



Rhode Island Housing
working together to bring you home

Role of Affordable Housing in Economic Inclusion

Richard Godfrey, Executive Director
FDIC Rhode Island Economic Inclusion Forum
December 8, 2014





Benefits to Homeownership: Financial

- Accumulation of wealth
 - appreciation in value and forced savings
 - lower-income households: more common source of investment than other income sources
- Deductibility of mortgage interest and property tax payments
- Insulated from rising housing costs if fixed- rate mortgage



Benefits of Homeownership: Appreciation

- Rate of return on investment even when only modest increase in house values
- Example:
 - 5% downpayment w/appreciation rate: 4% annually
 - 5 years: increase in value nearly 22%
 - Allowing for selling costs of 6%, represents annualized return of 31% on initial investment



Benefits to Homeownership: Social Impacts

- Greater residential stability = improved school performance/higher levels civic engagement
- Access to neighborhoods with better schools, physical and social conditions
- Neighborhoods tend to have lower crime rates
- Heightened sense of personal accomplishment/life satisfaction and psychological health



Homeownership and Wealth Creation

- Despite recent upheavals in market, homeownership continues to represent important opportunity for accumulation of wealth
- Policies in support of homeownership = means of alleviating wealth disparities
- Identify conditions where lower-income and minority households most likely to succeed as owners



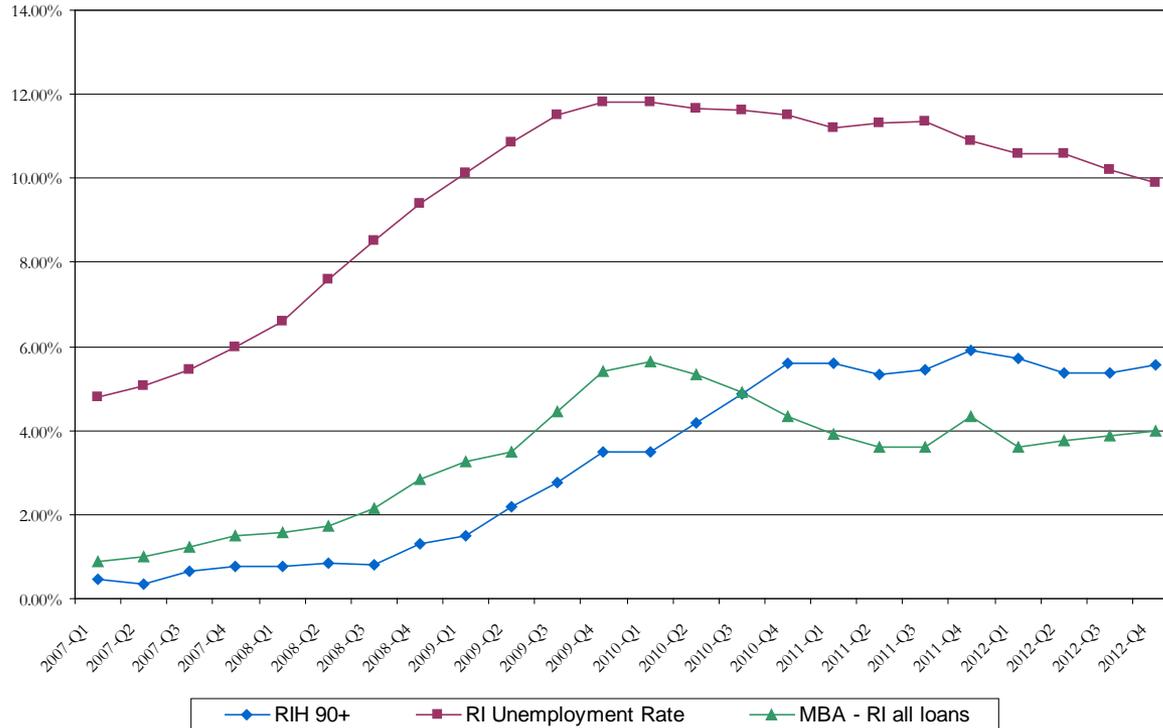
The Downpayment Myth



Who has more “skin in the game?”

