



Making First Time Homeownership a Reality

How low-income families and single mothers are building wealth

By Byna Elliott, Senior Vice President, Chief Corporate Community and Economic Development Officer, Fifth Third Bank



FIFTH THIRD BANK

MONEY INC

My mother was 62-years young when she became a first-time homeowner. She spent her adult life raising four children on her own and paying all the bills. Purchasing a home seemed out of reach – something, at first, she didn't believe she could achieve.

Having grown up in Detroit with my mother, grandmother and three siblings on the city's northeast side, I understand the plight of an underserved community. I've seen firsthand the cycle of debt and poverty that locks families out of the precious opportunity to build wealth through homeownership.

Racial gaps in homeownership have existed for decades, with census data showing Hispanic and black Americans own homes at significantly lower rates than white and Asian/Pacific Islander Americans. That's in line with other studies, such as a recent Harvard study that found 43% of black adults own homes compared to 72% of white adults. Most owners are older, more educated, more likely to receive an inheritance and have fewer single-parent households.

Single moms have harder time qualifying for some mortgage loans

Like my mother, many single moms today have a tough time trying to become homeowners. Between working full-time and managing a home, most single mothers struggle to save for a down payment to purchase a home. Yet, according to the National Association of Realtors Profile of Home Buyers and Sellers 2018 Survey, female single buyers have continued to remain steady at 18% of all recent homebuyers – making single, female homebuyers the second most common type of homebuyer behind married couples at 63%. Single male buyers, by comparison, represent just 9% of homebuyers.

Unique programs open doors to homeownership

I am thrilled by recent efforts of many in our community to change the statistics and offer housing solutions for families. Earlier this year, Bank of America announced a \$5 billion affordable homeownership initiative for low- to moderate-income and multicultural homebuyers and communities across the country. The company will commit this additional \$5 billion over the next five years to its Bank of America Neighborhood Solutions program, which will help more than 20,000 individuals and families thrive through the power of homeownership.

A 2017 report by the Urban Institute lists down payments as the primary barrier to homeownership. The mortgage lending team at Fifth Third Bank decided to address this obstacle with the creation of the bank's Down Payment Assistance Program. The program provides families up to \$3,600 to purchase a home. In Detroit, Fifth Third loan specialist Priscilla Hampton was able to get Ken White, a married father of four in eastern Michigan, into the home of his dreams by maximizing the down payment assistance benefit and another grant program

“It was truly a pleasure to sit at the closing table with Ken as his dream was coming true,” Priscilla said. “This is what we do. We overcome obstacles and push forward in supporting the American dream.”

The down payment program has helped over 2,400 customers achieve the goal of owning their own home since 2017. “I have always dreamed of purchasing a home where my kids can play in the backyard,” said White, “but saving for a down payment was hard. I was paying about \$900 in rent each month and working to feed and clothe my family. I always seemed to fall short.”

Creative mortgage programs from Fannie, Freddie

Fannie Mae and Freddie Mac, the government-sponsored enterprises that provide capital to the mortgage market, also have designed new loan products, including HomeReady® and Home Possible®, to help hopeful home buyers. Both loan options have a down payment requirement of as little as 3% and offer competitive flexibility when assessing credit scores, income sources, debt-to-income ratios and co-borrower options.

Families are receiving reduced mortgage insurance requirements, and the caps on risk-based pricing adjusted with HomeReady™. In some instances home buyers are able to secure a 3% or 4% interest rate with a lender credit for closing costs.

Detroit land bank occupied home buyback program

One of the major challenges in Detroit and other urban communities is decades of urban blight and flight. In 2016, the Detroit Land Bank Authority, the owner of tax-reverted properties in the city, launched a program that enables occupants of properties owned by the land bank – people like Krystal Spears – to gain ownership of their homes.

Spears had rented for years when she learned her landlord had failed to pay the property taxes on her home in southwest Detroit. She was able to purchase her home for \$1,000 and enter into an agreement to pay at least \$100 per month for one year to cover the property tax bill. The land bank authority estimates that it owns as many as 3,900 occupied properties. For hundreds of future homeowners like Spears, Fifth Third holds the individual accounts for the monthly savings plan. At the end of 2018, the collaboration with the Detroit Land Bank Authority helped convert 465 residents into homeowners.

The impact of these and other homebuying assistance programs is real. Yet there remains much work to do. Partnerships in our communities and educating families on new options to build wealth are how we will see more women like my mother begin to pour their hard-earned resources into prosperous futures.

Byna Elliott is the highest ranking African American woman at Fifth Third Bank which is the 17th largest bank in the U.S.