

Tab 6

Policy:

Public Policies that Promote A Viable Shared Equity Sector

1:15 - 2:45

Broadway III, Plaza Level, Hilton Portland

Shared equity approaches are being used in many cities across the country. However, to reach scale, local policies must support volume. What does this mean for resale formulas and pricing? What does this mean for allowable fees to support the servicing of these interests? How does local policy support volume production? What about the impact of ancillary issues such as real estate taxes and HOA fees? The experiments have worked - but what kinds of policies best support volume production?

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**Working
Paper**

Developing a Policy Framework for Taking Shared Equity to Scale

By Jeffrey Lubell

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Developing a Policy Framework for Taking Shared Equity to Scale

by Jeffrey Lubell¹

The purpose of this outline is to review the principal challenges to taking shared equity homeownership ‘to scale’ and to lay out a framework for addressing these challenges and substantially expanding the number of families benefiting from shared equity solutions.

DEFINITIONS

In this outline, I have defined a “shared equity” approach to homeownership to mean any approach that seeks to:

- (a) make homeownership affordable to low- or moderate-income families; and
- (b) balance the goals of (i) individual asset accumulation and (ii) ongoing affordability by sharing the equity derived from home price appreciation.

Under a shared equity approach to homeownership, a portion of any home price appreciation that is experienced with respect to an assisted home is allocated to the homeowner, while the balance is allocated to the program administrator for use in preserving affordability for subsequent home purchasers. This is the “sharing” of equity referred to in the term.

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Under certain shared equity approaches – such as community land trusts and resale-restricted homes – most of the appreciation on a shared equity home that is not realized by the individual owner is applied to reduce the price of that same home to subsequent purchasers. Under other shared equity approaches, such as shared appreciation mortgages, the program administrator's share of home price appreciation is recaptured in order to fund a larger shared appreciation mortgage for a home chosen by a subsequent program participant.

In developing this definition, I have implicitly addressed several important definitional issues, including the following:

- There is a substantial, and some would say qualitative, difference between shared appreciation mortgages and project based strategies, such as community land trusts and deed-restricted housing. Project-based strategies remove homes from the speculative marketplace and thus keep a portion of the housing stock permanently affordable, but restrict resident choices. Shared appreciation mortgages enable homeowners to select their own home and continually replenishes subsidy financing, but in their most common configuration, do not always keep pace with the market; they also increase demand for housing, which can be a problem in a supply-constrained market. Some might argue that only one or the other is truly a “shared equity” approach. Others (including myself) consider both approaches to be part of a broader concept of “shared equity.” Among other reasons for this more flexible approach is that local needs and attitudes vary widely, and thus we are more likely to succeed in taking shared equity to scale with a more diverse set of programmatic options.

In the end, this definitional issue may come down largely to a question of what is the ultimate objective of these policies. Is the objective to create a sizable stock of first-time homebuyer opportunities that balance individual asset accumulation and ongoing affordability, while preserving the value of public subsidy? Or is the goal to remove a sizable share of the nation's housing stock from the speculative real estate market? The former objective lends itself to a more flexible and broader definition of shared equity, while the latter objective suggests a narrower definition that is restricted to project-based approaches.

- A second definitional issue relates to whether privately funded shared appreciation loans belong within or outside our definition of shared equity. The problem is not that they are privately-funded – to the contrary, most advocates would welcome additional private capital being brought to bear to make housing affordable – but that such approaches generally do not recycle the investor’s share of home price appreciation to increase the size of the loan offered to the next buyer. In other words, they make homeownership affordable to the initial buyer, but do not preserve affordability in the face of rising home prices.

Again, the answer to whether or not this “counts” may depend on how one views the ultimate goal of shared equity approaches to homeownership. For those of us who see shared equity as a means to create and preserve affordable homeownership opportunities in the face of rising home prices, loans that only make homeownership affordable to the first buyer do not meet this long-term goal and thus fall outside the definition. Others, however, believe the ultimate goal is to create a full spectrum of acceptable alternatives to traditional homeownership and thus are more open to these types of mortgages (and other third-sector strategies that are not explicitly “affordable”). One benefit of including privately funded shared appreciation loans within the shared equity “tent” is that by offering a range of alternative products that meet the needs of a broad cross-section of the income spectrum, one could minimize any stigma that attaches to the products and pave the way for broader market acceptance.

TAKING SHARED EQUITY TO SCALE – THREE STAGES

Broadly speaking, efforts to take shared equity to scale may be divided into three stages:

- The first stage involves dramatically increased utilization of existing homeownership subsidies (both direct and implicit) to create a much larger stock of shared equity units and a much deeper body of experience. The focus of this first stage is on (a) developing a consensus among policy makers around the need for shared equity homeownership; (b) developing sustainable business models that are capable of being taken to scale; and (c) demonstrating the feasibility of these models.

The desired end products of this first stage are a handful of successful, large-scale shared equity homeownership programs that demonstrate proof of concept and strong

momentum around converting existing affordable homeownership programs to shared equity models. We are already part of the way along this first stage, with successful proof of concept at relatively small scales and a handful of larger-scale projects emerging. We do not yet have a shared consensus among policy makers of the need for shared equity homeownership, however. Nor do we have sufficient experience with taking shared equity to scale to determine the most efficient manner for doing so.

- Once the concept has been proven and a consensus developed around the value of shared equity, the second stage focuses on dramatically increasing the public resources available to expand the stock of homes financed through shared equity approaches. An example of such an approach would be a new tax credit to fund shared equity homeownership.
- The third stage focuses on making shared equity homeownership a more broadly accepted alternative to traditional homeownership in the housing markets. The focus in this stage is on generating broad consumer demand for shared equity approaches and then satisfying this demand. Imagine you could go to a bank and get the type of shared appreciation mortgage that is generally available currently only through nonprofit or government channels. And they even push it. That's market penetration.

Some would argue that a critical predicate for broad consumer demand is the ability of the sector to offer a variety of linked products to meet the needs of families at different income levels, including families with incomes above that generally served by today's affordable housing programs.

In general, most of the challenges addressed below are likely to be encountered during the first stage of incremental expansion and proof of concept. While policymaking does not always follow a logical progression, it seems reasonable to expect that substantial progress must be shown in the first stage before the financial resources needed for stage two will be made available. The first challenge noted below – obtaining sufficient public subsidy (whether direct or implicit) to offer the product to a wide range of families – is the key challenge to be addressed in stages one and two, while the last challenge – creating sufficient consumer demand – is the key to succeeding in stage three.

