

# The Columbus Dispatch

## Waking up from American dream

Long-held ideas about owning a home questioned

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KANSAS CITY, Mo. — Despite all that has crashed down in recent years, Americans still want to be owners, not renters. Opinion polls make that clear. And homeowners with equity tend to lead happier lives, evidence shows.

But economic, political and cultural trends are challenging the conventional wisdom, embraced for decades, of homeownership being the American dream for all. Its benefits to the nation are no longer a no-brainer.

This ownership ethos — and government policies that have encouraged Americans to take on the debt — helped inflate the housing bubble that burst and resulted in the steepest economic dive in eight decades.

The impulse to keep a house, some experts argue, may even contribute to higher unemployment, as job-seekers who might find work in a distant place lack the mobility, or desire, to relocate. Policymakers now ask whether it's fiscally wise for the country to let homeowners write off mortgage interest as a tax deduction.

“Fifteen years ago, nobody was talking about eliminating the mortgage deduction,” said Douglas Robinson of NeighborWorks America, created by Congress in 1978 to help people find affordable homes. “But the collapse of the housing market turned the discussion around — to the point where homeownership is somehow a bad thing, according to some corners.”

### ***Less home***

But there are still powerful reasons to own a home, plenty of people say.

For a couple in Lee's Summit, Mo., the question became: How much home?

Barry and Linda Dunkin think they took the smart route. After Barry's business — selling equipment to auto dealerships — took a hit, they crunched numbers and concluded that their “dream house,” built eight years ago, could be a budget nightmare when they retire.

“We're downsizing,” Barry said recently, standing amid the stacks of lumber for their new home in a middle-income subdivision.

They sold their dream home — in just 10 days — after pricing it at 20 percent below its appraised value from a few years back. But the long-term savings are huge; their new mortgage is half the old one and should be paid off when the empty nesters retire.

The thought of renting never entered their plans. Owning might no longer equate with savings, Linda Dunkin allowed, but “We've always owned, and we like being part of a neighborhood where people are committed to staying.”

### ***More renters***

Nationwide, home construction and existing-home sales have been waiting for a strong rebound since 2008, while building permits for rental units are up. The average age of first-time homebuyers is now 34 — up from 26 in the 1950s.

In recent years, higher numbers of Americans, especially young adults and baby boomers nearing retirement, have turned to renting rather than owning.

But, according to a 2011 poll by the Pew Research Center, most of us — by far — would rather own, even as our home values on average sink to levels reaching back almost a decade.

More than nine out of 10 Americans said that owning their own place was important in their long-term financial goals. That response topped, by a few percentage points, being able to pay for your children's college education and having an inheritance left for them after death.

And 81 percent of current renters said they want to buy a house at some point.

Still, naysayers to the gold standard of homeownership are growing.

Owner-occupied residency has declined during the past five years from a record high of almost 70 percent to 66 percent of housing units, an unprecedented drop mostly tied to foreclosures.

“The idea that you could take for granted your home would go up in value, that's crazy,” said economist Dean Baker, co-director of the Center for Economic and Research Policy, a Washington research group. “People today are more mobile. They're probably not going to be

employed by the same company, at the same place, for 30 or 40 years. A house can tie them down.

“Especially if you buy and need to sell after a few years, it’s very likely you’re going to lose money” because of improvement projects, mortgage interest, closing costs and commissions, he said.

A larger and more recent debate concerns how homeownership helps America.

A wide field of study supports the idea that those who own their homes are more apt than renters to vote, join local organizations and support school bonds. They improve their properties, mingle with their neighbors and, more often than renters, send their children to college.

Homeowners live longer than renters. They report higher quality-of-life satisfaction.

But Mark Calabria, an economist with the libertarian-leaning Cato Institute, asks the chicken-or-egg question: “Does homeownership really make people more socially responsible, or do the more responsible people tend to become homeowners?”

Why are the economies of Greece and Spain — boasting homeownership rates higher than that of the United States — reeling from debt crises and high unemployment, while Germany and Switzerland thrive, despite much smaller percentages of their citizens owning homes?

And why, if ownership is so superior to renting, should the U.S. government cut breaks to those who buy over those who rent?

“What government incentives wind up doing is running up house prices, which is great for the Realtors and the builders,” said Calabria, a critic of federal enticements, which he said helped create the bubble.

### ***Greater government***

In the early 1920s, Secretary of Commerce Herbert Hoover launched the Own Your Own Home campaign, arguing that homeownership could “change the very physical, mental and moral fiber of one’s own children.”

When foreclosures swept the nation during the Great Depression, President Franklin Roosevelt created the Federal Housing Administration to back loans.

Today, the federal government holds loan guarantees on more than \$6 trillion in housing assets. It expends more than \$100 billion yearly on subsidies and tax breaks to entice people to buy.

“A democracy largely populated by property owners is a good idea. It goes back to the ideals of Thomas Jefferson and the homesteaders” of the 19th century, said Alex J. Pollock of the conservative American Enterprise Institute and a former president of the Federal Home Loan Bank of Chicago. “But government shouldn’t be running around promoting loans for people who can’t afford to pay them off.”

A new breed — the “negative-equity homeowner” who owes more to a lender than a house is worth — is not likely to help a community the way homeowners with built-up equity do, according to a report of the Federal Reserve Bank of New York:

“Their situation is essentially analogous to renters, who have little incentive to make improvements to the homes they occupy, since it is the landlord who reaps the economic benefits.”