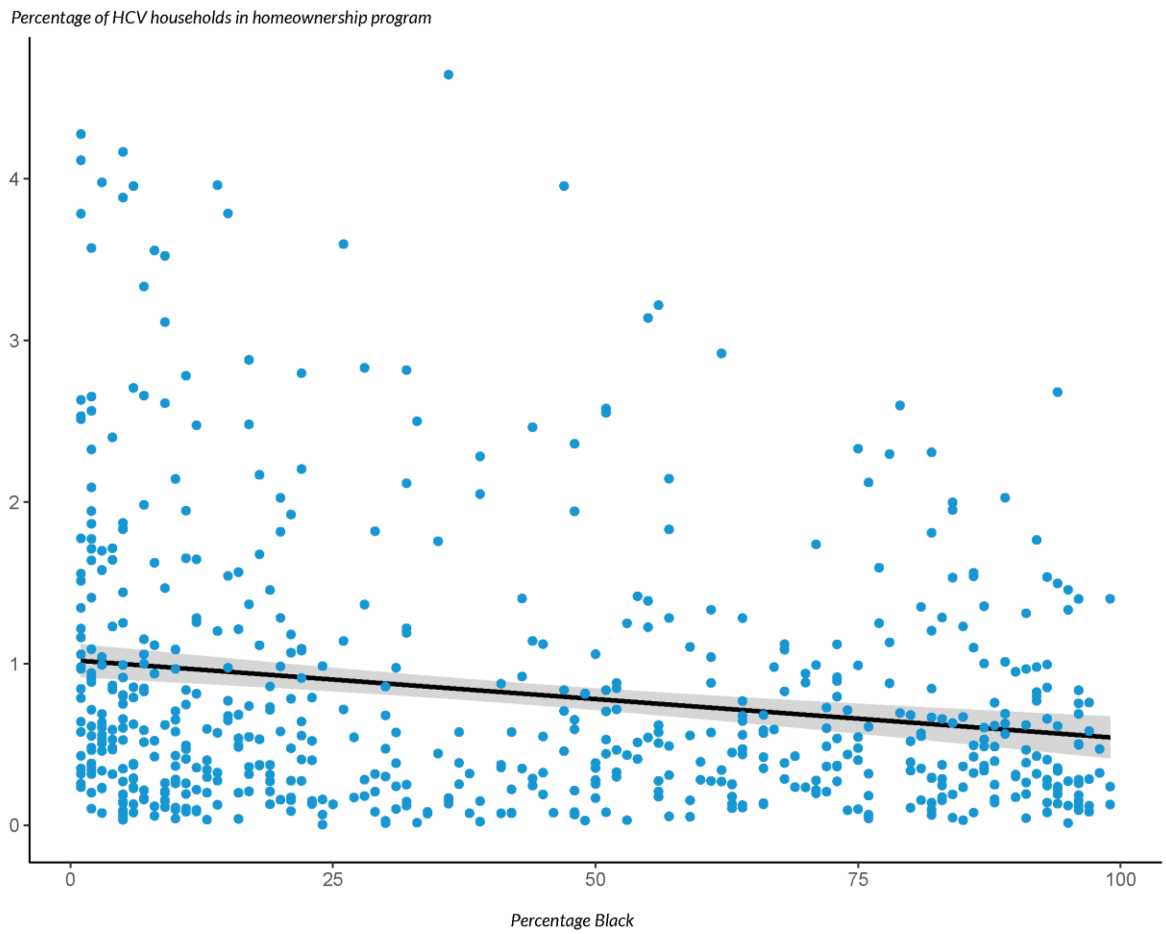


Sources: Analysis of HUD Picture of Subsidized Households and HCV homeownership enrollments report data.
Notes: HOV = homeownership voucher; each dot represents a public housing agency.

Yet, among the PHAs that offer the homeownership program, there is a slight negative correlation between share of households with a Black non-Hispanic head of household and share of vouchers used for homeownership (figure 4). The PHAs that use highest share of vouchers for homeownership, like those shown in table 1, tend not to have majority Black non-Hispanic clientele. Agencies that serve predominately Black non-Hispanic populations tend to fall in the middle, offering some homeownership vouchers, but using less than 2 percent of their vouchers for homeownership.

FIGURE 4

Percent of Housing Choice Voucher Households in the Homeownership Program Compared to Percent of HCV Households with a Household Head who is Black and not Hispanic, by Public Housing Agency



Sources: Analysis of HUD Picture of Subsidized Households and HCV homeownership enrollments report data.
Note: HCV = Housing Choice Voucher; each dot represents a public housing agency.

Housing Markets Shape Homeownership Feasibility

Amid rising home prices, the financial shocks of the Covid-19 recession, and increasing home interest rates, our interviews did not surface consistent trends in interest in homeownership among households served by PHAs. In Chicago and Louisville, Kentucky, PHA staff reported greater interest in homeownership among households in recent years, and a sense that as rising rental rates became comparable to or more costly than mortgage rates, households reconsidered the value of paying landlords rather than building equity over time. They also note that amid Covid-19 safety concerns, households may have been eager to have a space of their own, rather than risking exposure in apartment buildings.

In some communities, challenging market conditions have limited homeownership prospects, regardless of households' enthusiasm and interest. In Knoxville, Tennessee, the same price hikes seen in other communities—across both the rental and homeownership markets—have sparked bidding wars among prospective homeowners, making it challenging for households on limited incomes to make competitive offers. Many struggle to receive loan approvals to meet higher purchase prices. Despite a costly market, interest in homeownership has not waned: a KCDC staffer noted "there's been more inquiries than I've ever had in my life," but fewer home purchases in the last year. In other contexts, housing scarcity, rather than affordability, limits options for prospective homeowners. In New Orleans, longstanding structural damage from Hurricane Katrina coupled with damage from recent storms have limited housing stock for would-be homeowners.