ADDRESSING THE PRINCIPAL CHALLENGES TO TAKING SHARED EQUITY TO SCALE

The following are ten challenges that will need to be addressed to move to scale:

1. Obtaining the Initial Subsidy Needed to Offer Affordable, Below-Market

Homeownership Opportunities. Shared equity homeownership generally requires a very high level of public investment to bring initial home prices down to affordable levels.² While it would be desirable to utilize private funds for this purpose, this seems infeasible; private investors are likely to require too large a share of home price appreciation as compensation for their investment, undermining the key goal of ongoing affordability. (On the other hand, a blended approach of public and private financing might have some potential.)

(NOTE: My tentative conclusion that private capital cannot be used by itself to fund the type of shared equity arrangements that we would find desirable needs to be tested further, as it is a key limiting assumption on taking shared equity to scale. I very much hope I can be proven wrong.)

Clearly, the first challenge is to identify additional public resources that could be brought to bear to expand the universe of shared equity homeownership opportunities. To address this challenge during stage one, efforts should focus on better utilization of existing public resources, including the affordable housing opportunities offered by both direct subsidy and inclusionary zoning programs. To truly achieve an appreciable share of the overall market, however, additional financial resources, such as a new tax credit, will be needed in stage two.

- a. **Existing Homeownership Programs.** There is significant room to expand the targeting of existing homeownership subsidies – funded by HOME, CDBG, TIF, etc. – into shared equity homeownership. Some states – for example, California – require extended affordability for certain types of affordable homeownership investments, but this can also be problematic when they enshrine a relatively

² In addition to being affordable, the home also must be sold for a level that is sufficiently below market to entice a purchaser to accept the limited returns of shared equity homeownership, as opposed to traditional homeownership. It is not clear exactly how much subsidy will be needed, but we should be careful not to extrapolate unduly from our limited experience to date. As move to scale, we will need to figure out how to make the deal as attractive as possible to as many people as possible. Unless some other carrot is offered – and it certainly is worth thinking through what this might be – the price for a larger share of the market is likely to be higher per-unit subsidies.

unattractive shared equity formula (again, California).

The goal should be to convert all substantial public homeownership investments in high-cost areas (and in other areas expecting long-term home price appreciation) to shared equity models. This will require education of policy officials at all levels of government, as well as sustained advocacy and technical assistance.

- b. **Inclusionary zoning** offers one strategy for accumulating shared equity units. Under a mandatory inclusionary zoning policy, localities require that new developments over a certain size include a modest share of affordable units. IZ policies often include density bonuses and other policies to compensate developers for lost revenue.

When inclusionary zoning programs create affordable units without requiring that these units remain affordable over the long-term, or even when they allow the affordability limits to expire after 10 or 20 years, the effect is to grant a huge windfall to the lucky resident. Not only do they get the full appreciation on the home, they also are not required to “pay back” the implicit public subsidy that allowed the unit to be sold for below-market prices.

On the other hand, when inclusionary zoning units place their affordable units into a shared equity homeownership program, the implicit public subsidy is captured and preserved, creating lasting homeownership opportunities for multiple generations of homeowners.

The goal should be to encourage as many inclusionary zoning programs to place their affordable units into permanently affordable rental or shared equity homeownership programs.

- c. **Well-crafted voluntary incentives** – for example, trading density bonuses and/or bulk and height bonuses or reduced prices on publicly owned land for a modest share of affordable units – should also work as a strategy for developing a supply of shared equity homes and may be politically feasible in places where mandatory IZ is not.

- d. **Land banking.** In theory, a well-conceived plan to purchase affordable market-rate units in areas likely to rise in value, and then rent them out until property values rise, could create a stock of homes that could be sold at a later date for below-market prices without requiring much subsidy. However, such a strategy would require much skill, some luck, and a patient funder willing to take some risks. Prospects for success would increase if the homes were purchased in an area slated for public investment. But, of course, private land speculators will be formidable competitors. At best, this strategy can be successful for brief periods in isolated locations, but is unlikely to be a successful recipe for scale.
- e. **New funding sources.** Once existing subsidy sources have been tapped out, a new and much larger source of public funding will be needed to take the program to the next level of scale (i.e., stage two).
 - i. At present, it seems more likely that this would be a tax credit than a direct subsidy. (Of course, the chances of obtaining a new tax credit still must be viewed as remote.)
 - ii. One intermediate step to consider would be to seek public funding for a demonstration program to test the feasibility of taking the program to scale. Any such demonstration should include a robust research component to document the program's effectiveness.

2. Creating a Policy Climate that Facilitates Preservation of Ongoing Affordability

- a. **Legal enforceability.** Two common law legal doctrines – the rule against perpetuities and the rule against unreasonable restraints – raise concerns that indefinite affordability covenants may be declared invalid. While considerable legal work has been done to defend resale restrictions under common law, it would likely be prudent to seek state legislation to confirm the enforceability of resale restrictions over time, as has been adopted in California, Maine, Massachusetts, Minnesota, and Vermont.³

³ For an overview of the legal issues related to enforcing resale restrictions over time, see Chapter four of Emmeus Davis. 2006. *Shared Equity Homeownership: The Changing Landscape of Resale-Restricted, Owner-Occupied*

- b. **Taxation.** In some communities, tax assessors continue to tax shared equity properties based on their full market value, notwithstanding the fact that the owner cannot realize the full value. While this is not a strict *barrier* to shared equity homeownership, it does make it harder to ensure that the home is and remains affordable to target homebuyers.

While one could pursue legislation to address this barrier, some practitioners have been concerned that limitations on jurisdictions' ability to tax affordable homes could create barriers to community acceptance of new affordable homes. Whatever the merits of this concern in the current world of "niche" programs, it looms large as a problem as we seek to move to scale.⁴

- c. **Condo fees.** A somewhat analogous problem arises with respect to condo fees. To the extent practitioners pursue mixed-income housing opportunities in a multifamily setting, a significant number of units may end up in market-rate condos, in which case the units could quickly become unaffordable if the condo associations raise fees. As with taxes, it would be possible to address this problem through legislation, but again the concern arises, as we seek to go to scale, that the successful imposition of limitations on the condo fee association fee growth for affordable homes could undermine market acceptance of mixed-income housing.
- d. **Opt outs.** Some models, such as limited equity cooperatives, can also be undermined by residents' decisions to eliminate or change the affordability covenants.

- 3. **Financing Shared Equity Programs and Mortgages.** Even if sufficient public funds (or implicit subsidies) are obtained to provide the initial subsidy needed to sell a home at a level that is both affordable and sufficiently below market to be an attractive investment to a home purchaser, there will still be a need for financing for the balance of the home purchase.

Housing. Montclair, NJ: National Housing Institute.

⁴ *Ibid.*

During stage one, this is largely a matter of ensuring that program sponsors can easily arrange for financing for their chosen shared equity approach.

