

How Expanding Housing Supply and Supporting Demand Can Increase Homeownership

Policies to Improve Economic Mobility and Wealth Building for All

Claire Cusella, Rekha Balu, and Shubhangi Kumari

Homeownership plays an outsized role in wealth creation for Black families, with [housing equity making up 60 percent of Black homeowners' total net worth](#).

Decades of underbuilding has left [few low-cost, small starter homes in thriving neighborhoods](#)—policies that build more starter homes and accelerate the ability to buy now can help families.

Investments in the supply of affordable starter homes [require cities and states to open up restrictive zoning policies](#) and build, preserve, and rehabilitate affordable units in high-opportunity areas.

While renters feel [saving for a down payment is the biggest obstacle to purchasing a home](#), down-payment assistance programs have been shown to help qualified homebuyers successfully buy homes and pay down their mortgages.

Homeownership has been one of the most effective ways to build wealth in the US for generations. Studies estimate that each year of homeownership increases net wealth by about [\\$6,800 to \\$10,000](#). Homeownership also has [positive social impacts](#) on educational achievement, health, crime reduction, and civic participation—all of which benefit communities. But in recent years, high home prices, interest rates, and down payments relative to incomes have kept renters from moving into homeownership.

To support prosperity for all, public and private leaders can pursue strategies that expand homeownership and valuation in their communities by

- increasing the supply of low-cost homes in high-opportunity areas, and
- addressing unmet demand and decreasing barriers (e.g., through purchasing assistance and favorable repayment terms).

Through these interventions, they can unlock homeownership's wealth-building potential, particularly for Black and low-income households that have historically faced specific purchasing barriers.

EXPANDING PATHWAYS TO HOMEOWNERSHIP FOR ALL

Decades of [underbuilding have left a gap in the housing market](#), with few low-cost, small starter homes available in thriving neighborhoods. Zoning laws, permitting procedures, and developer interests in larger, more expensive new homes [limit opportunities for lower-income renters](#) to attain homeownership. Higher rents in some markets also could limit individual savings. Thoughtful planning by public and private actors can balance goals of increasing access without creating new barriers.

Does increased supply expand access to homeownership and economic mobility?

Yes, availability of [more for-sale units](#) can [rightsize prices](#). Supply constraints [disproportionately hurt Black first-time homebuyers](#); increasing supply in neighborhoods with jobs and amenities expands who owns and grows their wealth.

To raise the floor on homeownership rates in their communities, public and private sector leaders can jointly invest in new housing supply by implementing policies that reduce restrictive zoning to allow smaller-footprint homes. They can also partner with

the private sector to direct development capital toward construction, preservation, and rehabilitation of affordable units in high-opportunity areas.

Does home-buying assistance expand access to homeownership and economic mobility?

Yes. In the near term, down-payment assistance programs run by states and cities are [a proven approach to supporting homeownership](#) for Black and lower-income households. Such programs address major home-buying obstacles: [down payment and closing costs](#). Also, people who receive down-payment assistance [repay mortgages at the same rate](#) as those who do not, dispelling concerns that these borrowers are less motivated to maintain mortgage payments.

Black homebuyers typically start with lower savings and are less likely to receive financial support from family, [so they make smaller down payments](#) and take on higher debt to purchase a home. In addition, high interest rates mean that homebuyers [pay more in interest for less housing wealth](#).

Continued limited supply will drive [home prices higher](#), so policymakers must pursue both supply- and demand-side approaches in concert. They must also address effects of [home valuation and discrimination](#). Many who are able to afford homes do not reap the full benefits of homeownership and wealth building because property appraisals and values in Black neighborhoods [tend to be lower](#) than in white neighborhoods.

POLICY IN ACTION: HOUSING SUPPORTS IN ATLANTA AND WASHINGTON, DC

Federal and state funding and guidelines can spur new home development, and favorable public and private market financial terms can expand assistance programs to households previously locked out of the housing market. Following are two examples of public and private partnerships that have successfully addressed multiple dimensions of the housing challenge.

Atlanta's Housing Production Fund (HPF)

In 2023, Atlanta used [\\$38 million in appropriations](#) to provide low-interest construction loans to publicly owned land developments through a public-private partnership that offers three- to five-year financing for up to 20 percent of the capital needed, with interest rates below 6 percent. This fund conveys publicly owned land to developers at below-market rates—a benefit that goes beyond tax abatement.

The Atlanta Urban Development Corporation retains permanent ownership and provides the capital that developers need to build more affordable housing. In just its second full year of implementation, HPF has already completed two projects and has [several projects in the pipeline](#), including a high-profile construction of 282 units in midtown. HPF's goals are to construct 800 units and support roughly \$150 million in loans by 2030 as part of a broader \$300 million city initiative to address housing affordability and homeownership challenges.

Washington, DC's Home Purchase Assistance Program (HPAP)

Initially established in 1978, HPAP provides down-payment assistance through zero-interest loans to qualifying first-time homebuyers in the District. The program is [primarily locally funded](#), but also draws from federal sources, including the Community Development Block Grant Program. As of 2022, the [maximum assistance amount was \\$202,000, with \\$4,000](#) to assist with closing costs. About 75 percent of DC applicants who close on HPAP loans are Black households. Between 2015 and 2021, [nearly 900 low- and moderate-income households](#) became homeowners through HPAP and have seen their homes appreciate annually at an average rate of 3.6 percent for condominiums and 7 percent for single-family dwellings, thereby building household wealth.

Beyond HPAP, states and cities can also explore other models, such as

- loans with low fixed interest rates paired with down-payment assistance,
- forgivable loans or grants,
- special tax credits to reduce borrowers' federal tax obligation, and
- private-lender down-payment assistance programs that draw on private capital to support specific loan products.