Following the Great Recession, many young adults—ages 18 to 34—struggled to become homeowners. The young adult homeownership rate was about 8 percentage points lower than in prior generations.\(^1\) Although this rate slowly increased with economic recovery and historically low interest rates during the COVID-19 pandemic, the homeownership rate among today’s young adults is still 4 to 5 percentage points lower than it was in 2000.\(^2\)

Today, a greater share of young adults live longer with their parents, and when they eventually move out, they are more likely than young adults 20 years ago to start as renters.\(^3\) Delays in homeownership may have long-term consequences in wealth building: our research finds that individuals who bought homes earlier in life, on average, have substantially more wealth in their sixties.\(^4\)

### FIGURE 1
**Today’s Young Adults Are More Likely to Live with Their Parents or Others**

<table>
<thead>
<tr>
<th>Year</th>
<th>Own as a head/spouse</th>
<th>Rent as a head/spouse</th>
<th>Live with parents</th>
<th>Live with others</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>13.4%</td>
<td>26.0%</td>
<td>31.2%</td>
<td>29.4%</td>
</tr>
<tr>
<td>2000</td>
<td>17.0%</td>
<td>25.5%</td>
<td>30.3%</td>
<td>27.3%</td>
</tr>
<tr>
<td>2010</td>
<td>20.1%</td>
<td>27.4%</td>
<td>27.4%</td>
<td>19.8%</td>
</tr>
<tr>
<td>2022</td>
<td>19.9%</td>
<td>33.1%</td>
<td>26.8%</td>
<td>20.2%</td>
</tr>
</tbody>
</table>

**Sources:** Decennial censuses and American Community Surveys.
THE SHARE OF LOANS MADE TO YOUNG ADULTS DROPPED BY NEARLY 20 PERCENT IN RECENT YEARS

Many young adults became homeowners between 2019 and 2021 when interest rates were at historic lows.5 But rising interest rates in the years since have halted this trend: from 2021 to 2022, the share of purchase mortgages made to young adult households dropped by 19 percent, according to our analysis of Home Mortgage Disclosure Act data.6

Ultimately, making homeownership affordable for younger households will require both supply- and demand-side solutions. Congress has several tools to help young adults achieve homeownership and build wealth, by providing incentives for housing development that is more affordable and by targeting homebuying assistance to first-time homebuyers.

EXPAND THE HOUSING SUPPLY

The United States is not building enough homes to accommodate the growing number of households, which increases housing prices and keeps homeownership out of reach from many young, would-be homebuyers. Expanding the housing supply, particularly of affordable starter homes, is key to ensuring young households can access homeownership.

1. Catalyze Single-Family Home Construction and Rehabilitation

Building affordable housing is a math equation; without government subsidies, it is often not profitable for developers to build below-market-rate housing.7 And it is equally important that we do not lose our existing housing stock, which is aging and must be preserved. Several effective federal subsidy and grant programs (e.g., the Low-Income Housing Tax Credit) provide incentives for affordable rental housing development. But few federal programs meaningfully encourage the development and rehabilitation of for-sale units. Congress could do a few things in this area:

- Create a program variation of the Low-Income Housing Tax Credit that provides credits to developers that build for-sale units affordable to first-time homebuyers. A program like this could add 1 million homes for a $100 billion investment, or $100,000 per unit.8
- Proposals like the Neighborhood Homes Investment Act could help reinvest in distressed neighborhoods, where the cost of developing or rehabilitating single-family homes exceeds the for-sale value.9 Each $1 billion in funding from this program is projected to create 25,000 units of affordable homes for ownership, or $40,000 per unit.10

2. Provide Incentives for Changes to Local Zoning and Land-Use Regulations

Many key barriers to expanding housing supply, such as zoning laws and permitting processes, are under the purview of state and local governments. The federal government can influence these entities to make changes that encourage housing development:

- The Biden administration has advanced two programs in its fiscal year 2025 budget request to provide jurisdictions incentives to remove barriers to housing development.11 It has proposed $100 million to continue the existing Pathways to Removing Obstacles to Housing (PRO Housing) program, which rewards jurisdictions that are removing barriers to building or maintaining affordable housing.12 Additionally, the administration has requested $20 billion for an Innovation Fund for Housing Expansion, which would provide competitive grants for several purposes, including to plan and implement changes to zoning and land-use regulations and to construct creative housing models for permanently affordable for-sale housing, such as office-to-residential conversions and community land trusts (HUD, n.d.). Because states and localities have different needs, the funding flexibility could allow them to design and implement programs that meet their needs for affordable housing.13
3. Support More Affordable Housing Types for Homeownership

Although most housing units built today are single-family homes, other housing types with higher density can be more affordable on-ramps to homeownership for younger households. States and localities have a lot of power to permit higher-density housing, but the federal government is needed to create affordable financing options to actually build it—a priority identified in the Biden administration’s Housing Supply Action Plan.14