But other external supports can shape homeownership access and feasibility. Several PHA staff and program participant interviewees noted the value of government-offered first-time homebuyer and down payment assistance programs. In New Orleans, the city offers up to $55,000 in soft second funds and $5,000 in closing cost assistance for first-time buyers using Community Development Block Grant funds,[5] which has contributed to more home purchase closings through HANO's homeownership voucher program. In Louisville, city officials raised their down payment assistance home price limit from $200,000 to $220,000 in 2022, allowing homeownership voucher participants to pair their vouchers with down payment assistance for a broader set of homes in a higher price range. Program participants also describe pairing multiple programs to make homeownership possible, leveraging homeownership vouchers, Federal Housing Administration (FHA) loans, first-time homebuyer assistance offered by local or state governments, and housing construction programs like Habitat for Humanity.

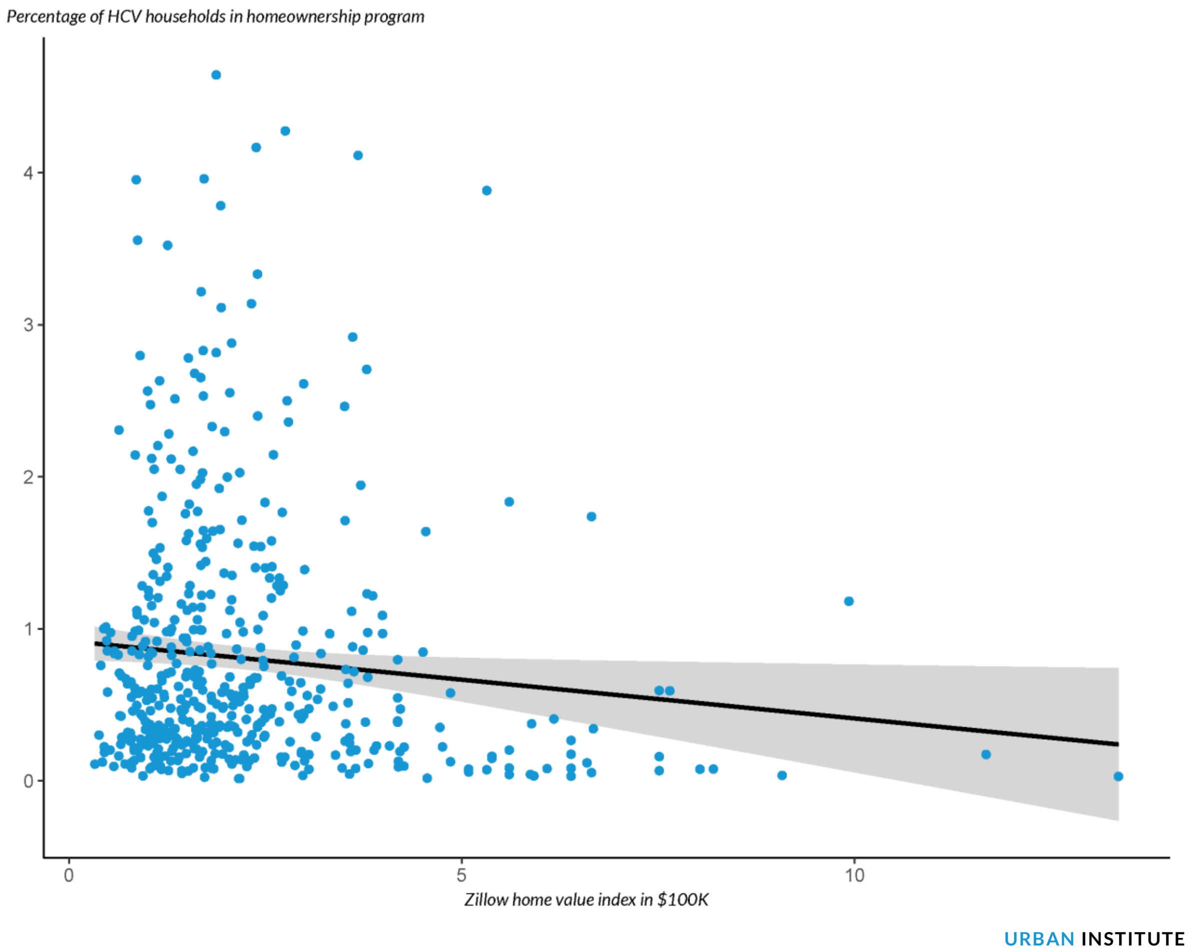
To further explore potential relationships between housing market factors and program uptake, we examined the patterns between program update and local housing price, fair market rent, and vacancy rate as a proxy for housing supply.[6] We then explored how interest rates affect the value of a home that a participant in the program might be able to afford.

HOME VALUE

Overall, uptake of homeownership vouchers is low nationally, and "high-uptake" PHAs still have low usage rates relative to rental vouchers. Most PHAs with homeownership vouchers use less than 2 percent of HCVs for homeownership. Using Zillow's Home Value Index, we compared the price of a two-bedroom home in a PHA's jurisdiction to the share of vouchers that they use for homeownership (figure 5). We found that in general, homeownership voucher usage is higher in places with lower housing costs, and PHAs in places with high housing costs are less likely to use a substantial share of HCVs for homeownership. Of the few PHAs that use the homeownership voucher at a rate greater than 2 percent, only one is in a place where the typical two-bedroom home price is above $500K (Housing Authorities in Island County, Washington, with a small HCV program that had 12 participants in 2021). In contrast, 10 percent of HCVs in lower-cost housing markets use at least 2 percent of HCVs for homeownership.

