

Study Concludes That Homeownership is the Main Path to Wealth For Lower Income and Minority Americans

America Saves Campaign Helps Consumers Save for a Home and Preserve
Their Home Equity

WASHINGTON, Dec. 16 /PRNewswire/ -- Well over one-half of the personal wealth held by lower income and minority homeowners represents home equity, and their wealth is far greater than that of comparable non-homeowning households, concludes a study prepared for the Consumer Federation of America (CFA) and released by CFA and national housing groups.

"Paying off the mortgage on a home has been, and will continue to be, the easiest way for lower income and minority households to build personal wealth," said Stephen Brobeck, CFA's Executive Director.

To help these households save for a home and preserve their equity in their home, CFA and other national housing groups are announcing a new "Build Wealth Through Homeownership" initiative that is part of a broader America Saves campaign to help low- and moderate-income households save and build wealth.

"Thanks to the leadership of CFA, Fannie Mae, and the many housing partners participating in this effort, expect to make great progress towards expanding homeownership opportunities for underserved Americans," said Pamela Banks, Vice President of Regulatory Compliance at Fannie Mae, and co-chair of the America Saves Homeownership Advisory Committee.

The new report on homeownership is based on data collected by the Federal Reserve Board's Survey of Consumer Finances and analyzed by Professor Catherine Montalto of The Ohio State University. The most recent data, released earlier this year by the Fed, were collected in 2001 among a sample of 2,400 representative American households.

Most Lower Income and Minority Household Wealth Represents Home Equity

According to the Fed data, in 2001 almost all homeowners (97%) held at least some home equity, and the typical homeowner (median) had accumulated \$70,000.

For all these homeowners, home equity represented 42% of their net wealth. But for lower income and minority households, this percentage was much higher. In fact, as the table below shows, for lower-income households, home equity represented four-fifths (80%) of their net wealth. And, for moderate-income, African-American, and Hispanic households, home equity represented more than one-half of their net wealth.

Table 1: Home Equity as a Share of Homeowner Household Net Wealth, 2001

All households	42%
Low-income*	80
Moderate-income*	60
African-American	52
Hispanic	63

*Low income households are the one-fifth with the lowest incomes, while moderate income households are the one-fifth with the next lowest incomes.

In contrast, this home equity/net wealth ratio was much lower for affluent households. For the one-fifth of all households with the highest incomes, only 26% of their net wealth represented home equity.

"Most lower income and minority households hold few financial investments, including retirement accounts, so they depend on homeownership to accumulate personal wealth," said the CFA's Brobeck.

Moreover, the data suggest striking differences in the wealth accumulation

of lower income households who own a home compared to those who do not. In 2001, the typical low-income homeowner had net wealth of \$50,000, while the typical low-income household had net wealth of only \$7,900.

Rise in Homeownership Provides Opportunities for Lower Income and Minority Households to Build Wealth

Increases in the percentage of lower income and minority households that own a home have expanded the opportunity for these individuals and families to build personal wealth. As the table below shows, between 1989 and 2001, the proportion of low-income, moderate-income, African-American, and Hispanic households who were homeowners increased significantly.

Table 2: Homeownership of U.S. Households

	1989	2001
All households	64%	68%
Low income*	33	40
Moderate income*	55	57
African-American	42	47
Hispanic	42	44

*Low income households are the one-fifth with the lowest incomes, while moderate income households are the one-fifth with the next lowest incomes.

"Increasing access to the American dream of homeownership has created important opportunities for lower income and minority households to build personal wealth," said Fannie Mae's Banks.