

homeownership experiences may be used where appropriate.

(c) *Barriers to Homeownership.* Aspiration for homeownership is widespread among American families who are not yet owners. Many such families perceive barriers that prevent them from becoming homeowners. Financial barriers, including down payment and credit constraints, are faced by many households. Other barriers to homeownership include discrimination and information barriers. Studying the nature and significance of these barriers is a first step towards designing policies to remove, minimize, or overcome these barriers. Research on barriers to homeownership includes, but is not limited to, the following:

(i) What are the main barriers to homeownership that American families currently face?

(ii) What is the relative importance of homeownership barriers such as financial barriers, poor credit history, information barriers, discrimination barriers, lack of availability of affordable housing stock, and lack of personal capacities to manage homeownership? What is the relative importance of these barriers for different population groups such as minorities, the elderly, the disabled, and first-time homebuyers?

(iii) To what extent is a downpayment constraint a barrier to homeownership? What are the common sources of downpayment for American homebuyers? Is homeownership for persons below a certain age related to parental wealth? What roles do family gifts and gifts from others play in opening up homeownership opportunities for young, low-income, and minority families?

(iv) Are homeownership rates among minority groups in particular locations related to some measure of the degree of discrimination that the minority groups face at those locations? Researchers may use long-range panel data like the PSID to address some of these questions. Researchers may also use the Survey of Consumer Finances (SCF), AHS, HMDA data, and other databases.

(v) To what extent do housing supply constraints affect homeownership? For example, do zoning or other types of regulations that restrain housing supply tend to create barriers to homeownership through their effects on housing prices? Are there barriers and supply constraints specifically in underserved neighborhoods that lessen the impacts of targeted affordable housing programs?

(d) *Promoting Homeownership.* There are a number of programs and policies aimed at promoting homeownership in the U.S. Some of these directly address

the barriers to homeownership mentioned above. The mortgage finance industry clearly has a vital role to play in promoting homeownership. The role of secondary mortgage market institutions, including the GSEs, in promoting homeownership is of critical interest. FHA has played a major role in the first-time homebuyer market. It is important to study the role played by these institutions in the past and present, as well as their potential role in promoting homeownership in the future. Many first-time homebuyers with low-income, as well as other buyers, have benefited from the efforts of non-profit organizations such as Community Development Corporations (CDCs) and faith-based organizations. The efforts of these institutions include promoting innovative homeownership programs, such as sweat-equity programs, rent-to-own programs and co-operative forms of ownership, and providing micro-finance and homeownership counseling to households. HUD has worked with non-profit organizations in promoting homeownership through a number of its programs, including the Self-Help Housing Opportunity Program (SHOP). HUD's Homeownership Voucher Program specifically addresses the downpayment constraint that low-income households face. Research related to promoting homeownership includes, but is not limited to, the following:

(i) What has been the role of secondary mortgage market institutions in promoting homeownership? What role have the GSEs (including Fannie Mae, Freddie Mac, Federal Home Loan Banks), and the Federal Housing Administration played in promoting homeownership? Has the introduction of quantitative housing goals for Fannie Mae and Freddie Mac in 1993 directly increased homeownership among low- and moderate-income households and among households in underserved areas?⁹

(ii) How has the purchase activity of Fannie Mae and Freddie Mac with respect to mortgages obtained by low-income, minority or first-time homebuyers changed over the recent years? Can these changes be seen as being beneficial to the promotion of homeownership among these groups?

(iii) What is the evidence on the effectiveness of pre- and post-purchase homeownership counseling programs of HUD-approved counseling agencies, and

programs sponsored by FHA, the GSEs and other organizations? Does homeownership counseling adequately address homeowners' decisions to refinance?

(iv) What is the role of manufactured housing in promoting homeownership through providing affordable housing? Are first-time homebuyers, low-income households, and minority households more likely to achieve homeownership through purchasing manufactured housing? What are the barriers (such as financial, technological, informational and attitudinal) to homeowners achieving homeownership through buying manufactured homes?

(v) What has been the role of non-profits, Community Development Corporations (CDCs) and faith-based organizations in promoting homeownership? What types of programs of these institutions have been most effective in increasing homeownership? What constraints do these institutions face in promoting homeownership in their communities? What is the scope for HUD programs (existing and new) to help overcome some of these constraints?

Researchers may use the Fannie Mae and Freddie Mac Public Use Data Base (PUDB), HMDA data, case studies, AHS, and other databases in addressing these research areas.

(2) *Studies on Affordable Lending.*

(a) *Studies on Barriers to Credit Access.* Barriers to credit access include limited savings to make a downpayment, insufficient income to afford the requisite monthly payments, high debt burdens, and an inadequately documented or poor credit history. In some or many cases, obtaining credit to purchase a home may not be realistic, and such families may need to rent for a time to build their savings, increase their incomes, reduce their debts, and establish a satisfactory credit history. However, in many other cases, credit may be obtainable if lenders adopt more flexible underwriting guidelines and devote additional time to reviewing applications that do not qualify under the automated underwriting programs commonly in use in today's mortgage market.

An additional barrier to obtaining credit is the fear and uncertainty about the buying process and the risks of ownership. To overcome this, a number of programs have been developed to enhance education about the credit process in recent years, including Freddie Mac's "Don't Borrow Trouble" campaign. Also, despite progress in recent years, there is evidence that discrimination in mortgage lending

⁹ The Urban Institute has recently completed a report for HUD, "An Analysis of the Effects of the GSE Affordable Goals on Low- and Moderate-Income Families." The study is a significant first step in addressing this issue.