

Questioning Homeownership as a Public Policy Goal

by Morris A. Davis
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Policies designed to promote homeownership are ineffective and poorly motivated. They are also expensive: the present value of the cost of homeownership subsidies equals \$2.5 trillion. The body of evidence suggests we need to unwind the current set of public policies designed to promote homeownership and rethink whether homeownership is a desirable public policy goal.

Policy Analysis

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Executive Summary

For decades U.S. housing policy has focused on promoting homeownership. In this study, I show that the set of policies designed to further homeownership has been ineffective and expensive and that homeownership as a public policy goal is not well supported.

I document that homeownership rates have remained roughly constant over the past 40 years. I then show why homeownership policies have not boosted homeownership rates. The

marginally affect mortgage interest rates, and mortgage interest rates are essentially uncorrelated with homeownership rates. A back-of-the-envelope calculation suggests the present value of the cost of these two policies to U.S. taxpayers is a staggering amount, \$2.5 trillion.

Finally, I show that policymakers fail to make the case for promoting homeownership as an explicit public policy goal. I note that the costs and risks of homeownership are almost never