FIGURE 5

Percent of Housing Choice Voucher Households in the Homeownership Program Compared to Home Price, by Public Housing Agency



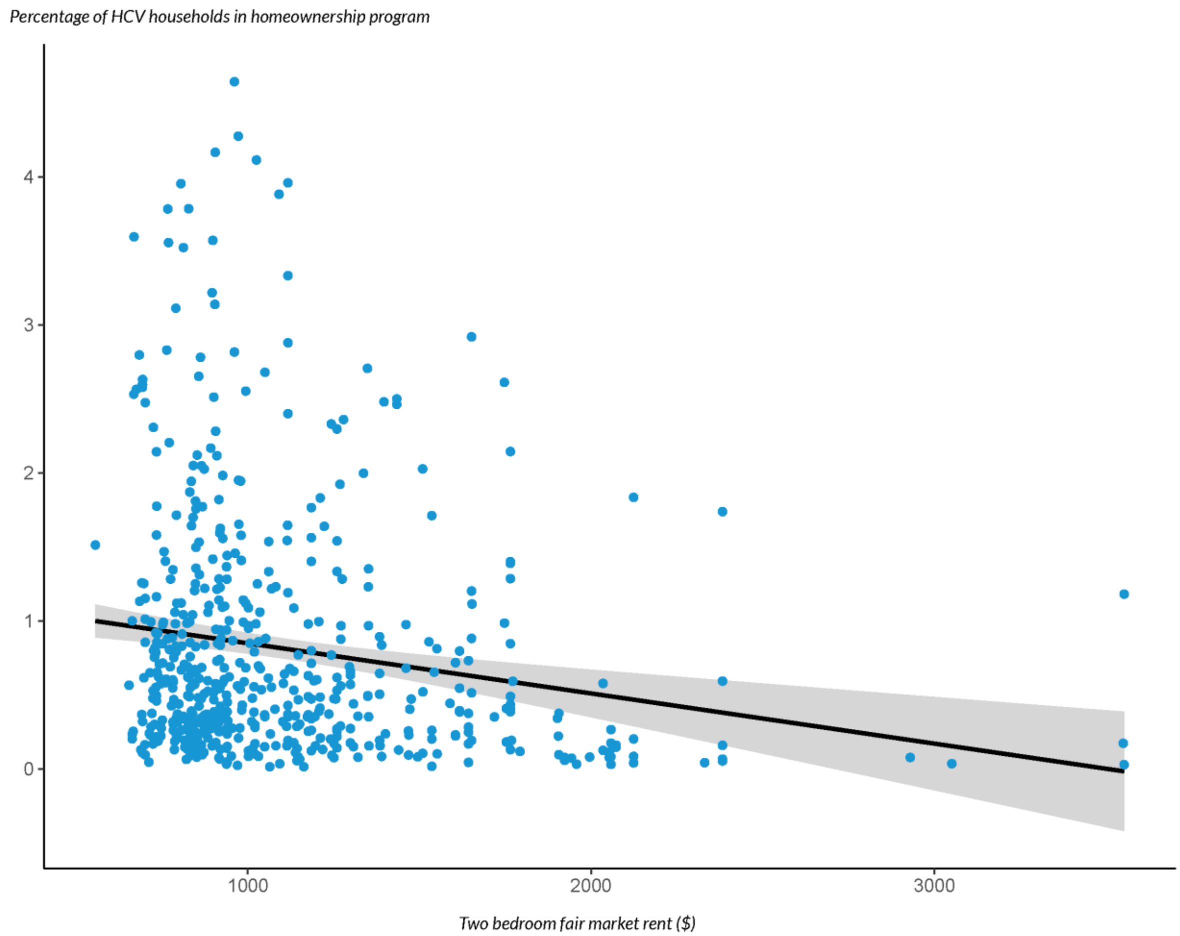
Sources: Analysis of HUD Picture of Subsidized Households, HCV homeownership enrollments report, and Zillow Home Value Index data.
Note: HCV = Housing Choice Voucher; each dot represents a public housing agency.

FAIR MARKET RENT

Similarly, we found that homeownership voucher usage is higher in places with lower fair market rent, and PHAs in places with high fair market rents are less likely to use a substantial share of HCVs for homeownership (figure 6). None of the 60 PHAs that use the homeownership voucher at rates of more than 2 percent are in places with fair market rents above $2,000 for two bedrooms. Of PHAs in places with two-bedroom fair market rent above $2,000, none use more than 2 percent of HCVs for homeownership.

FIGURE 6

Percent of Housing Choice Voucher Households in the Homeownership Program Compared to Fair Market Rent, by Public Housing Agency



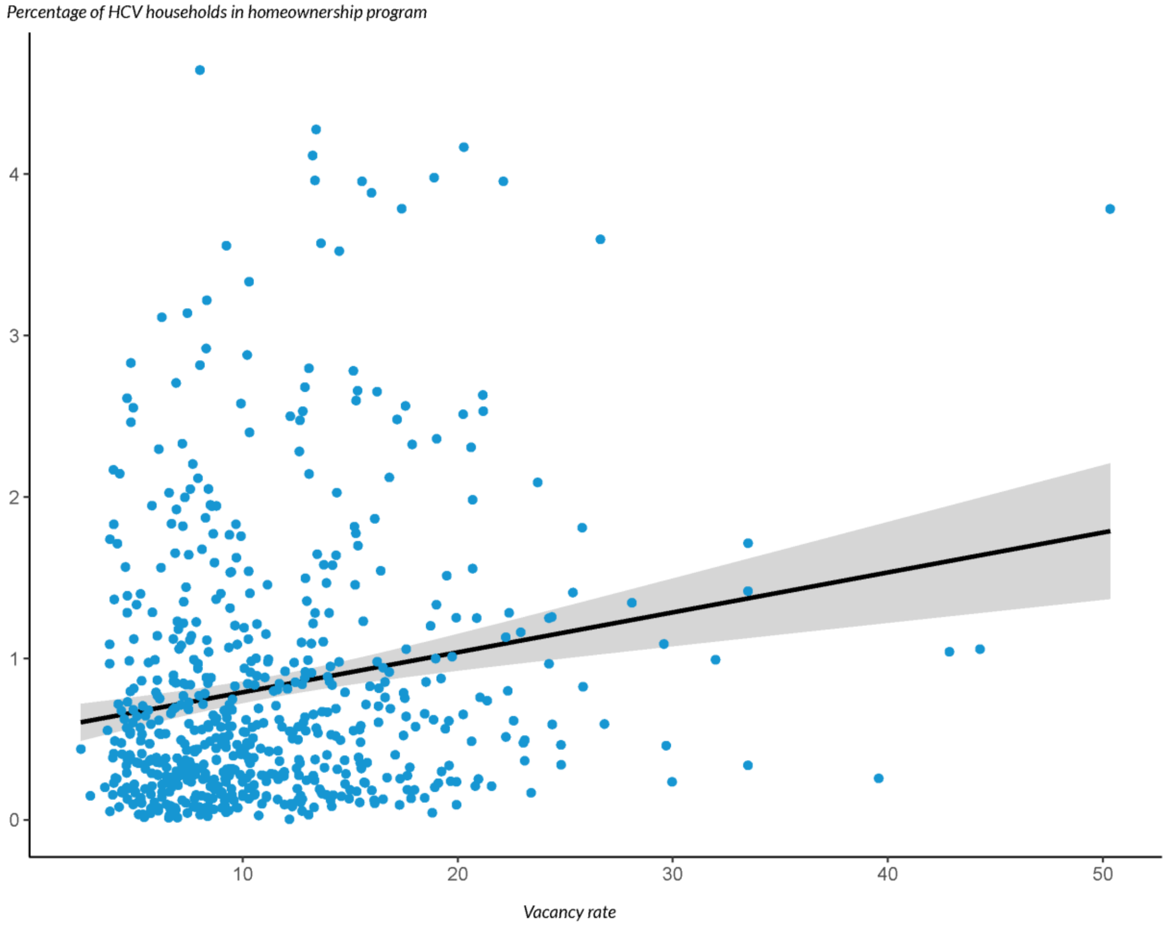
Sources: Analysis of HUD Picture of Subsidized Households, HCV homeownership enrollments report, and Fair Market Rents data.
Note: HCV = Housing Choice Voucher; each dot represents a public housing agency.