- a. Community land trusts (CLTs), for example, have had trouble obtaining FHA insurance for homes purchased through CLTs. CLT financing is apparently also challenging through Fannie Mae and Freddie Mac.
- b. Financing for coops and shared appreciation loans appears to be easier, but can also pose a problem in particular circumstances.

During stages two and three, the question is whether products are readily available to the consumer through normal market channels. This will likely require an even greater standardization of products as well as significant education of mortgage originators.

4. **Funding Ongoing Administration of Shared Equity Programs.** Because shared equity seeks to make homeownership affordable not only to the original purchaser, but also to subsequent purchasers, resources are needed to support ongoing monitoring of affordable units, the qualification of buyers (and in some case the marketing of homes) on resale, maintenance needed to keep homes in good condition, etc. (Funding is also needed for homebuyer education and counseling, but it may make sense to pursue funding for this activity separately.)

- a. The most desirable option is likely to build in some opportunity to earn administrative fees on the sale of the homes (and/or as part of a monthly payment). Charging an administrative fee at the time of each sale makes it easier to provide an affordable opportunity for the initial purchaser, but may make it harder to maintain affordability to subsequent purchasers. Charging a monthly administrative fee to homebuyers has the advantage of not eating up home price appreciation, but represents an added cost that makes it more difficult to ensure that the homes are affordable to purchasers.

Reliable administrative fees would have the considerable side benefit of providing an incentive for the emergence and engagement of professional administrative entities with the capacity to take shared equity homeownership to scale.

- b. An alternative approach would be to rely on the good graces of the public sector to provide administrative fees on an ongoing basis. While most shared equity programs will require governmental and/or foundation support at some stage – notably, for seed funding and initial administrative support until they reach scale – funding ongoing operations out of annual discretionary government appropriations is likely to be less reliable and thus less desirable than a fee.

In either event, we will need to overcome resistance in some sectors to providing adequate funding for ongoing administration. Many public entities prefer to provide funds for “program use” – i.e., subsidy for buyers – rather than administration.

5. **Creating Greater Uniformity in Programs and Standards.** While the existing models have coalesced sufficiently to allow them to be described coherently, there are still fundamental variations in program design across jurisdictions. These variations create several barriers to scale. One barrier is the apparent need to reinvent the wheel (e.g., with respect to the policy, legal documents for enforcing covenants, etc.) in each jurisdiction, which makes it more difficult to adopt a shared equity policy. A second barrier is created by inconsistent rules in neighboring jurisdictions, which may make it confusing for buyers to know what program options exist and are open to them and confusing to enforce when the homes are sold.

- a. In the CLT world, the creation of a set of model policy and legal documents has helped to address this barrier. Creation of model policy and legal documents for other forms of shared equity could be similarly useful.
- b. Neighboring jurisdictions may find it useful in many respects to collaborate in a single regional program that has consistent eligibility standards and resale restrictions.
- c. A national registry for recording deed restrictions may also be useful, as it would make it easier for the registry to be checked as part of the title search process. Alternatively– and perhaps more realistically – policies could be adopted at the state level to standardize the recording of resale restrictions. For example, a bill has been proposed in California that would require jurisdictions to record a one-page standard form (with a standardized title) indicating the presence of resale price restrictions. This way, even if each jurisdiction uses different legal forms,

there would be a uniform way of notifying people that there is a restriction on title; these forms would appear identically on title reports.

6. **Ensuring Flexibility to Meet Changing Conditions.** Because shared equity aspires to preserve affordability over the long-term, it is important to think about building in sufficient flexibility to respond to changing market conditions.
- a. Say an area that is presently low-density single-family homes is chosen for higher densities. At resale, it may well make sense for the sponsor to purchase the home, tear it down and build a multifamily home on the same lot, of which some units are affordable and others are not.
 - b. Or perhaps the land values shoot up in a particular neighborhood for other reasons, such that you could sell the home and use the proceeds to subsidize eight shared equity homes in other, acceptable neighborhoods.
 - c. Or say that market conditions change so that an area that was once very desirable is no longer so and thus the permanently affordable units that are currently in place are not needed to ensure a mix of incomes and may not represent desirable housing options for families coming into the program. In such a case, it may make sense to free the subsidy from the unit to allow families to choose where they want to live.

In each of these cases, it would be useful for the program guidelines to provide flexibility to make these choices, if the needs of the community and the program suggested they made sense.

7. **Ensuring Professionalism.** Feedback from private developers suggests they are more comfortable when dealing with a private-sector entity (or an entity that acts in a private sector fashion). For example, when considering whether to support an inclusionary zoning program that includes a shared equity component, one issue the private development community is likely to consider is the “hassle” factor of creating the affordable units (or interfacing with those who create the units and fill and certify them). To the extent that private developer support is important to getting to scale – and I would suggest it is critical – there may be a need to vest the operation of shared equity

homeownership programs with private or private-like entities (including proficient non-profit organizations) that exhibit a high degree of professionalism.

8. **Building Capacity to Go to Scale.** Few current entities have experience with shared equity at scale. While some of these entities may be capable of growing to manage a large program, in many cases, new entities will need to be formed or enticed to perform these functions to ensure that deed restrictions are monitored, properties are adequately maintained, the transfer from one buyer to another happens smoothly, etc.
 - a. To the extent that reliable and adequate administrative fees are included in the design of shared equity homeownership programs, it would seem likely that capable entities would emerge to handle this responsibility.

9. **Reducing Barriers to New Development.** Even if shared equity were a well-oiled machine, it could be difficult to find affordable land on which to build, or to receive permission to build affordable homes. While this problem is not limited to shared equity homeownership, it certainly is an obstacle to taking shared equity homeownership to scale.
 - a. **Regulatory Barriers Relief.** Proponents of shared equity homeownership will find common ground with private developers on a program of regulatory barriers relief to increase allowable densities, rezone industrial/manufacturing areas for residential use, reduce minimum lot sizes, etc.
 - b. **Publicly owned land** could also be much better utilized for the development of affordable homes.
 - c. **Local media campaigns** may be needed to address NIMBY sentiment.

10. **Increasing Consumer Acceptance.** As programs grow larger during stage one, and then certainly during stages two and three, it will be necessary to ensure there is broad consumer acceptance of shared equity approaches. This will require significant education of consumers. Product convergence may also be necessary to ensure there is a relatively simple and consistent model to promote.