- **Manufactured housing.** Manufactured housing tends to be a more affordable and appealing option for younger homebuyers (Urban Institute, n.d.), but the availability of chattel (i.e., personal property) loans to finance them is low, and the cost is high. The US Department of Housing and Urban Development has taken action in 2024 to improve financing options for manufactured housing,15 and the government-sponsored enterprises (GSEs) are exploring purchases of chattel loans, which finance most manufactured housing, to provide more liquidity to the market as part of their Duty to Serve plans.16 Congress could support these efforts by making existing grant programs permanent, such as through the Preservation and Reinvestment Initiative for Community Enhancement Act, to help preserve the existing manufactured housing stock.17

- **Condominiums.** Condominiums, because of their relative affordability, are key on-ramps for first-time homeownership, but condo construction has reached a historic low (Goodman and Neal 2023). The reasons for this are complex. For one, condo building is risky for developers, who are subject to litigation if there are construction defects, and it is risky for the GSEs and the Federal Housing Administration to finance condos, as they are liable in the event of a disaster similar to the Champlain Towers collapse in 2021.18 The Making Condos Safer and Affordable Act of 2023 attempts to address some of these issues and can help accelerate the market.19

Although affordable, for-sale supply is needed to increase homeownership for young households, expanding the affordable rental housing supply is also vital. For example, lower rents can allow young tenants to save up to buy a home.20

**EMPOWER YOUNG HOMEBUYERS**

The lack of affordable housing is creating severe challenges for young adults to enter homeownership, but building more housing will take time. Therefore, we also suggest targeted demand-side policies that could empower younger homebuyers, especially those with few resources, while minimizing upward pressure on home prices.

4. Create Targeted Programs to Overcome the Down Payment Obstacle for First-Time Homebuyers

One of the greatest barriers to accessing homeownership is affording a down payment (Theodos et al. 2017). With the increased competition in the home purchase market and the rise in interest rates, younger homebuyers are increasing their down payments to lower their monthly interest payments and their debt-to-income ratios, the most common reason for mortgage denial.21

A recent survey by Redfin finds that in 2024, more than a third of millennials and Gen Zers plan to use cash support from their family to fund a down payment.22 This share has doubled compared with 2019 and suggests that for young adults without family resources to rely on, achieving homeownership will become a greater challenge.

- Congress could create a national down payment assistance program for first-generation homebuyers, as proposed in the Downpayment Toward Equity Act and most recently in the Biden administration’s fiscal year 2025 budget.23 Our analysis shows that, if designed correctly, first-generation down payment assistance programs have the greatest potential to target low-wealth households and many young Black and Latino households, who continue to face systemic barriers in accessing homeownership.24 Both Fannie Mae and Freddie Mac have prioritized these programs and have released standardized eligibility criteria for them.25 Congress can work in tandem with the GSEs by creating a national program with the same criteria to help more young adults without intergenerational wealth access homeownership.
Congress could explore previously implemented options, such as tax credits for first-time homebuyers, which were used during the Great Recession and are proposed in the Biden administration’s fiscal year 2025 budget. Congress could also revisit a 1970s interest rate buy-down program to temporarily lower the cost of ownership in the first one or two years of purchasing. This way, young buyers can purchase a home based on their life circumstances rather than being dictated by market shifts.

A Section 529-type tax-free savings account could help cover the up-front costs of buying a first home. To target the subsidy effectively, policymakers could cap deposits and consider matching deposits for first-generation homebuyers. One example is the American Dream Downpayment Act. Because adding supply will take time, these accounts would help future young buyers save for a down payment as they wait for more affordable housing to become available.

Additionally, Congress could consider changing the down payment requirements for Federal Housing Administration and US Department of Veterans Affairs (VA) loans, which are more likely to be used by young first-time homebuyers. For FHA loans, Congress could consider launching a pilot program that requires no down payment for first-generation homebuyers. Congress could also increase the VA loan guarantee to 50 percent of the loan amount from the current 25 percent to increase the number of lenders willing to originate and service VA loans.

5. Expand Options to Report Positive Rental Payment History to Build Credit

Congress could require landlords and property operators who receive government subsidies to report their tenants’ positive rental payments to credit bureaus. After debt-to-income ratio, credit history is the second-most-common reason young homebuyers have their mortgage applications denied (Blagg et al. 2022). Young adults are more likely to have thin credit files, resulting in no or low credit scores (Choi et al. 2018). Although rental payments are likely to strongly predict future mortgage payments, they are not reflected in the FICO scores used in mortgage underwriting (Choi et al. 2022). There has been a movement to update the use of the most recent credit scoring models that reflect rental payments. But most renters do not report their rental payment history to the credit bureaus, so many young adults who make on-time rental payments may not benefit from the changes.

Research finds that including positive rental payments helps consumers build and increase credit scores, especially for those with thin credit files or low credit scores. There have been some efforts to increase rent reporting by various entities in the housing market, including Fannie Mae and Freddie Mac, but Congress could also take actions to make further progress.

NOTES


Parrott and Zandi, “Opinion: How to Solve the Nation’s Affordable Housing Crisis.”


Parrott and Zandi, “Opinion: How to Solve the Nation’s Affordable Housing Crisis.”
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