HOUSING SUPPLY

We analyzed vacancy rates as a proxy for the local housing market supply. Places with low vacancy rates reflect a competitive market with tight housing supply, and higher vacancy rates indicate a less competitive market. We found that homeownership voucher program usage is generally higher in less competitive markets with relatively higher vacancy rates (figure 7). This finding may reflect broader trends in housing access for both voucher and nonvoucher users alike, as well as findings from qualitative interviews. While some PHA staff noted that high home prices can be a barrier to effective voucher use, others, like in New Orleans, noted that housing scarcity is a pressing challenge, with natural disasters like hurricanes damaging housing supply.

FIGURE 7

Percent of Housing Choice Voucher Households in the Homeownership Program Compared to Housing Supply, by Public Housing Agency



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Sources: Analysis of HUD Picture of Subsidized Households, HCV homeownership enrollments report, and National Historical Geographic Information System American Community Survey data.
Note: HCV = Housing Choice Voucher; each dot represents a public housing agency.

INTEREST RATES

During times with high interest rates, voucher program assistance amounts go toward interest payments more than toward mortgages and building equity, making many homes unaffordable for residents.

Table 2 shows a simple calculation of how mortgage rates affect the maximum amount of home a program participant could afford. As a simple demonstration, we assume homeownership program participants could use two funding sources toward a mortgage payment: the average housing assistance payment per unit-month and the average gross household contribution toward rent per month. (Under this assumption, the total amount households spend on housing, which would also include utility costs, home insurance, taxes, and other housing would be more than 30 percent of their income.) Based on these assumptions, according to the 2021 Picture of Subsidized Household data, an average borrower from a household in the Philadelphia PHA HCV program would be able to afford a $1,108 monthly payment: a total average family expenditure per month of $416 and an average HUD expenditure per month of $692. An average borrower from a household in the Louisville PHA HCV program could pay $971 toward a monthly mortgage payment: a total average family expenditure per month of $346 and average HUD expenditure per month of $625. We then picked two reference interest rates for this example: the national average 30-year fixed-rate mortgage rate of 3 percent in 2021 and the peak mortgage rate of 7 percent in 2022.

TABLE 2

Maximum Home Price with Homeownership Voucher Assistance with a 3 Percent versus 7 Percent Mortgage Rate

	Monthly payment	Interest rate	Down payment	Loan amount	Home price	Median home price
Borrower from Philadelphia PHA	$1,108	3%	5%	$262,805	$276,629	$229, 794
Borrower from Louisville PHA	$971	3%	5%	$230,311	$242,425	$216,523
Borrower from Philadelphia PHA	$1,108	7%	5%	$166,540	$175,300	$229, 794
Borrower from Louisville PHA	$971	7%	5%	$145,948	$153,625	$216,523

Source: Author's calculations based on 2021 Picture of Subsidized Household data.

With a 5 percent down payment, households in both locations would be able to afford a median priced home with interest rates at 3 percent and households in neither location could afford a median priced home with interest rates at 7 percent. In fact, we estimate that a household could afford a 50 percent more expensive home if the mortgage rate decreased from 7 percent to 3 percent with the same monthly payment.

Lender Engagement and Trust-Building Can Influence Program Success

Program engagement is also shaped by lenders' willingness to work with households who are receiving housing assistance and, in some cases, combining multiple forms of payments. At a minimum, lenders must be willing to accept two streams of mortgage funds—one from the program participant and one from the PHA—but may also need to incorporate funds from city- or state-level down payment assistance programs or other housing loans for households with low incomes. One PHA described lenders' reluctance to engage with voucher participants because of this multi-stream payment requirement. One program participant interviewee noted the challenge of finding lenders who would offer financing to secure homes in realistic price ranges, or offer a pathway to higher-priced homes once their credit score increased.

“I actually went through a bank that was suggested to me through [the PHA], but they pretty much were like, ‘Oh no, we really can't give you good funding to find a home.’ And they pretty much shunned me…. When my new credit score came out, I had to end up finding my own support as far as a lender who was going to help me get a home within the $150,000 range instead of the $45,000, $50,000 that they were trying to give me to begin with.”
—Homeownership voucher participant interviewee

Other PHA staff noted that long-term relationship- and trust-building has created a slate of reliable lending, Realtor, and homeownership counseling partners for voucher participants. One PHA staffer noted, “[We have] good outcomes … they know we’re good for it. They know that we will pay,” noting that many lenders will sponsor classes and outreach events, and that many prospective homeowners have met these lenders already by the time they formally enter the voucher program. The legitimacy of housing agencies backing up participants’ payments also creates trust in lender relationships; as one PHA staffer noted, “It’s a win-win for the lenders and the Realtors to work with us because … they know that these are families who have the backing or support of [the PHA].”