Policy Brief

Shared Equity Homeownership: An Effective Strategy for Balancing Affordability and Asset-Building Objectives

By Rick Jacobus and Jeffrey Lubell

November 2007

Shared Equity Homeownership – an Effective Strategy for Balancing Affordability and Asset-Building Objectives

by Rick Jacobus and Jeffrey Lubell¹

INTRODUCTION²

This paper provides an overview of a growing trend in publicly funded homeownership programs toward “shared equity” approaches that seek to balance two competing objectives:

- The accumulation of assets by the individual homeowner and
- The preservation of affordable homeownership opportunities

These objectives are competing in the sense that a greater emphasis on one often leads to a diminished emphasis on the other. For example, the standard market version of homeownership provides maximum opportunity for individual asset accumulation, while making no effort to preserve the affordability of the home to future homebuyers. At the other end of the spectrum, permanently affordable rental housing preserves affordability over time but does nothing to help individual homebuyers build equity.

Shared equity solutions strive to achieve both of these objectives at the same time. In this respect, they represent a new approach to homeownership that can be particularly useful for creating a stock of entry-level homes affordable to working families.

The growing interest in shared equity stems from the collective experience of numerous communities around the country with sharply rising home prices over the past five to ten years. As many communities have learned the hard way, homes that they helped make affordable

¹ Rick Jacobus is a partner in Burlington Associates in Community Development LLC, a national community development consulting firm. Jeffrey Lubell is Executive Director of the Center for Housing Policy.

² Portions of this overview have been adapted from the following prior published papers: Rick Jacobus and Jeffrey Lubell, 2007, *Preservation of Affordable Homeownership: A Continuum of Strategies*. Washington D.C.: Center for Housing Policy; Jeffrey Lubell, “Increasing the Availability of Affordable Homes: An Analysis of High-Impact State and Local Solutions.” Washington, DC: Center for Housing Policy and Homes for Working Families; and Rick Jacobus and Amy Cohen, Forthcoming, “Creating Permanently Affordable Homeownership,” in *California Affordable Housing*. Point Arena, CA: Solano Press.

through an initial downpayment grant or other assistance often have become unaffordable when sold to the next family. With the amount of subsidy needed to bring homeownership within reach of working families growing exponentially, communities have struggled with the question of how to ensure that the public's investments in homeownership keep pace with the market.

The answer has come largely through shared equity mechanisms that local governments use to ensure that housing funds invested in affordable homeownership today are able to serve additional families into the future. In general, this is accomplished either through:

- “Shared appreciation loans” that allow the locality to capture a portion of home price appreciation at the time the assisted units are sold which can then be used to help subsequent buyers purchase homes of their choice or
- “Subsidy retention” strategies such as community land trusts, limited equity cooperatives, and deed-restricted homeownership that preserve the affordability of specific assisted units through restrictions on how and to whom they are sold.

The recent slowdown in home price appreciation in many of the nation's hottest housing markets provides communities with an important opportunity to take a step back and review their existing homeownership policies. While it is impossible to know with certainty what will happen to home prices in the future, the sharp run-ups of recent years have made clear the necessity of planning for every contingency – including the real possibility that rapid home price increases could erode the value of public homeownership investments over the long term.

BALANCING INDIVIDUAL ASSET ACCUMULATION AND LONG-TERM AFFORDABILITY

While state and local homeownership programs come in all shapes and sizes, the most common approach is to provide a public subsidy to make homeownership more affordable to working families and other moderate-income households. The subsidy might take the form of a loan or grant from city, county or state government directly to the homebuyer or a grant from one of these jurisdictions to a developer who then agrees to build homes for sale at an affordable price. In other cases, the “subsidy” is implicit rather than explicit; a good example is a local inclusionary housing program that requires developers of market-rate homes to sell a small percentage of the new homes at affordable prices. In each of these cases, a community makes it possible for working families to afford a home that they would not be able to purchase affordably without this subsidy.

When home prices rise more rapidly than incomes – as has been the case in all of the nation’s hot housing markets over the past five to ten years – it becomes more and more expensive to help working families purchase homes. As the amount of subsidy required to help each family rises, these programs face an increasingly difficult set of policy decisions. Should the programs continue to make homeownership affordable to families at the same general income level, and if so, are they prepared to assist fewer and fewer families each year? Also, at what point does it become unfair to provide a windfall to a few lucky families who are selected to receive a subsidy when numerous other families are falling further and further behind in their quest for homeownership? Providing a \$5,000 down payment assistance grant may be a small price to pay to help a family improve its economic position, but as the cost of the assistance rises – to \$20,000, \$50,000 or even \$100,000 or more – the amount starts to seem like too much to give away to one family when there are so many others who will receive no help at all.

This is where the question of *preserving affordable homeownership opportunities* comes into play. Cities, counties and states are accustomed to commitments of affordability for up to fifty years or longer when they invest in affordable rental homes. Many programs designed to assist first-time homebuyers, however, have no provisions preventing the assisted family from selling the unit and realizing a windfall the day after the home is purchased. What naturally happens is that as the amount of per-household subsidy rises, programs become more concerned about preserving the value of public subsidies and turn from grants to loans and then to “shared equity” approaches such as shared appreciation loans or resale price restrictions designed to preserve the buying power of the public investment.

Such changes are often controversial. Critics of these preservation mechanisms charge that they are unfair because they do not allow assisted homeowners to experience the same amount of growth in individual assets as market-rate home purchasers experience. Advocates for these mechanisms argue that tight restrictions are needed to ensure that subsidized homes remain affordable over time to help other homebuyers in need of assistance.

While these debates can be contentious, the issue of whether, and if so, how to preserve the value of public investments in homeownership is crucial to the design of these programs and thorough discussion is appropriate. Unfortunately, the quality of the policy dialogue tends to suffer when both sides see the choice as an “either-or” decision between two competing approaches: one model that provides wealth creation for homeowners and the other that preserves affordable housing resources to serve future buyers.

In reality, there is enormous variety in local homeownership programs, which fall along a continuum between strategies that maximize individual wealth creation and strategies that maximize preservation of long-term affordability. Few of the policy options fall at one extreme or the other, however. Most options attempt to strike a balance between these two competing goals by offering homeowners real wealth-creation opportunities while still preserving the value of public funds so that they can serve other homebuyers in the future. Under these models, families build assets both by paying down the principal balance on their first mortgage and by sharing the benefits of home price appreciation with the jurisdiction providing the subsidy.

There are ample opportunities to preserve the value of public subsidy while simultaneously offering meaningful opportunities for individual asset accumulation. The question for policymakers should not be whether to provide opportunities for individual wealth creation or preservation of ongoing affordability, but rather how to strike an appropriate balance between these two goals.

