

How a National Housing Strategy Could Help Make Homeownership Possible

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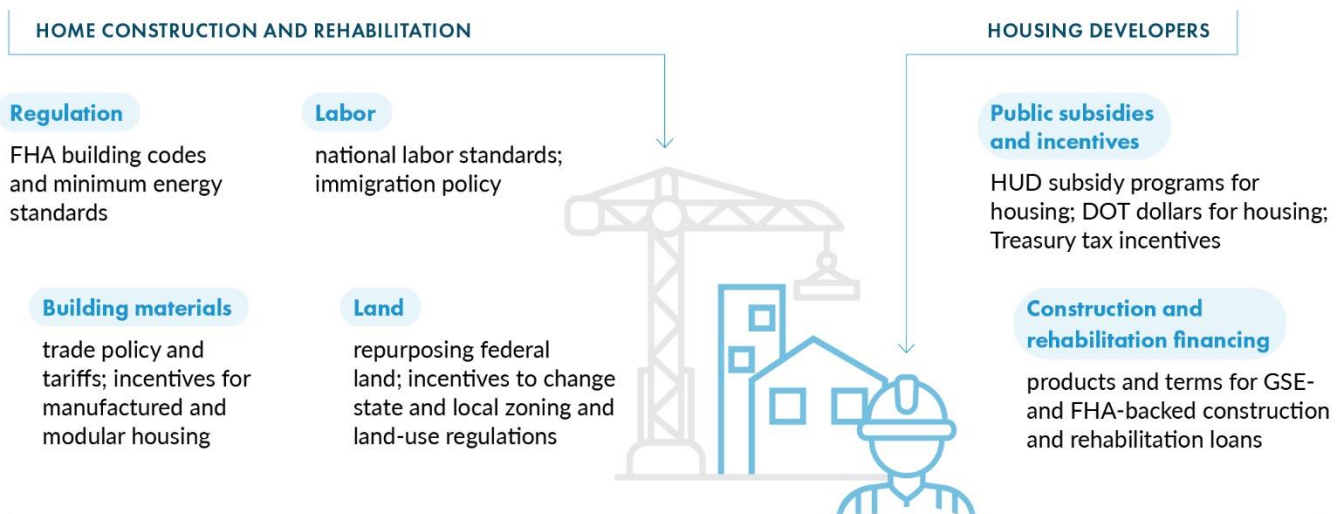
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Homeownership is core to the American dream, but in recent years, it has moved further out of reach for many.¹ With many communities in the US struggling with unaffordable housing, the federal government has an important role in making homeownership possible for the next generation of homebuyers. Homeownership is a function of supply (the homes) and demand (the homebuyers). A national housing strategy, using federal tools to support both supply and demand, can help lower the barriers to first-time homeownership (figure 1).

FIGURE 1

Elements of a National Housing Strategy to Increase First-Time Homeownership

Homes



Homebuyers



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Source: Framework developed by the authors.

Notes: FHA = Federal Housing Administration; GSE = government-sponsored enterprise ; HUD = US Department of Housing and Urban Development; DOT = US Department of Transportation; Treasury = US Department of the Treasury.

What Can the Federal Government Do?

As outlined in figure 1, the federal government has many levers to increase the supply of affordable starter homes and empower aspiring first-time homebuyers. To effectively boost homeownership, a national housing strategy should prioritize the following.

Increase the Supply of Starter Homes

Expanding opportunities for first-time homeownership requires having affordable homes available to buy.² Driven by a national housing shortage of millions of units, the share of homes that are affordable to the typical household has fallen dramatically in the past 10 years.³ Building starter homes is often too expensive to be viable, and investments in new construction and preservation of the existing aging housing stock are needed.

As identified in figure 1, making affordable home construction possible will require improvements in public subsidies and incentives; financing to support developers; and lowered costs of land, labor, building materials, and regulation. The federal government can achieve this in the following ways:

- **Create incentives** to attract private investment in starter home construction and rehabilitation in distressed communities, such as through the Neighborhood Homes Investment Act.
- **Expand financing** backed by the Federal Housing Administration and government-sponsored enterprises for construction loans and affordable for-sale housing types, including manufactured housing and condominiums.
- **Reduce regulations** in order to support states and localities in reforming zoning and land use barriers to housing, as proposed in the Housing Supply Frameworks Act, and eliminate unnecessary restrictions on manufactured housing as proposed by the ROAD to Housing Act.
- **Ensure land, materials, and labor** by exploring the repurposing of federal land for housing, eliminating trade barriers on building material imports, and preserving the immigrant construction labor force.
- **Preserve and enhance public subsidy programs**, including the HOME Investment Partnerships and Community Development Block Grant programs that can provide critical funds for first-time homeownership opportunities.