Other Considerations for Voucher Uptake

There may be other elements shaping uptake rates that are more challenging to quantify. For instance, many PHA staff we interviewed noted the value of external homeownership programs, such as first-time home buyer or down payment assistance programs offered by local or state governments, in making homeownership feasible for voucher holders. However, it is not clear whether the presence of these programs is associated with a statistically significant rate of higher or lower rates of voucher use. Additionally, PHA staff noted the importance of agency leaders’ interest in homeownership programming and the extent to which they see it as a central part of their housing services. When agency leaders prioritize homeownership as a core service, they may direct more funding or staff time toward program marketing and engagement with prospective participants. Because agencies can only offer a limited number of vouchers, offering homeownership vouchers may be seen as “trading away” rental vouchers for which demand steadily outpaces supply, potentially limiting the scale of PHAs’ homeownership programming.

Maintaining Affordability and Financial Stability: Can Households Achieve Financial Stability Over Time?

A core concern raised in housing literature is the long-term viability of homeownership for households on limited or inconsistent incomes. While a home can be an asset that generates wealth and equity over time, it can also become a liability, with unexpected maintenance costs and property tax increases causing homeowners to sink funds into repairs and tax compliance. Homes affordable to program participants may also be of lower quality, requiring greater investments into repairs. Our interviews surfaced acknowledgment of these concerns and modest efforts to support households with housing costs beyond the mortgage.

Long-Term Affordability and Nonmortgage Costs

PHA staff reported that foreclosures and nonpayment within the homeownership voucher program are uncommon. Staff noted that mandatory homeownership counseling prerequisites filter out households who are not financially ready or credit ready for homeownership, working with them to identify the necessary milestones and target savings to equip them to successfully transition homeownership. In St. Paul, the PHA's previous homeownership down payment assistance program had a 3.1 percent foreclosure rate, lower than the 2009 mid-recession national rate of 4.58 percent (Family Housing Fund and Greater Minnesota Housing Fund 2013). Staff attribute this to intensive preprogram counseling and support throughout the purchasing process.

Moreover, staff noted that because the subsidy amount is tied to a households' income, core monthly mortgage costs should not exceed a household's ability to pay. PHA staff also noted that many voucher recipients roll off the program prior to their 15-year eligibility maximum because their income eventually exceeds eligibility thresholds. It is unclear whether these households have achieved a level of financial self-sufficiency that allows them to securely shift to independent homeownership or if they face a benefits cliff with an income that, while disqualifying them from receiving assistance, may still be low enough to present hardship.

PHAs described different approaches to setting expectations for and helping to manage nonmortgage costs such as repairs and taxes. PHA staff noted consistent counseling curriculums that outline homeowners' financial responsibilities, and program participants described having clear expectations of their financial and maintenance obligations once they transitioned from rental assistance. Three PHAs described some mechanism for accounting for maintenance costs either in their monthly assistance or in custodial savings accounts for participants. In Knoxville, the PHA offers voucher participants a flat $100 maintenance payment in their monthly mortgage assistance amount. In Chicago, the PHA offers maintenance assistance up to 1 percent of the home purchase amount monthly, averaging roughly $200 a month per household in addition to their standard mortgage assistance. The Louisville PHA maintains custodial Individual Development Accounts (IDA) for each homeowner, matching an amount they receive from HUD when a person purchases a home, and maintaining the IDA for two years. The funds are modest—program participants can put $15 into the account monthly, matched at $30 by the PHA, for up to a total of $360 in personal savings and $720 in matched savings. During the two years the funds are in an IDA, program participants can request that the PHA pull funds for maintenance and repair costs. If funds remain after the two-year period, they are disbursed to the participant.

Housing Quality and Access to Opportunity

Though lower-priced homes may be associated with lower quality, PHA staff described code-enforcement standards, inspections, and safety checklists as tools for ensuring that voucher participants secure safe housing that will not require substantial repairs. Most PHAs described requiring at least two inspections—one done by the PHA in accordance with HUD standards and one done during the standard course of the purchase process—and requiring that sellers provide proof of repair for any items not meeting inspection standards. The CHA does not allow program participants to purchase foreclosed homes, aiming to steer homebuyers away from properties that may have fallen into disrepair. Additionally, some program participants also qualify for and receive FHA loans, which also have minimum property standards for home safety and security. Finally, some noted Community Housing Development Organizations (CHDOs)—nonprofit, community-based affordable housing developers—as resources for rehabilitating and repairing homes. Though PHAs may have recurring lending and Realtor partners supporting their program participants, most do not require that participants work with a particular lender or Realtor. Some PHA staff noted that in some cases, private Realtors may require greater PHA oversight regarding housing quality as they may prioritize affordability over key safety standards.

PHA staff reported mixed success in directing voucher participants to homes in neighborhoods with greater economic opportunity. In New Orleans, rental and homeownership voucher participants are concentrated in the city's east side. In Chicago, though homeownership voucher participants are represented across 70 percent of the city's 77 community areas, high-cost neighborhoods are consistently out of reach for many voucher participants. Aside from high home costs, PHA staff also noted that experience with rental voucher discrimination and unfamiliarity with neighborhoods outside of where voucher participants' families have historically lived can shape participants' reluctance to seek out housing in a broader range of neighborhoods.

In Knoxville and Louisville, Small Area Fair Market Rent (SAFMR) exceptions to payment standards by zip code or census tract can offer a pathway for households to live in higher-opportunity neighborhoods. In zip codes or census tracts where home prices are significantly higher, the SAFMR payment standard allows for higher mortgage assistance subsidies to compensate for affordability gaps. In Knoxville, the PHA also offers greater flexibility in the size of units they will subsidize in these geographic areas; for instance, a two-person household could qualify for either a two-bedroom or three-bedroom unit.

Evaluating Policy Options for Expanding the Homeownership Voucher Program

Working with Urban Strategies, we identified four policy changes for Urban Institute's independent evaluation that might increase use, scope, and effectiveness of the HCV Homeownership program. They are as follows:

1. Increase income limits for participants.
2. Create a distinct class of HCV vouchers earmarked for homeownership.
3. Extend the length of subsidy allowable in the HCV homeownership program.
4. Increase the funding available under the lump sum/down payment option.

