

Homeownership is the single most important source of equity for American families; yet, California ranks second-lowest among all 50 states in homeownershipⁱ

APIC AND HOMEOWNERSHIP

Today's foreclosure crisis makes clear the critical importance to hard-working families of owning a home. We believe that California must do everything possible to help families preserve their homes during this crisis. Yet, we also think that *now* is the time for our State's governments, businesses, and nonprofit organizations to assemble responsible strategies designed to move low- and moderate-income families along a continuum toward homeownership in California.

Right now, California has the second lowest homeownership rate in the Nation, with only 57% of our State's households as homeowners. In contrast, 68% of all Americans are homeowners. Minorities in California also show low homeownership rates: African Americans - 39%, Latinos - 44%, and Asian Americans - 55%. These homeownership rates are strikingly low compared with a 65% rate for White households in California. In addition, our State has fared worse than any other state in terms of recent foreclosures, with close to 250,000 homes in some stage of foreclosure in 2007.

The combination of these two statistics is startling: our State can neither provide easy homeownership entry –nor ownership longevity– to our hard-working families.

THE HOME EQUITY WEALTH TRAJECTORY

In economic terms, home equity is the single most important wealth-building tool available to American households. Home equity is our nation's private safety net –a shield against unforeseen emergencies, such as unemployment, health crises, or the death of a wage earner. Home equity sends kids to college, seeds businesses, and helps finance retirement. Owning a home paves the way for intergenerational wealth transfers capable of ending traditional cycles of family poverty.

Homeownership translates to community equity since residents become vested in community assets – schools, open space, streets – and in maintaining community safety. Our own federal government provides every citizen with a homeownership subsidy– the mortgage interest deduction– to prioritize and enable this critical form of asset building and community investment.

CALIFORNIA INCOMES HAVE FAILED TO KEEP PACE WITH HOME PRICES

California's high home prices and inadequate supply of homes contribute to the State's limited and precarious homeownership opportunities. We need 220,000 new housing units each year, and only build 165,000 new units. In terms of price, California's median home sale price in 2006 was \$556,600, while the national average was \$221,900. The nation's average first-time homebuyer mortgage totaled \$126,000, yet Californian families were asked to *earn* over \$120,000 to afford the carrying costs of State's median priced home.

Working families in California today are squeezed financially, with many living paycheck to paycheck. In a recent study, 54 percent of middle-income families reported that their financial situation is the same or worse than it was five years ago.ⁱⁱ Real incomes for the lowest income quintile between 2004 and 2006 grew by only 1.4%, while it grew by 20% for those in the top 20%.ⁱⁱⁱ Clearly, California has priced its working families out of most homeownership opportunities.

Until we can increase supply and reduce prices –or until we can create innovative vehicles to access homeownership– residents of our "Golden State" possess far fewer opportunities to build wealth through home equity than residents across the U.S.