

Homeownership and Wealth Accumulation **by Robyn Webb-Williams**

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It is not surprising that the vast majority of individuals consider owning a home a crowning achievement. Homeownership provides tremendous benefits. Nothing else could explain the skyrocketing prices of homes in recent years, or the willingness of individuals to make the sacrifices needed in order to obtain the "American Dream" of homeownership.

Two features of homeownership grow increasingly important in twenty-first century America: equity and community development. When a family's monthly housing expenses are used to pay off a mortgage, that family accumulates wealth in the form of equity in their home. Renters, on the other hand, know all too well that when their rent check is cashed each month, that money is gone forever. Giving money to a landlord doesn't provide any equity. This difference enables homeowners to better weather the financial storms that seem to grow more frequent every year because they have the power to borrow money based on the equity accrued in their home. According to an analysis by Elizabeth Warren Gottlieb, Professor of Law at Harvard University Law School, the total median net worth in the United States for homeowners in 2001 was \$171,000; renters lagged far behind with a net worth of \$4,800. This huge disparity naturally translates into lower bankruptcy filing-rates for homeowners than for renters.

In 2004, approximately 94% of homeowners had equity of 10% or more of their home's current price, and 87% had equity of 20% or more, according to the Joint Center for Housing Studies at Harvard's Kennedy School of Government. Among households under the age of 40 with an income between \$20,000 to \$50,000, homeowners have ten times the median net wealth of renters, with half of that wealth taking the form of home equity. When the age-range is broadened to include 40 and 50 year old homeowners, the creation of wealth is almost 14 times the wealth of renters.

Under the broad heading of community development, homeownership brings with it many intangible benefits that increase the wellbeing of families and communities. A recent survey of relevant social science, medical, and psychological scholarship by the Homeownership Alliance, reveals important trends associated with homeownership that a narrow financial outlook may miss. For example, homeowners are likely to be more involved with their community, including contributing to improved neighborhood relations and grassroots social involvement. Owning a home induces families to make improvements that renters would never make. Homeowners are also more likely than renters to vote, and thus more likely to see their political preferences embodied in public policy.

It is important to note that when buying a house the purchaser should be aware of his/her fair housing rights. In 1968, the federal government enacted the Fair Housing Act. This law enables anyone to live where they can afford to live regardless of race, sex, religion,

national origin, disability, color or familial status. So, when searching for a realtor or considering a loan, ask the company you are working with if they adhere to the federal Fair Housing Act. It is one way to ensure that your rights will not be violated and that you will secure the most house for your money, thereby creating wealth for your family for years to come.

For more information about your fair housing rights, visit the website of the National Fair Housing Alliance at, www.nationalfairhousing.org