Based on our research, we outline the potential risks and benefits of each of these polices and highlight areas for future research that could help determine their potential impact.

Our interviews also surfaced areas in program administration that could be improved in order to maximize the program's potential and reduce upfront costs and time investments for program participants. First, although program participants described homeownership counseling courses that offered clear guidance on the basics of homeownership financing and responsibilities, they reported mixed experiences in receiving hands-on support as they worked to become financially ready and credit ready for homeownership. One interviewee noted that although their homeownership counselor helped them access their credit information, the counselor did not offer resources on how to boost credit to a level that would attract more favorable lending terms. Participants also noted paying out of pocket for counseling and other requirements, such as home inspections, and noted the challenge of paying multiple times for courses if their certification expired before they could pursue homeownership, such as in a case of changing financial situations during the pandemic. Finally, one reported desiring more support from PHAs on navigating options for lenders, Realtors, and external financing options.

PHA staff noted areas of opportunity among both HUD and their own administrations. One program administrator described the benefits of HUD issuing payments to PHAs for every household who purchases a home, and that a higher nominal value would enable PHAs to direct more funding to households for resources like maintenance and repair cost support. One staffer also noted that the length of the program subsidy sparked concerns among program participants about reaching greater financial independence before their subsidy expires. Though PHA staff at three agencies reported participants exceeding income limits before their subsidy expired, as well as a sense of motivation among participants to pay down their mortgage on a shorter timeframe, some noted potential value in extending the program subsidy period for nondisabled, nonelderly households.

Others raised opportunities to apply voucher funding to different types of payment forms and housing types. In their 2022 Moving to Work plan, the CHA raised an option to offer program participants a lump sum down payment in lieu of monthly mortgage payments, an option with precedent in at least one other PHA.[7] A CHA staffer also raised exploring the possibility of allowing participants to purchase multi-unit properties, offering programming for participants interested in becoming landlords and property managers.

Policy 1: Increase Income Limits of Participants in HCV Homeownership Programs

Increasing income limits for participants in HCV homeownership programs could broaden the number of households eligible for assistance. But absent substantial budget increases or a new dedicated budget for the homeownership voucher program, increased income thresholds would put additional financial constraints on the HCV program for which demand already outpaces supply.

Increasing income eligibility limits would acknowledge the reality of rising cost and declining accessibility of homeownership. In 2021, the minimum income needed to afford a median priced home was $79,600, well above the national median income of $70,784.[8] A year onward, rising interest rates have put homeownership even further out of reach for many families; as of April 2022, a household would need to earn $107,600 to afford payments on a median-priced home (Joint Center for Housing Studies of Harvard University 2022). Recognizing these market dynamics, the federal government could raise income limits for the homeownership voucher program (for example, to 80 percent of AMI without additional qualifiers). Alternatively, PHAs could identify homeownership as a local housing need and request approval to admit households with incomes up to 80 percent of AMI into the homeownership program.

However, under the current funding mechanisms, expanding access to the homeownership program would divert funding that could be used for HCVs for extremely low-income households. The homeownership voucher program is funded within the HCV program and neither receives a separate appropriation nor provides distinct funding for PHAs. Therefore, expanding income thresholds for families in the homeownership program would necessarily mean spending more money from already constrained voucher budgets on families with incomes between 50 and 80 percent of AMI and spending less money on highly in-demand rental voucher assistance for families with incomes below 50 percent of AMI.

Federal action to broaden eligibility could expand the number of households who qualify for homeownership vouchers, but without dedicated funding, it would not guarantee those households receive assistance. Nationally, just one in four families eligible for housing assistance receives it, with an average wait time of two and a half years for assistance.[9] Take-up in the homeownership program remains low. Moreover, PHAs continue to be incentivized to aid the households with the lowest incomes and highest needs, for whom homeownership may be out of reach even with a voucher. Administrative data of current voucher participants' income levels could offer deeper insight into homeownership feasibility; this analysis would require a data use agreement with HUD and is beyond the scope of this research.

Policy 2: Create a Distinct Class of HCV Vouchers Earmarked for Homeownership

Though some interviewees acknowledged that HUD funding can steer programmatic priorities, overall we did not find that dedicated funding was a core barrier to expanded use of the HCV homeownership program. Qualitative interviews found that households have differing degrees of interest in the homeownership program in the current context of high mortgage interest rates—which sit at an average 6.88 percent for a 30-year mortgage[10]—increasing home and rental prices, and lingering household financial insecurity from the COVID-19 economic recession. While some PHA staff report that higher rental prices have motivated participants to seek out homes with mortgages that may be lower than current rent rates, others noted that high home prices have prompted families to delay home purchases, placing greater demand on rental vouchers than on mortgage subsidies.

If a new class of vouchers were accompanied by a new funding stream, PHAs would be able to serve more families. But even with additional funds, it is not clear how much participation in the program would increase, given low rates of uptake even among the highest usage PHAs. As the above research details, the highest uptake PHAs by volume of vouchers use less than 3 percent of their vouchers for homeownership, and the highest uptake PHAs by proportion of vouchers are small programs with fewer than 1,200 vouchers overall and just 130 homeownership vouchers.

It is possible that greater funding allocations would motivate PHAs to more robustly market the homeownership program, and in turn, see greater interest and uptake. PHA staff described marketing efforts such as engagement with local housing agencies and lenders to promote the program, with some acknowledging that prior efforts like including pamphlets in HCV briefing packets were unsuccessful in raising program awareness. But several participants described learning of the program through family members or through ad hoc conversations with PHA staff, requiring that they be proactive in seeking out information on homeownership programs. It is unclear how substantial of a factor marketing would be in driving up participation, and whether it would contribute to a level of program interest warranting a higher voucher allocation above single digits.

Finally, as with policy 1, absent a dedicated, separate homeownership voucher funding stream, designating a higher share of HCVs for homeownership would reduce the number of households served with tenant-based HCVs. If take-up in homeownership remains low, earmarking even 5 percent of funding for HCVs for homeownership would reduce the number of households a PHA can assist.