THE AFFORDABLE HOMEOWNERSHIP CONTINUUM

While there are literally dozens of different options for designing an affordable homeownership program, these diverse options may be divided into four main categories,³ each of which treats the question of subsidy preservation in a different way. Figure 1 graphically illustrates the continuum between homeownership programs that emphasize individual asset building and those that emphasize long-term affordability. As points of reference, Figure 1 also shows where traditional homeownership and permanently affordable rental housing fall on the same continuum.

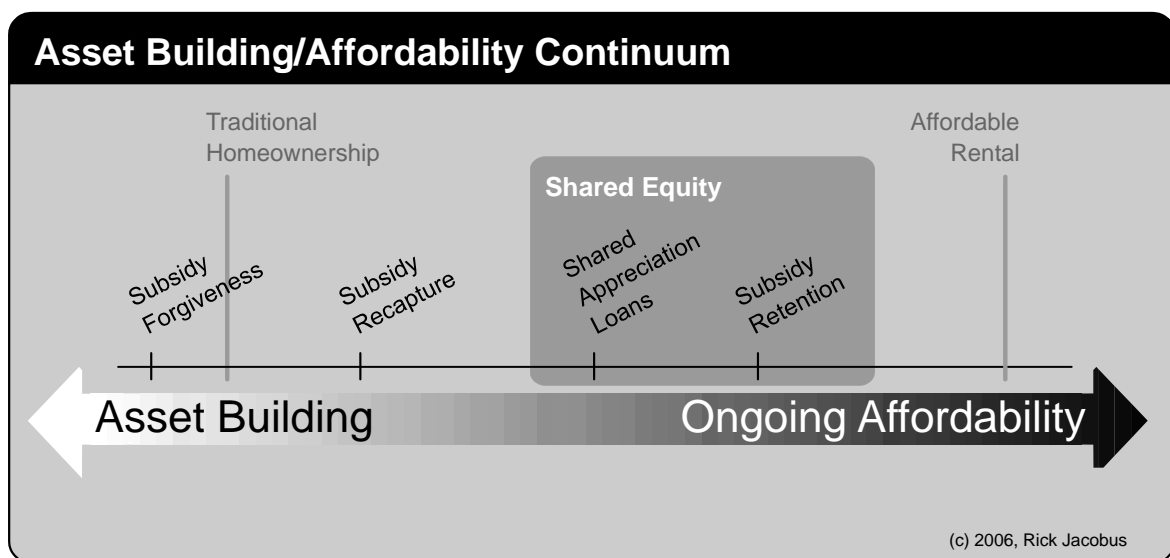


Figure 1: Asset building – affordability continuum

- A. **Subsidy Forgiveness** programs provide one-time assistance to homebuyers with no expectation that these funds will be repaid to help serve future buyers. These programs include homebuyer grants as well as loans that are forgiven if families remain in the homes for a certain period of time (forgivable loans).
- B. **Subsidy Recapture** programs allow buyers to temporarily use public funds but expect these resources to be returned so they are available to assist future buyers. The most common form of subsidy recapture is a “silent second” mortgage that is subordinate to a family’s primary mortgage, but requires no payment of principal or interest until the family sells its home (or in some cases, refinances the first mortgage). Sometimes these loans are interest free; other times sellers are required to repay the funds along with deferred interest. In some cases the loans are only deferred for a limited period of time

³ These categories are adapted from a typology developed by John Emmeus Davis. 2006. *Shared Equity Homeownership: The Changing Landscape of Resale-restricted, Owner Occupied Housing*. Newark, NJ: National Housing Institute. Davis uses the term “shared equity homeownership” to refer only to subsidy retention strategies – approaches that maintain affordability through resale price restrictions – while we include both subsidy retention and shared appreciation loans under the general heading “shared equity.”

(e.g., five years) after which homeowners are expected to begin making regular payments.

- C. **Shared Appreciation Loans** are second mortgages that require no payments until the home is sold (or, in some cases, the first mortgage is refinanced). At the time of sale, the family is required to repay the original principal plus a share of home price appreciation in lieu of interest. These loans exhibit characteristics of both subsidy recapture (above) and subsidy retention (below).⁴
- D. **Subsidy Retention** programs provide a one-time investment of public funds to bring the sale price of specifically designated homes (often, though not always, new construction) down to a level that is affordable to buyers at the target income level, who are then required to resell the homes at affordable prices. These programs utilize one of several different pricing formulas to keep resale prices at affordable levels. Common subsidy retention strategies include deed-restricted homeownership, community land trusts, and limited equity cooperatives.⁵

Each general approach offers a different way of thinking about the rights and responsibilities of homeowners who benefit from government assistance. These models represent only a few of the dozens of common alternatives but comparing these options in detail should help policymakers to better understand the full range of choices.

This paper focuses on the third and fourth categories – shared appreciation loans and subsidy retention – which we call “shared equity” strategies. Under both approaches, the benefits of home price appreciation are shared between the public entity providing the subsidy and the individual homebuyer assisted with that subsidy. In the case of a shared appreciation loan, the public’s share is returned to the government entity making the subsidy in the form of a cash payment that can be used to help subsidize a subsequent homebuyer. In the case of a subsidy retention strategy, the public’s share of the equity stays with the home, reducing the cost to the next homebuyer. There are other important differences between the two approaches, some of which are discussed below, but for the moment, the important point is that they share the basic

⁴ This paper discusses only shared appreciation loans provided as part of an ongoing program that seeks to use the investor’s share of home price appreciation to offer a larger loan to the next homebuyer, thereby preserving the value of the subsidy in the face of rising home prices. In practice, such programs are generally offered only by the public sector or nonprofit lenders. Private “shared equity mortgages” are somewhat common in England and have been proposed from time to time in the United States but are not included here because the equity that is shared in such models is generally not available to be reinvested in the provision of affordable housing. For a recent proposal for privately financed shared equity mortgages in the US see: Andrew Caplin, James H. Carr, Fredrick Pollock, and Zhony Yi Tong. 2007. *Shared-Equity Mortgages, Housing Affordability, and Homeownership*. Washington, DC: Fannie Mae Foundation.

⁵ These terms are discussed in more detail in the body of the paper.

underlying characteristic of trying to preserve the value of the public's homeownership investment by sharing the equity attributable to home price appreciation.

For a complete discussion of the affordable homeownership continuum – including the subsidy forgiveness and subsidy recapture approaches – see Jacobus and Lubell 2007.⁶ The balance of this paper focuses on the two main approaches to shared equity: shared appreciation loans and subsidy retention.

⁶ This paper and other resources on shared equity are available at www.nhc.org/housing/sharedequity.

