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Some experts question the wisdom of homeownership for everyone, but it remains the dream for most Americans

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Sunday, May 20, 2012

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 do tend to lead happier lives, much 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 high unemployment, as job-seekers who might find work in a distant place lack the mobility, or desire, to relocate.

Policymakers on the left and right now ask if it's fiscally wise for the country to let you write off your 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 and build strong communities. "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."

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

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

Barry and Linda Dunkin believe they took the smart route. They crunched some numbers and concluded their "dream house," built eight years ago, could bring on a budget nightmare in their retirement years.

They adored that house on 11 wooded acres. But Barry's business — selling equipment to auto dealerships — took a hit when 15 of his dealership accounts closed. The Dunkins' mortgage payments and upkeep on their stone-and-stucco spread seemed menacing in the new economic normal, where "there's really no such thing as security," as Barry, 58, put it.

"We're downsizing," he said last week.

He stood amid stacks of lumber that will serve as the joists and studs of their new home in a tile-roofed, middle-income subdivision. Houses there are slowly sprouting, and Barry Dunkin is back to feeling good: "We feel this place really is right for us."

Yes, 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-nesting Dunkins retire.

The thought of renting never entered their plans. Owning may 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."

Nationwide, new-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.

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

Do those trends reflect a happy choice or a financial necessity?

According to a 2011 poll by the Pew Research Center, most of us — by far — would rather own, even as our homes 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.

Eighty-one percent of current renters said they wanted to buy a house at some point, Pew's survey found.

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

Owner-occupied residency has declined 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 liberal economist Dean Baker, co-director of the Center for Economic and Research Policy, a Washington think tank. "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 fix-ups, mortgage interest, closing costs and commissions, he said.

The spike in single-family home values between 1996 and 2006 — from a U.S. average of about $110,000 to almost $200,000 — was an epic anomaly.

Calculations of economist Joseph Gyourko of the University of Pennsylvania found that the norm going back 35 years was for a home investment to appreciate by just 1 percent annually, much less than what you'd profit in that span from investing in stocks, bonds or futures markets.

A larger and more recent debate is over 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, support school bonds. They improve their properties, mingle with their neighbors and, more often than renters, they 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 America's — 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.

U.S. Rep. Barney Frank — the Massachusetts Democrat who championed easier paths to homeownership in the 1990s — conceded to The Atlantic magazine that the own-your-dwelling component of our American Dream was oversold: “We put people into homes who couldn’t afford it.”

A renter himself, Frank questioned why government policies seemed to suggest, “If you’re a tenant, you’re less of a person.”

President Barack Obama, announcing a program to help homeowners avoid foreclosure, turned heads on Capitol Hill by stressing, “This does not mean all Americans should become homeowners.” It was a reversal of earlier presidential edicts, going back to the early 1990s, that elevated homeownership for all as a national goal.

Most worrisome to real-estate agents and homebuilders is political talk of capping or eliminating the mortgage-interest deduction. The idea gained steam after being floated by the bipartisan, blue-ribbon panel assembled by Obama to explore ways to reduce the federal deficit.

The National Association of Realtors is planning a “Rally to Protect the American Dream” for May 17 in Washington. The association’s president, Moe Veissi, writes on the trade group’s website:

“Never before in the history of our great nation have housing and real estate been forced to defend the benefits they provide our country.”

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 and signed laws to get banks lending again.

World War II veterans took advantage of GI loans to help build houses in the suburbs.

Government-sponsored entities nicknamed Fannie Mae and Freddie Mac mushroomed to promote homeownership, and the invention of the 30-year mortgage revolutionized the market — but did so by putting taxpayers on the hook.

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.”

Furthermore, the lagging economy has lent fuel to a widely dismissed notion called the “Oswald hypothesis,” named for a British economist, Andrew Oswald.

He studied the relationship between high homeownership and unemployment in various industrialized nations, and in what Oswald termed a mere conjecture, he noted that ownership appeared to exacerbate joblessness. Homeowners with less mobility to take jobs where they exist may occupy the unemployment rolls longer than renters, he speculated.

Calabria of the Cato Institute is a believer: “Instead of a national unemployment rate of 8.4 percent, we might be looking at something close to 7.5 percent if not for the high homeownership rate.”

But each real-estate market is unique — Kansas City’s housing values haven’t suffered nearly as much as Miami’s or Las Vegas’ — and each homeowner looking for work faces unique circumstances.

Thomas Kelman of Olathe, Kan., said he’d move to another part of the country for a good job in computer technology even if it meant selling his home for far less than his 2007 purchase price, “right at the height of home values.”

“I would like to stay, but I really don’t have local roots. And I’m single,” said Kelman, who relocated in his 50s from Atlanta, but then lost his job with Commerce Bank last year.

“I’ll rent if I find work elsewhere. I might continue to rent the rest of my life.”

Last week at a homebuyers education course for people transitioning out of subsidized housing, La Vena Foster of Lenexa, Kan., made her intentions clear.

“I want to move into my own place, badly,” she said. “I want to make a home for my child so we can start building equity.

“I want to make my own improvements that won’t benefit some landlord. My walls right now are all white; I can’t paint them. The kitchen cabinets are white and hard to clean. I want dark wood cabinets.

“Oh, I’d take grand care of my own place,” continued Foster, 34 and always a renter. “I’d have a stack of clean socks for everybody who visits so they don’t track all over my floors.”

The class she was attending is sanctioned by the U.S. Department of Housing and Urban Development. The aim is to help low-income residents budget every dollar for several months and learn the rules of mortgage lending and how to shop for the best loan so that they’ll be able to afford the home they desire.

Terms of lending remain a barrier to homeownership, especially for people with less-than-stellar credit. But local real estate agents and developers say activity is picking up.

“Since the first of this year it’s been a totally different market,” said Tina Branine of Keller Williams Realty, who added that she has more buyers than available houses.

Just this month, financial oracle Warren Buffett predicted in his annual shareholder letter good things this year for the housing market — partly because the excess housing inventory that built up in the recession is slowly disappearing, making way for new demand.

Prairie Village, Kan., speculator Natalie Taylor voiced no doubt that a fast sale will come for the high-end home she’s having built. “I’ve already gotten a ton of calls” on the unfinished property, she said.

She built her own home just a block north, based on what she thinks will mark homebuilding in the coming years: Buy a used home in an appealing location in the inner suburbs — where 60-year-old structures lack space and finished basements, but they border quality schools — and tear it down. Build bigger, tonier, anew.

“I think there’s such an obvious market in this kind of neighborhood,” Taylor said. “Maybe I’m crazy.”

Analyst Pollock, though a critic of the ways we embrace debt to secure the American Dream, said he wouldn’t be surprised, either, if the market someday returns to its pre-recession ways.

“Sure, we always learn lessons from a crisis,” he said. “We just don’t remember them for long.”

And given public popularity for the mortgage tax break, economist Baker said lawmakers weren’t likely to banish it.

“Quiet support for reforming what you can deduct in mortgage interest really is across the political spectrum,” Baker said. “But just capping the deduction — to mortgages less than $400,000 or $450,000 — would be a Herculean feat. The real-estate and construction industries would jump up and down in protest.”

“If I had to place a bet, we might never see a cap on that deduction. Having the whole thing eliminated? Zero chance.”