Policy 3: Extend the Length of Subsidy Allowable in the HCV Homeownership Program

Extending maximum subsidy support beyond 15 years for nondisabled, nonelderly households could offer more time for households to reach a level of financial self-sufficiency to afford homeownership without assistance. While more research is needed to understand this proposal's potential effects on lending institutions' mortgage product offerings and willingness to engage in this program, lenders may view a longer subsidy period favorably and as presenting less risk of payment default.

The degree of the benefit of a longer subsidy period likely varies by household age and prospects for wage growth. For a younger head of household who expects job advancements and increased pay over time, an additional five years of subsidy support could afford greater time to achieve financial self-sufficiency and reduce dependency on housing assistance. For people in their mid-40s, a 20-year subsidy would ensure that they would be old enough to qualify as seniors before the subsidy period ended. HUD data on head of household age, which would be available only under a data use agreement, could provide insight on participants' projected remaining working years—a period of earned income—and time remaining before they are considered seniors and before they are eligible for Social Security. Seniors would be eligible for assistance for the full mortgage period, and people receiving Social

Security could use those funds to support homeownership costs in lieu of voucher payments, though funds may be modest.

The need for and benefits of a more generous subsidy period thus vary by household circumstance. In interviews, several PHA staff noted that many households roll off the homeownership program before the maximum 15-year period because they reach an income level above the eligibility maximum, and that foreclosures or ongoing lapses in payments while in the program are rare. This may be because households in the homeownership program are seeing real (inflation adjusted) income gains, because their mortgage payments are fixed and do not increase with inflation over time, or a combination of the two factors. More research is needed on these factors, but as an example of the affordability benefits of homeownership, a family of four in Washington, DC, that earned $50,000 in 2009 would have qualified as below 50 percent of AMI in 2009 and could have used a homeownership voucher to buy a home with a monthly cost (mortgage payment, mortgage insurance, taxes, and utilities) of $1,647. Had their incomes risen by 2 percent per year and their housing costs stayed the same for 14 years, their housing costs would have fallen below 30 percent of their income and they would no longer qualify for assistance.

Additional research is needed to assess the financial well-being of households after their homeownership assistance period ends, and whether a phasing out of assistance rather than a hard stop at 15 years may be beneficial. A 2014 study of people who leave the HCV program found that households that leave assistance for positive reasons—such as an increase in income—report higher levels of satisfaction with their neighborhood, improved physical and mental health, and lower rates of public assistance use, but one in five report experiencing food insecurity, and nearly two-thirds report having debt (Smith et al. 2014). Those who leave for negative reasons, such as noncompliance with program rules or eviction, report overall high levels of housing instability and financial hardship.

Finally, a longer subsidy period may lead to additional lending options or better terms, as lenders may consider loans to households with extended subsidies to be less risky. This may lead more lenders to be willing to provide mortgages to people in the homeownership voucher program and offer more favorable lending options or interest rates. Future research focused on lenders is needed to explore whether a longer program would attract new lenders or affect the mortgage products offered.

Policy 4: Increase Funding Available under a Lump Sum Down Payment Option

Under current HUD rules, any PHA offering the homeownership program can offer 12 times the most recent monthly subsidy amount as down payment assistance to current HCV households in lieu of a homeownership voucher. In effect, this means program participants have two assistance options: one year's worth of assistance up front or up to 15 years of monthly assistance (for nondisabled, nonelderly households) for as long as the recipient still qualifies for the program. Additional flexibility may be available if requested as part of a Moving to Work agreement. For instance, Chicago's most recent MTW plan proposes offering substantially more in down payment assistance. Both Philadelphia and Chicago's MTW plans mention soft second mortgages—a type of mortgage that can cover down payment and closing costs—as part of their homeownership programs. Additional research is needed to determine if agencies' MTW status makes this kind of financing more feasible, or if non-MTW agencies could more readily offer nonmortgage support for prospective homeowners.

We do not have data on homeownership subsidy amounts by jurisdiction, but we know the average subsidy in the HCV program (overall) by PHA. In Philadelphia, for example, the average subsidy in 2021 was $692, with an average family contribution of $416. The PHA, therefore, could offer only $8,304 as an upfront, lump-sum payment that a household could apply to a down payment. For the median home value in the area (see table 2) this would be 3.6 percent of the home's value. In Philadelphia, expanding the lump sum to be five years' worth of subsidy would cover 18 percent of the median home value, and expanding to ten years' worth of subsidy would cover 36 percent of the home value. Conventional lenders require mortgage insurance when homebuyers' down payments are less than 20 percent of the home cost, adding expenses to monthly housing costs. A five-year subsidy would come close to eliminating the need for this insurance and a ten-year subsidy would eliminate mortgage insurance costs entirely. A down payment worth five years of subsidy would also cost less than offering monthly assistance for the average 6.6 years that people stay in the HCV program, saving the program money and freeing up funds for other services, including rental programs.

Additional research is needed to understand the financial viability of broadening this kind of assistance; trade-offs between ongoing, monthly support and one-time upfront support; and administrative feasibility for PHAs in general and when considering MTW status.

Conclusion

The Black-white homeownership gap in the US is massive, at nearly 30 percentage points. Closing the gap will require nearly five million Black and African-American households to become homeowners. As such, no one policy is likely to address the issue on its own. With more than one million Black non-Hispanic households in the HCV program, expansion of the HCV homeownership program could be part of a strategy to address the racial homeownership gap.

Currently, the HCV homeownership voucher program is small, offering a pathway to homeownership for fewer than 12,000 households. Overall, national uptake in the program is low, and less than one in four PHAs offer any homeownership vouchers. Among the PHAs that support the program, over half use less than 2 percent of their vouchers for homeownership and only four relatively small PHAs use greater than 10 percent of their HCV program for homeownership.

Two aspects of the HCV homeownership program signal some promise in the program's potential to further help Black households transition into homeownership. First, the high share of Black households receiving rental vouchers from PHAs that offer the homeownership voucher at higher rates could present an opportunity for tailored outreach to families to engage in the program, enter homeownership and financial counseling, and start on a pathway to homeownership. Second, the program has a lot of room to grow. Most PHAs do not currently support any homeownership vouchers, and those that do noted that increased marketing and support for the program could potentially increase participation. Changes in program policy might also make the program more accessible to more households.