Shared Appreciation Loans

Shared appreciation loans are deferred (often called “silent second”) mortgages that help to cover the gap between what a family can afford on its own and the price of a decent-quality home. To ensure the home is affordable to the homebuyer, no payments are due until the family sells the home (or in some cases, refinances the first mortgage). When the family sells (or refinances), the family is required to pay back not just the initial subsidy, but also a share of any appreciation in the market value of the assisted home. By recapturing a portion of home price appreciation, this approach increases the amount of subsidy available to assist the next purchaser, helping to preserve the “buying power” of public subsidies and reducing the likelihood that future homebuyers at the target income range will be unable to afford a comparable home.

The preservation of the buying power of public subsidy is the chief benefit of shared appreciation loans relative to subsidy forgiveness and subsidy retention programs. A downpayment grant will make the initial homebuyer happy, but does not help preserve affordability for future buyers. While a no-interest deferred loan will successfully recapture the initial public subsidy, in a rapidly rising housing market, that recaptured subsidy will not be enough to help a similar future buyer purchase a comparable home.

One common approach to shared appreciation loans is to calculate the share of appreciation required to be paid on sale of the home based on the share of the original purchase price that was subsidized. For example, if a family received a \$50,000 subsidy to buy a \$250,000 home, the family would be required to give the community 20% (\$50,000 divided by \$250,000) of any home price appreciation at the time of sale, in addition to repaying the original \$50,000. If home prices rise at an average rate of 6% annually, then the home will sell after seven years for \$375,000. In this case there would be a total of \$125,000 in appreciation and the homeowners would owe the community \$25,000 (20% of \$125,000) plus the original \$50,000.

The repayment of subsidy plus a share of appreciation helps the community fill the gap for the next family, but by itself it may not be enough. If incomes rose by only 3% over that same period, a similar family would only be able to afford a \$245,000 house, leaving an affordability gap of \$130,000 (\$375,000 less \$245,000). Thus, despite the \$75,000 in recaptured funds, the local government would still need to add \$55,000 to help a new family buy this house or one like it. This is obviously much less than the \$130,000 that would have been required if the subsidy had been provided in the form of a grant or a forgivable loan. Over time, however, even with the

sharing of home price appreciation, more and more subsidy may be required to keep a comparable home affordable to subsequent families at the same target income level.

At the same time, it should be acknowledged that this common approach to shared appreciation loans provides the individual homeowner with more equity than it would have achieved under a subsidy retention approach (discussed below) or under a different approach to shared appreciation loans that provides the public with a greater share of home price appreciation. But it often comes at the cost of increased subsidies needed for the next buyer.

The Continuum of Shared Appreciation Loans

Various shared appreciation programs establish the percentage of appreciation that is retained by the homeowner differently. Some programs simply offer all sellers a given percentage of appreciation (e.g., 40%) regardless of their purchase price or the amount of subsidy they initially received. Others tie the percentage to the homeowner's share of the initial purchase price. When units are created through inclusionary zoning programs and sold initially at below market prices, jurisdictions sometimes impose shared appreciation requirements tied to the homeowner's purchase price as a percentage of appraised value. So, for example, a homeowner who purchased his or her home with a 25% discount due to an inclusionary housing program would owe the jurisdiction 25% of any future appreciation upon sale.

Subsidy Retention Models

Instead of asking families to repay the public subsidy when they move, subsidy retention programs expect the initial subsidy to **stay in place** in a specific home when one family moves out and another moves in. Rather than subsidizing the *buyer*, subsidy retention programs subsidize the *unit*, ensuring that the specific home remains affordable to families at the target income range over the long-term. In exchange for government assistance in purchasing their homes, the buyers agree that, when they sell, they will sell at a price determined by a resale formula designed to keep the home affordable to other working families.

Subsidy retention programs achieve permanent affordability by specifying the price at which an assisted family can resell its house. The price restriction generally is enforced through a deed covenant, resale restriction agreement or community land trust ground lease. (See below for more details on these programs.) The maximum resale price is established by a formula that is contained in one of these legal documents.

By limiting the price at which homeowners can sell their homes, subsidy retention programs eliminate the need to provide new subsidy each time a family sells. This means that a single investment in a homeownership unit can serve one family after another over time without any new investment of public funds. Subsidy retention programs preserve the buying power of public subsidies, ensuring that rapid rises in home prices will not diminish the number of families who may be served.

Recall the family who could afford to pay only \$200,000 for a home in a market where starter homes cost \$250,000. In the shared appreciation loan model, the family would buy the home for \$250,000 and receive a loan for the \$50,000 in subsidy. In a subsidy retention program, by contrast, the subsidy would be invested once to buy down the price of the home to \$200,000 – the level that a working family could afford. This family would typically purchase the home at that price without any second loan, but with an agreement specifying the price at which the home may be sold.⁷

Based on this agreement, when the family is ready to move, the home would be sold for an affordable price, rather than a market price. For example, rather than selling for \$375,000 and

⁷ Some jurisdictions will record a deed of trust or mortgage to make enforcement of the resale restriction easier, but in practice, the subsidy funds are never expected to be repaid.

requiring a \$130,000 second loan to maintain affordability, the house might resell for only \$245,000 – a price that would be affordable to working families without any new subsidy.

The Continuum of Subsidy Retention Programs

As described more fully in the next two sections, there are a number of different formulas that are commonly used to set the maximum resale price in subsidy retention programs and a number of different approaches for enforcing these resale restrictions. Some resale formulas tie the resale price to changes in the market value of that home, while others base the resale price on how much families of a target income level can afford, irrespective of what has happened in the homeownership market. Common legal mechanisms for enforcing a subsidy retention approach include deed restrictions, community land trusts, and limited equity cooperatives.

Common Resale Formulas

There is literally an infinite number of different formulas that could be used to set the maximum resale price in subsidy retention programs. Below are three relatively common approaches:

1. An **Appraisal-based resale formula** ties the resale price to the change in the market value of the property.
2. An **Index-based resale formula** ties the resale price to changes in the area median income, consumer price index, or other index..
3. The **Affordable Housing Cost** approach ties the resale formula to the home price a family at the target income level can afford, factoring in changes in incomes, interest rates, property insurance rates, and property taxes.

The first formula is also commonly applied to the shared appreciation loan context. While it is not typical to apply the second or third approaches to shared appreciation loans, in theory, it is possible to do so. Ultimately, the choice of resale formula is independent of the choice of a subsidy retention or shared appreciation loan approach.