Lower Financial Barriers for First-Time Homebuyers

Qualifying for a mortgage is complex: prospective homebuyers must demonstrate they have the income to afford monthly mortgage payments, an adequate credit score, sufficient funds for a down payment and closing costs, and a sustainable amount of debt relative to income. First-time homebuyers—who make up a smaller share of the market than in years past—experience more difficulty in meeting these criteria, particularly in today's housing market of high home prices and interest rates.⁴ In addition, a smaller share of young adults are getting married and forming households compared with previous generations, contributing to lower homeownership attainment.⁵

As identified in figure 1, increasing access to mortgage financing, homebuying assistance, and housing counseling can help first-time homebuyers surmount these obstacles. The federal government can do this in the following ways:

- **Reform mortgage financing** by modernizing underwriting standards to better reflect mortgage readiness, such as by using positive rental payment history on Federal Housing Administration and government-sponsored enterprise loans, or expanding manufactured housing and small dollar financing options, as proposed in the ROAD to Housing Act.

- **Expand homebuying assistance** to lower upfront costs, including through loans and grants to reduce down payment and closing costs and innovative solutions such as interest-rate buydowns or zero-down payment mortgages.
- **Continue support for housing counseling**, including through appropriations to HUD and NeighborWorks America and new funding sources like the Federal Housing Administration's Mutual Mortgage Insurance Fund, as proposed in the ROAD to Housing Act.

Federal Leadership Can Make Homeownership Possible

For nearly a century, the federal government has played a major role in helping families achieve and sustain homeownership. It has successfully intervened to address large national housing shortages and has averted global crises through comprehensive policy action and large scale economic investments.⁶ Now, with homeownership increasingly out of reach for many, the federal government should leverage its demonstrated role in supporting housing and mortgage markets to help increase the housing supply and help families buy their first home.

Learn More

A Road Map to Address America's Housing Crisis

Janneke Ratcliffe, Kathryn Reynolds, Samantha Batko, Aniket Mehrotra, and Michael Stegman urbaninstitute.org/3zR7Tmi

Notes

¹ Laurie Goodman, Ted Tozer, and Jun Zhu, "[Homeownership Has Fallen Further Out of Reach for Younger Families with the Lowest Incomes](#)," *Urban Wire* (blog), Urban Institute, March 17, 2025.

² Depending on the down payment, taxes and insurance, the median household with a 30-year fixed-rate mortgage can likely afford homes between \$300,000 and \$350,000, meaning their housing costs would comprise no more than 30 percent of their income, according to Urban Institute calculations of Realtor.com data.

³ The share of homes valued at \$350,000 or less has fallen dramatically in the past 10 years, from 70 percent of active listings in 2015 to only 38 percent in 2025, according to Urban calculations of Moody's Analytics data.

⁴ Today, first-time homebuyers who successfully achieve homeownership are, on average, earning \$99,000 a year and putting a 10 percent down payment, or \$38,400 in upfront costs. This is well above the median renter family's income (\$42,300) and net worth (\$10,400), one strong indication that homeownership is out of reach for the typical renting family. See "[First-Time Home Buyers Shrink to Historic Low of 24% as Buyer Age Hits Record High](#)," National Association of Realtors, November 4, 2024, and Aditya Aladangady, Jesse Bricker, Andrew C. Chang, Sarena Goodman, Jacob Krimmel, Kevin B. Moore, Sarah Reber, Alice Henriques Volz, and Richard A. Windle, [Changes in U.S. Family Finances from 2019 to 2022: Evidence from the Survey of Consumer Finances](#), (Washington: Board of Governors of the Federal Reserve System, 2023). As of February 2025, the typical loan amount of a first-time buyer with a mortgage backed by the Federal Housing Administration or government-sponsored enterprise was \$345,433, and the typical loan-to-value ratio was 90 percent (or a typical down payment of 10 percent). This indicates the typical home purchased by a first-time buyer was \$383,814, and the typical down payment was approximately \$38,400. This calculation does not account for other upfront costs, including closing costs or real estate agent commissions. See Laurie Goodman, Janneke Ratcliffe, Michael Neal, Jung Hyun Choi, Linna Zhu, John Walsh, Daniel Pang, Amalie Zinn, Katie Visalli, Aniket Mehrotra, Matthew Pruitt, Bryson Berry, Alison Rincon, Todd Hill, Anna Barcus, Erin Koons, [Housing Finance At A Glance: A Monthly Chartbook](#), (Washington DC: Urban Institute, April 2025).

⁵ Laurie Goodman, Jung Hyun Choi, Jun Zhu, "The 'Real' Homeownership Gap between Today's Young Adults and Past Generations Is Much Larger Than You Think," *Urban Wire* (blog), Urban Institute, April 17, 2023.

⁶ In 1950, to house millions of returning war veterans, the Truman administration helped accelerate housing production to an annual high of 1.69 million new homes through emergency executive orders. In 1968, faced with a need to build or rehab 26 million housing units in 10 years, including 6 million affordable to low- and middle-income families, the US initiated and rehabbed 470,000 subsidized units, comprising a third of all units. See Michael Stegman, "[Sixty Years of National Affordable Housing Policy: The Long Transition from Funding Tsunami to Supportive Partner of States and Localities](#)," (Washington, DC: Urban Institute, February 2024). Similarly, in 1948 the US under the Truman Administration injected billions in loans and aid

investments to support Europe in its postwar economic recovery, helping to reestablish continental financial stability, bolster critical global industries, and strengthen American trade partnerships. See "[Marshall Plan](#)," *Encyclopedia Britannica*, May 17, 2025, accessed 20 June 2025.

About the Authors

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