Of the policy changes we examined, two show promise to help expand the homeownership voucher program: expanding the length of subsidy and increasing funding available under a lump sum option. The number of households that this would help enter homeownership, however, is unclear. Future research could use HCV enrollment microdata or information from the Family Self-Sufficiency Program to estimate the number of households, and particularly Black households, that might be able to take advantage of the homeownership program with additional awareness and support.

PHA leaderships' interest in offering the program to meet voucher recipients' interest in homeownership also matters, as do relationships and trust-building between PHAs and lending agencies, which can influence lenders' willingness to engage with program participants and offer them favorable mortgage terms. In some cases, lenders may be reluctant to accept two payment streams, or, as program participants shared, may be less willing to work with a loan applicant who is actively working to build their credit or source external down payment assistance to meet home purchase requirements. Demonstrating that homeownership program participants can reliably make payments backed by the PHA—and emphasizing that foreclosures and nonpayments are uncommon—can help PHAs make the case to lenders of the benefits of working with voucher recipients.

Even were polices to change and PHA engagement to increase, it seems likely that the HCV homeownership program would remain limited. Not every household in the HCV is going to be interested in homeownership or be able to qualify for a mortgage even with financial support. Homeownership vouchers are more difficult to use in more competitive and more expensive housing markets. Rising interest rates are making it more difficult to find homes that can be purchased with the funds available. And PHAs will always have to balance the effort and funding used to support the homeownership program with their core function of providing rental assistance.

An optimistic, plausible estimate of program expansion might be a scenario in which the average PHA could use the program at a rate similar to what is currently seen in the moderate-cost metropolitan areas where PHAs focus on the program. Using Knoxville as an example, that would mean using 3.2 percent of HCVs for homeownership; an increase in program size from fewer than 12,000 homeownership vouchers to roughly 75,000. This shift would present a major opportunity for wealth-building for thousands of families—about half of whom would be Black. Unfortunately, however, this would have a negligible effect on the racial homeownership gap, decreasing it by only about 0.7 percent. Closing this gap more substantially will require multiple programs and policies that reduce barriers to homeownership—such as first-generation homebuyer down payment assistance and credit evaluations that consider factors such as rent payments—in tandem with federal programs like the homeownership voucher.

Notes

[1] Tim Henderson, "Black Families Fall Further Behind on Homeownership," Pew Stateline, October 13, 2022, https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2022/10/13/black-families-fall-further-behind-on-homeownership#:~:text=In%202022%2C%2074.6%25%20of%20White,%2C%20a%2027%2Dpoint%20gap; HUD Office of Policy Development and Research (PD&R), "Closing the African American Homeownership Gap," March 22, 2021, https://www.huduser.gov/portal/pdredge/pdr-edge-featd-article-032221.html

[2] Alanna McCargo, "A Five-Point Strategy for Reducing the Black Homeownership Gap," Urban Institute, February 14, 2019. https://www.urban.org/urban-wire/five-point-strategy-reducing-black-homeownership-gap

[3] United States Department of Housing and Urban Development Office of Policy Development and Research, "Dataset—Assisted Housing: National and Local, 2009–2021," https://www.huduser.gov/portal/datasets/assthsg.html#2009-2021_query; and United States Department of Housing and Urban Development, "HCV Homeownership Enrollments Report," Version February 21 2021, https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/homeownership

[4] We collected American Community Survey data via Steven Manson, Jonathan Schroeder, David Van Riper, Tracy Kugler, and Steven Ruggles, IPUMS National Historical Geographic Information System: Version 17.0 [dataset], Minneapolis, MN: IPUMS. 2022, http://doi.org/10.18128/D050.V17.0

[5] City of New Orleans Direct Homebuyer Assistance Program, Accessed March 28, 2023, https://nola.gov/community-development/direct-homebuyer-assistance-program/

[6] In addition to the three housing market indicators discussed in detail in this brief, we also explored the correlation between program uptake and three housing affordability measures. The first correlation we tested for was between the PHA's income limit and overall uptake. This correlation, -0.02561, was not statistically significant. The second correlation was between the ratio of average home price to the income limit and overall uptake. This correlation, -0.04287, was also not statistically significant. The third correlation we tested for was between the ratio of average home price to the fair market rent in the PHA and overall uptake. This correlation, -0.04327, was also not statistically significant.

[7] The Philadelphia Housing Authority allows participants in its homeownership voucher program to use a Down Payment Option Program in which they receive a down payment amount equal to 12 months of their last calculated subsidy amount for the closing costs and down payment in lieu of a monthly subsidy during the mortgage period. See more in Philadelphia Housing Authority, "Homeownership," http://www.pha.phila.gov/resident-services/homeownership/housing-choice-homeownership.aspx

[8] United States Census Bureau. "Income in the United States: 2021," September 2022, https://www.census.gov/library/publications/2022/demo/p60-276.html

[9] Center on Budget and Policy Priorities, "Families Wait Years for Housing Vouchers Due to Inadequate Funding," July 2021, https://www.cbpp.org/research/housing/families-wait-years-for-housing-vouchers-due-to-inadequate-funding

[10] Bankrate, "Compare Current Mortgage Rates for Today," accessed April 4, 2023. https://www.bankrate.com/mortgages/mortgage-rates/

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Acknowledgments

This brief was funded by JP Morgan Chase through Urban Strategies, Inc. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute's funding principles is available at urban.org/fundingprinciples.

We are deeply grateful to the staff and homeownership voucher program participants from the following Public Housing Authorities who lent their time and insights to interviews that informed this brief: the Knoxville Community Development Corporation, the Housing Authority of New Orleans, the Chicago Housing Authority, the Louisville Metro Housing Authority, and the Saint Paul Public Housing Agency.

Finally, we are grateful to Sue Popkin, Mike Loftin, Kristie Stutler, Donovan Duncan, and Kate Reynolds for providing their expertise and thoughtful feedback on this body of work.

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