1. An **appraisal-based resale formula** ties the “affordable” resale price to the change in the market value of the property – for example, the homeowner might be permitted to sell for a price equal to the original purchase price plus 25% of any increase in the appraised value. These formulas are similar to the shared appreciation loans described above, but rather than selling the home at the market price and splitting the appreciation, an appraisal-based resale formula requires the home to sell at the below-market price. Under this approach, the homeowner is able to take his or her share of home price appreciation, but the public share remains invested in the home, allowing it to be sold to another purchaser at an affordable price. Both the ongoing affordability and the level of wealth creation under an appraisal-based formula will depend greatly on the equity sharing percentage used and the performance of the housing market. As with shared appreciation loans, however, when prices rise rapidly, even a conservative approach to sharing appreciation may allow prices to rise beyond the level at which they are affordable to future buyers without additional subsidy.

2. **Index-based resale formula.** Another popular approach to resale pricing is to tie the price to an index such as the consumer price index or the Area Median Income (AMI). A formula based on an Area Median Income index, for example, specifies that the resale price shall be no more than the initial (affordable) purchase price plus an adjustment based on the annual change in the AMI published by HUD. Each year, as the AMI rises, the maximum resale prices rise at

exactly the same rate. Because increases in the permissible sales price of the home are tied to increases in income rather than increases in the prices of market-rate homes, a new buyer with the same income profile should be able to purchase the home for this price without any need for additional public subsidy. If the resale price is limited so that it does not rise any faster than incomes, the same house can remain affordable to one working family after another without any new subsidy.

However, even indexing the maximum resale price to the median income is not enough to guarantee with 100% certainty that the same affordability level will be maintained at all times. When interest rates rise, new buyers will be able to borrow less money on the private market with the same monthly payment. A home that was initially affordable to families earning 80% of the area median income, with resale restrictions tied to changes in the AMI, would remain affordable to families at that same income level so long as interest rates remain unchanged. If interest rates rise, however, the formula resale price might eventually be more than what buyers earning 80% of AMI could afford.

3. Affordable Housing Cost. Some programs respond to this challenge by imposing resale price restrictions that are based on what a family can afford, taking into account interest rates, and property tax and insurance rates at the time of resale. These programs use what is called an affordable housing cost formula (or mortgage-based formula), which specifies a target income (i.e., 80% of AMI) and a definition of affordability (i.e., 33% of monthly income for housing costs including mortgage, taxes and insurance). Then, at the time of sale, they calculate the maximum resale price by estimating the cost for taxes and insurance and subtracting that from an affordable share of the target family's income (i.e., 33% of 80% of AMI). They assume that what is left is the monthly mortgage payment and calculate how much debt that payment can support given the current market interest rate; finally, they add a small downpayment to that amount to determine the maximum resale price. This approach guarantees that assisted homes will always remain affordable to the target income group without the need for additional subsidy.

Affordable housing cost formulas achieve this perfect affordability, however, by imposing the risk of interest-rate changes on the assisted homeowner. Because small changes in interest rates can lead to large changes in the amount a family can afford to borrow, this risk can be considerable. When interest rates are falling, the permissible sales price will rise, offering homeowners greater-than-market-rate appreciation. But when interest rates rise, the maximum

permissible sales price will decline, which could lead homeowners to earn no equity or even face a loss when they sell – even if market home prices are going up! These programs protect affordability in the face of rising interest rates at the expense of wealth creation. Homeowners, even in a rising housing market, may not receive any equity when they sell their assisted homes.⁸

Even within subsidy retention strategies, there are tradeoffs between strategies that emphasize ongoing affordability – for example, the affordable housing cost formula – and strategies that emphasize individual wealth creation, such as some appraisal-based resale formulas. The Area Median Income index approach represents a middle ground that both preserves ongoing affordability and provides significant, predictable wealth creation.⁹

⁸ Some programs protect owners from this risk by guaranteeing the selling homeowner their down-payment and mortgage principal paid at the time of sale.

⁹ For a detailed comparison of how common shared equity models perform in different housing markets, see Rick Jacobus. 2007. Shared Equity, Transformative Wealth Washington D.C.: Center for Housing Policy. Available at: www.nhc.org/housing/sharedequity.

Common Approaches to Enforcing Subsidy Retention

In addition to significant variations in the resale formulas used in subsidy retention models, there is also great variety in how resale formulas are implemented and enforced. There are three main approaches in the United States:

Deed-restricted Homeownership. Under this common approach, the subsidy is applied to reduce the purchase price to a level affordable to homeowners at the target income level. Then, restrictions are put into place requiring that the units be sold to buyers meeting certain qualifications – for example, incomes below 80% of AMI – at an affordable price as defined according to a formula set in the deed restriction or covenant. While these agreements are sometimes assumed to be self-enforcing, experience suggests they need to be actively monitored by an entity with an interest in maintaining ongoing affordability.

Limited Equity Cooperative. Under this approach – typically, but not exclusively, applied in the context of an apartment or other multifamily development – families purchase a “share” in the cooperative, rather than a standard property interest in the home. Each member of the cooperative receives a right to occupy one unit, as well as a vote on matters of common interest. Cooperative members share responsibility for maintaining common areas and other areas of joint responsibility (e.g., maintaining the roof), as well as the admittance of new members. Share prices are set by formula (contained in the co-op’s bylaws, subscription agreement and stock certificates), which can be used to implement one of the shared equity formulas described above.

One of the principal distinctions of this model is the concept of common ownership and shared decision making. Proponents of cooperatives also point to financial advantages stemming from economies of scale and the fact that the mortgage is held by the collaborative, rather than by individuals, reducing the need for families to qualify for a mortgage. There are roughly 400,000 to 500,000 limited or no-equity cooperative units in the country.

Community Land Trust. Under this approach, the land is owned by a community land trust (CLT) and then leased to families who purchase the homes that sit on CLT land. Because the family needs to purchase only the building and not the land, a CLT home is more affordable than a conventional home. The ground lease establishes the conditions under which ongoing affordability is maintained, with the CLT always having the right to repurchase the property at a price established by a resale formula built into the ground lease.

One common approach to governing CLTs is to establish a board of directors consisting of an equal number of representatives of the following three groups: existing owners of homes on land leased from the CLT; residents from the surrounding community; and, public officials or other supporters of the CLT. There are approximately 200 Community Land Trusts active throughout the United States.

Permanent Affordability vs. Family Choice

One key difference between subsidy retention, on the one hand, and shared appreciation loan programs on the other, is that under a subsidy retention strategy, the specific homes to which subsidies are attached will remain affordable in perpetuity. Subsidy retention programs aim to build a portfolio of homes that sell for affordable prices even if the prices of other homes in the same community rise substantially. Among other benefits, this can help ensure the preservation of mixed-income communities in the face of gentrification pressures. Subsidy retention also can help address the problems associated with the limited supply of starter homes in many communities.