- Upper income household who can afford 20% downpayment
- Lower income household working 120 hours per week and owning is cheaper than renting but can only put down 3%

Unemployment and Delinquency MBA v. Rhode Island Housing

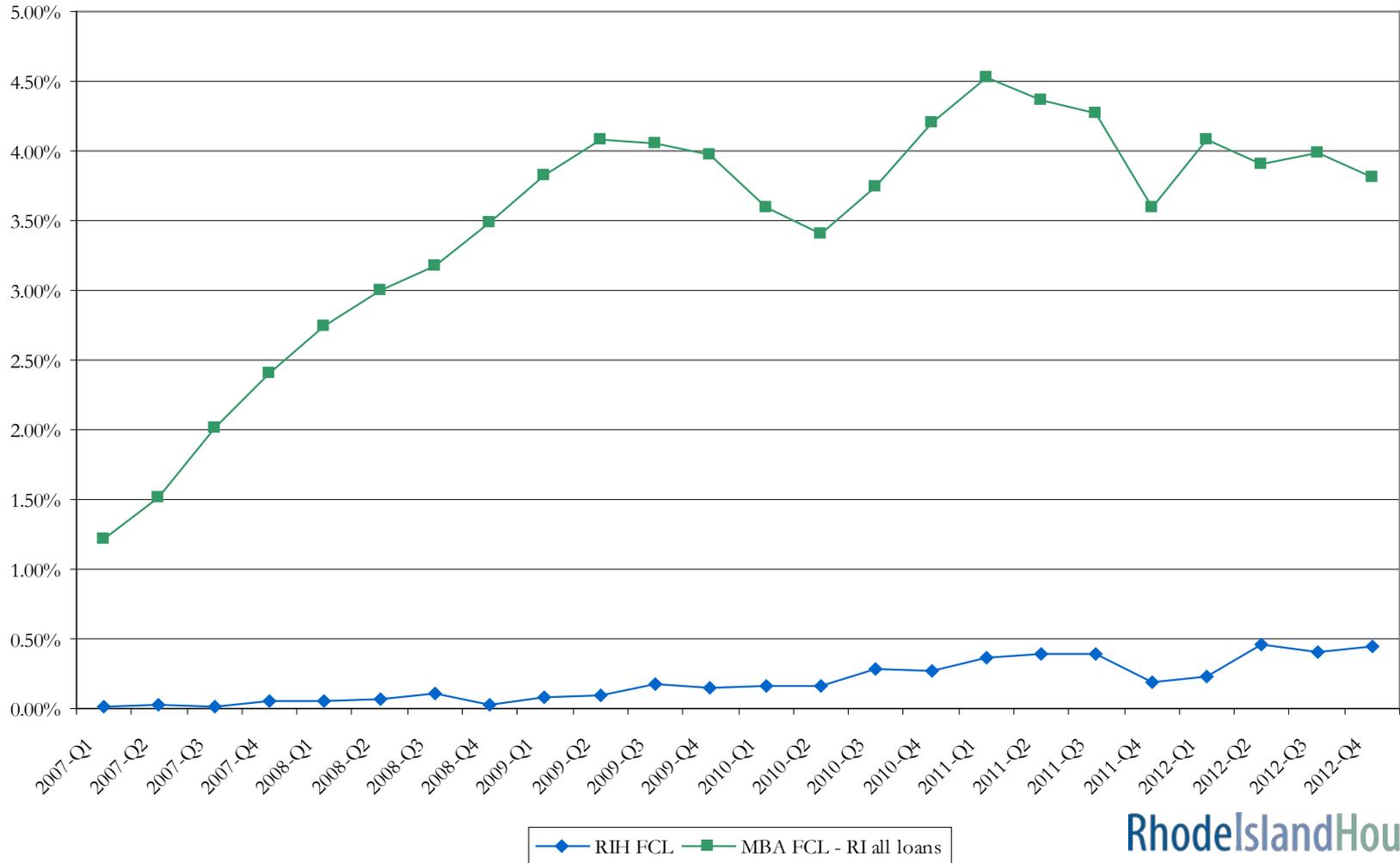




Rhode Island Housing loans are:

- Mostly low downpayment
- Average household income is \$62,000
- More urban
- More people of color – reflect population of the state

