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Washington Homeownership Center is proud to present The 2005 Washington Homeownership Report, the first summary of data related to homeownership opportunities in Washington State for families and individuals with less income. This report was commissioned by WHC and prepared by Glenn Crellin of the Washington Center for Real Estate Research (WCRER) at Washington State University. In addition, we are very pleased to release our Annual Statewide Survey of participants in WSHFC-sponsored homebuyer education seminars. Together, these two studies provide important insights into homeownership barriers and opportunities in our state for those with less wealth.

Since 1996, Washington Homeownership Center (formerly CHOC) has provided information and referrals to over 20,000 potential homebuyers with less wealth through our toll-free Homeownership Hotline and our website at www.homeownership-wa.org. Our mission at Washington Homeownership Center is "to increase and preserve homeownership for low and moderate-income individuals and families." In order to meet our mission, it became clear that we needed a better snapshot of the current state of homeownership for lower-income families as we set priorities and develop a plan of action. Our goals in requesting the development of this data included the following:

- to better understand the barriers and opportunities facing government and non-profit agencies in increasing homeownership opportunities for those with less wealth, and
- to identify areas of the state where increased homeownership for low and moderate-income families and individuals could be achieved most readily

As a result, the following series of questions were formulated for WCRER to answer within The 2005 Washington Homeownership Report:

- For each county, how many families and individuals have incomes in the 30-50%, 50-80%, and 80-100% of median ranges, and are potential first-time homebuyers?
- For each county, how many within each of those ranges has achieved homeownership?
- For each county, how many within each of the income ranges could qualify for homeownership using a bond loan product offered by the Washington State Housing Finance Commission?
- For each county, how many homes were sold recently that could have been afforded by families and individuals in each of those income segments?

Although there is a wealth of information within the data tables of The 2005 Washington Homeownership Report, following are some of the most apparent statewide conclusions we can draw at this preliminary stage regarding the 50-80% and the 80-100% of median segments, (as they are most likely to be able to achieve homeownership in the current environment given available assistance programs).

- There are approximately 500,000 families and individuals in Washington at 50-100% of median income (this includes a preliminary and somewhat arbitrary 10% increase over census data to accommodate for singles living alone and for unrelated individuals living together)
- Approximately 60% of households at 50-100% of median are renters, or 300,000 families and individuals



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- 41% of 2004 home sales could have been afforded by households with 50-80% of median income, and 60% of 2004 home sales could have been afforded by those with 80-100% of median, (or 64,464 affordable annual home sales for 300,000 families and individuals who are potential homebuyers).
- The “lowest hanging fruit” (or the most cost-effective conversion of renters to homeowners given existing assistance programs), may be in concentrated areas of renting populations where housing for ownership is most affordable. Counties that fall within that category would include Spokane, Clark, and Thurston.
- Development of affordable housing units for homeownership for those with 50-100% of median, in counties with a relatively low affordability index and a high concentration of renters, such as King or Snohomish counties, would also have a tremendous impact on homeownership rates in the state.

Currently, Washington state ranks 45th of 50 states regarding the percentage of our population that has achieved homeownership. At 66% of all Washington households, or more than 10 percentage points behind Minnesota (at number 2), we need to convert 15,000 incremental rental households to homeownership for each additional percentage point gained in the homeownership rate. (There are approximately 1,509,000 families in the state). Of the 300,000 renters, therefore, we need to convert an additional 5% of current renters to homeownership for every percentage point we gain.

Since 1998, Washington Homeownership Center has surveyed lower-income, first-time homebuyers that take the Commission-sponsored First Time Homebuyer Education Seminar. In our most recent 2005 survey, we found that “Not having enough money for a down payment and closing costs” was the most significant perceived obstacle to homeownership. A follow-up survey after the class showed that homebuyer education was the single most helpful resource in helping them to achieve homeownership, followed by credit counseling agencies and non-profits. Clearly, potential first-time homebuyers are very aware of a growing affordability gap between income and housing costs, and more and more, they are looking to non-profits and assistance programs to help close that gap.

Data such as this leads us to believe that increased consumer awareness, (especially in the 50-100% of median segments where some affordable housing inventory is still available), as well as utilization of the many available assistance programs that are often available for incomes slightly over 100% of median, will make a dramatic improvement in the homeownership rates for Washington State. This is why our major initiatives for 2006 include the implementation of a promotional campaign that is targeted at the 300,000 renting households in Washington State with incomes in the 50-100% of median range. In order for this campaign to be successful it must include, however, a redefinition of “households with less income or wealth” that includes most people under 35, and the majority of teachers, police, firemen, and skilled laborers. The median income in King County currently begins at over \$72,000 annually. Home prices in many parts of our state are skyrocketing, and the only way that many families even at 80-100% of median can buy a starter home, is to take advantage of what has been traditionally referred to as “low income assistance programs” ... programs that they never imagined they could qualify for.

Although we can make a significant difference most readily for those with moderate and slightly lower incomes, we must not forget those with even less wealth. Many of the households are hard-working, single and double-income families that are in professions or industries that pay less. Some are disabled, some are still adjusting to a new country and culture, some are single parents, some are serving in our military, some lost their job to downsizing and have never recovered, some are “un-



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banked” and have never had a credit card or opened a checking account, some have never really believed that homeownership was a real possibility for them.

As a community, we must be much more creative in order to impact homeownership for this underserved segment of the population. Section 8 vouchers need to be made available for homeownership. A better partnership must be forged between agencies and non-profits providing affordable rental housing and those like WHC who are focused on developing increased homeownership opportunities. Fair and equitable “inclusionary zoning” must be enacted to create more affordable homeownership units and to maintain diversity in our cities. Private and public-funded Individual Development Accounts (IDA’s) must be expanded and made available. Employer-assisted down payment programs, community land trusts, and other creative solutions must be adopted.

We are hopeful that the research and information contained herein can be helpful to you as you develop solutions to help low and moderate-income individuals and families succeed at homeownership. We recognize that only through integrated and sustained partnerships, will we make a significant difference in the lives of thousands of families and individuals with less wealth that dream of owning their own home, building wealth, and participating more fully in our communities.

Sincerely,

A handwritten signature in black ink, appearing to read "Jh", with a large loop at the beginning and a long, sweeping tail.

Jeffrey Caden
Executive Director
Washington Homeownership Center