On the other hand, shared appreciation loan programs can be structured to offer future buyers a greater choice of homes to purchase because funds are not tied up indefinitely in any specific home. While many subsidy recapture and shared appreciation loan programs invest recaptured funds only in new affordable developments, others are structured to allow homebuyers to choose existing homes in the market and use recycled subsidy funds to make those homes affordable. However, if the loan programs do not keep up with rising housing prices, the choices of future assisted families may be more limited.

In practice, subsidy retention programs tend to incorporate more restrictive formulas while shared appreciation loan programs tend to allow homeowners to retain a greater share of appreciation and as a result often recapture less than is necessary to replace affordable units that are sold. However, the question of whether subsidy is retained within a specific unit or recaptured as a cash payment can be considered independently from the specific formula that is used to determine the homeowner's share of appreciation. It would be possible, for example, for a shared appreciation loan to calculate the funds retained by the homeowner upon resale based on changes in the area media income (or other index) rather than a share of the home's appreciation. This approach, which is not common, would produce outcomes that are similar, from a financial standpoint, to the subsidy retention approaches discussed here.

One challenge to implementing such an approach is that the amount of subsidy returned to the jurisdiction might grow quite large and create a perception of unfairness on the part of buyers. This problem is not generally perceived to be as acute when the subsidy is retained in the home, because the community's share of the equity simply stays in the home rather than being paid out in cash to the jurisdiction.

Another issue to consider is the interrelationship of housing supply, housing demand, and housing prices as these solutions are taken to scale. Shared appreciation loans increase demand (i.e., the ability of families to purchase homes) without directly affecting supply. At a small scale, the impact on home prices is likely to be negligible. But if one implements shared appreciation loans at scale, one can substantially increase consumer demand for homes, raising the question of whether the market can respond to the increased demand by producing an increased supply of homes. If yes, then again there will be little impact on housing prices. But in markets in which the ability of the market to supply housing in response to demand is constrained – unfortunately, most high-price housing markets – the increased demand resulting from large-scale implementation of shared appreciation mortgages could lead to higher housing prices. This highlights the importance of reducing barriers to the development of market-rate homes as a key companion policy to a large-scale program of shared appreciation loans. (Given the significant role of regulatory and other barriers to the production of market-rate homes in making housing less affordable in the first place,¹⁰ a barriers reduction policy should probably be on the short list of affordable housing policy makers in any event.)

Subsidy retention models are unlikely to have the same impact on housing prices because they achieve affordability not by increasing families' purchasing power, but by decreasing the price of assisted homes.

¹⁰ See U.S. Department of Housing and Urban Development. 2005. *Why Not in Our Community: Removing Barriers to Affordable Housing*; U.S. Advisory Commission on Regulatory Barriers to Affordable Housing. 1991. "Not In My Back Yard": *Removing Barriers to Affordable Housing*.

Implementing Shared Equity Approaches

While a complete guide to implementation of a shared equity policy is beyond the scope of this overview,¹¹ the following are some of the key early issues that need to be addressed in developing a shared equity policy:

- **Subsidy.** By their nature, shared equity approaches require a significant up-front subsidy – both to bring homeownership down to a level that is affordable to the target population and to allow the home to be sold for a price that is sufficiently below market to ensure there is demand for the homes despite the restrictions on equity build-up. Over the long-run, however, this approach may be less expensive than other approaches that may cost less initially, but do not preserve affordability over time. Converting existing homeownership programs to shared equity homeownership is one common approach for getting started; such conversions often grow out of a desire to preserve the value of government investment as per-household subsidy amounts rise to keep up with high housing costs.
- **Direct and Indirect Funding Sources.** The upfront subsidy for a shared equity approach to affordable homeownership may be funded directly, through such funding sources as the federal HOME and Community Development Block Grant, or indirectly, through contributions of city-owned land or incentives or requirements that lead developers to include a modest share of affordable units within a market-rate development. Such policies – commonly known as inclusionary zoning or inclusionary housing – often provide developers with a “density bonus” that allows them to build more units than otherwise permitted or other offsets to cover the costs associated with the below-market units. When done well, however, such policies can be very useful for creating an inventory of below-market homes that could be fed into a shared equity system.
- **Permanent affordability.** Some inclusionary housing policies require that affordable units stay affordable for a minimum length of time – say 10, 20 or even 30 years – but then allow the units to be sold at market. While such policies are effective in helping the individual beneficiaries to build assets, they ultimately do not add to the stock of homes that remain affordable over the long-term. By making the affordability covenants permanent, putting the units into a Community Land Trust, or attaching a shared appreciation mortgage to the home requiring the implicit subsidy to be repaid on resale, along with a share of home price appreciation, communities can successfully add to the stock of shared equity homeownership opportunities at minimal cost to the jurisdiction.
- **Ongoing Stewardship.** While well-structured shared equity approaches help to preserve the value of public homeownership investments in the face of rising home prices, they are not entirely cost-less after the initial investment. Someone needs to enforce the resale restrictions in a subsidy retention model or the repayment clauses in a shared appreciation mortgage. There also is a need to ensure the availability of home improvement grants or reduced rate loans to the permanently affordable housing stock.

¹¹ For an excellent detailed review of the different approaches for implementing subsidy retention, see John Emmeus Davis. 2006. *Shared Equity Homeownership*. Available at <http://www.nhi.org/pdf/SharedEquityHome.pdf>.

And in some cases, properties may need to be acquired and renovated, if they have not been kept up adequately, or perhaps sold if they are no longer located in a sensible location. An entity needs to be selected to execute these functions, and these costs should be anticipated and budgeted for as part of the shared equity calculus to ensure the portfolio remains intact and an enduring asset for the community.

CONCLUSION

In the traditional housing market, there are two primary housing options: rental housing and homeownership. In terms of wealth creation, there is an enormous difference between these two options. Rental housing offers no asset-building opportunity, while homeownership offers unfettered asset building (though also a risk of equity loss). When home prices rise rapidly, homeownership becomes a stronger wealth creation vehicle, but one that is available to fewer and fewer households. Shared equity programs can offer an opportunity for wealth creation that falls in between these two extremes. At the same time, by ensuring that the public investment is preserved over the long-term, well-designed shared equity programs make that opportunity available to far more families. Rather than offering one or two families large windfalls at the public expense, these programs create a sustainable avenue for both affordable homeownership and individual wealth creation for families who cannot access traditional homeownership.

ABOUT THE CENTER FOR HOUSING POLICY

The Center for Housing Policy is the research affiliate of the National Housing Conference (NHC). In partnership with NHC and its members, the Center works to broaden understanding of the Nation's housing challenges and to examine the impact of policies and programs developed to address these needs. Combining research and practical, real-world expertise, the Center helps to develop effective policy solutions at the national, state and local levels that increase the availability of affordable homes.

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Notes