Rhode Island Housing: MBA Foreclosure Rates



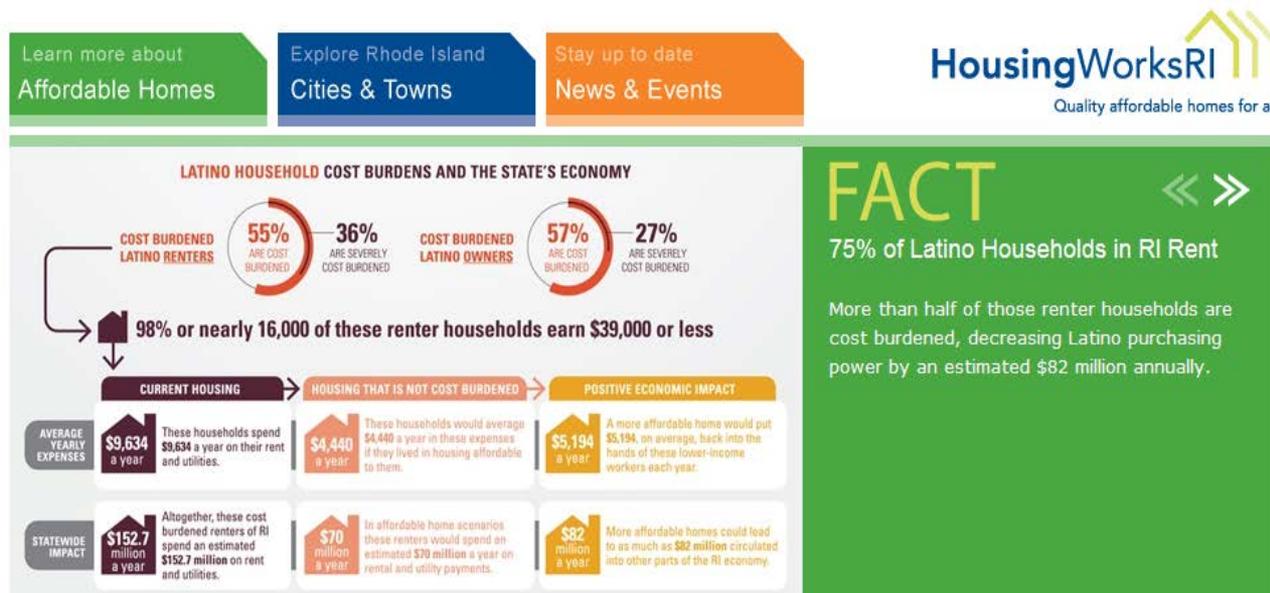
Buying Power: Affordable vs Market Rents

- In RI: affordable rental housing could free up \$400 mill/year in consumer spending



Buying Power: Affordable vs Market Rents

- Rent savings earned from affordable housing would provide dramatic boost to household discretionary income





Buying Power: Affordable vs Market Rents

- Rhode Islanders who spend more than $\frac{1}{2}$ their incomes on housing cannot fully participate in their local economies: whether renter or owner
- Recent study: increased purchasing power of low-income renters moving into affordable apts = 30% salary increase



Rhode Island Housing's mission is to make living in Rhode Island affordable by reducing the cost of renting or owning a home.

We do this by:

- Making loans to buy or build homes.
- Providing housing assistance to owners and renters.
- Working to end homelessness.
- Creating KeepSpace communities where neighbors meet, people work and children play.

Rhode Island Housing, an agency of the State of Rhode Island, is primarily funded by private investors and through administration of federal housing programs. All of our resources are invested in our mission.



Help to buy a home

- Low interest, low downpayment loans
- Down payment and closing cost assistance
- FSS and Section 8 Homeownership
- Homebuyer education and counseling
- Community partners
- First Homes Tax Credit



Help with affordable apartments

- Loans and grants to build affordable apartments
- Rental subsidies
- Create affordable homes in every community
- Help to address causes of homelessness
- KeepSpace Communities

A stylized graphic of a city skyline with white buildings of various heights and shapes against a solid light green background. The buildings are simplified, with some having small rectangular windows or chimneys.

A good home is the foundation
for healthy families and vibrant
communities



Working together to bring you home