For Many Who Want to Own a Home, It’s Tough—Even in Affordable Places Like Ohio

Explore the state of affordable homeownership in video, photography, and people’s stories

Part I

Corinne, a real estate agent in Northeast Ohio

Corinne Bozin-Grizzell arrives with a thick pile of research, and she’s flipping through the pages. “This is an interesting view on how things have changed,” the real estate agent promises.

In 2016, she sold a house on West 65th Street in Cleveland for $60,000, she says. That same 1,200-square-foot home sold again in 2023 with what she deems “minimal improvements,” based on pictures online. “It sold for—want to take a guess?”

The photographer on assignment guesses the price more than doubled to $135,000. She’s low, really low.

Real estate agent Corinne Bozin-Grizzell

"$265,000," Bozin-Grizzell reveals. "March of 2023, it closed for $265,000"—a nearly 350 percent increase in price. "The market is nuts," she says. "People see they can sell, but who's going to be able to buy? The people who can afford it are not the people who need affordable housing."

Homeownership in September 2023 was affordable in only four US metro areas with populations of more than 500,000, per the Atlanta Fed's Home Ownership Affordability Monitor, which examines whether a household, be it a single person or multiple people, earning the median income for its area can afford to own a home at the median price for that area. The four areas were Youngstown-Warren-Boardman, which straddles the Ohio–Pennsylvania border; Akron, Ohio; Des Moines-West Des Moines in Iowa; and St Louis, an area also straddling two states, Missouri and Illinois. The rest of the more than 100 metro areas were unaffordable. Even when the 30-year mortgage rate was nearing 8 percent, the longer-term shortage of available housing meant less of a slowdown in market activity than may have been expected, and a housing supply shortfall kept rents and house prices high, Loretta J. Mester said in an October speech. Mester, the chief executive officer of the Cleveland Fed, is one of the presidents of the 12 independent, regional Reserve Banks that comprise the US central bank. She is also a participant on the Federal Open Market Committee, the entity that determines the country's monetary policy that has raised interest rates 11 times since 2022 to combat high inflation.

Seated this October day inside another house in Cleveland, Ohio, one that Bozin-Grizzell's client just sold for $220,000—considered to be "affordable" based on averages in the community—she is paging through the residential listings and comp sales again. "It's so subjective," she says. "What's affordable to you might not be affordable to someone else. But if you're trying to find a house whose mortgage is $1,000 a month, you're going to have a hard time."

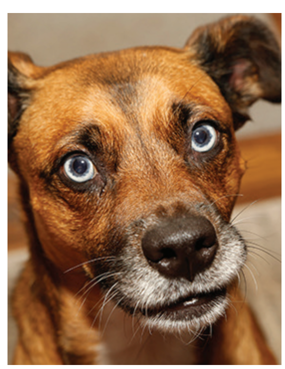
Houses under $105,000 with a down payment ranging from 3.5 percent to 20 percent would put one's mortgage payment at about that figure, $1,000 a month, and in the dozens of the pages on the table in this little dining room, she finds one house at that price. It's in Berea, a Cleveland suburb and a college town; needs "a ton of repair," she says; and comes with a restriction that the buyer may not rent it. Still, it's selling: She's pretty sure the property is under contract.

It remains a seller's market, she says, noting, "many contracts I've written for buyers have gone $20,000 over list price, and they still didn't get the house." So she and others see a lot more young people living with their parents for longer and even separate families joining forces to buy single-family homes.

The consequences of fewer people's being able to buy affordable houses, commonly defined as costing someone no more than 30 percent of their gross income, reach well beyond the people who feel left out of the housing market, observers say.






Left to Right Row 1: To ready this Cleveland house for sale, real estate agent Corinne Bozin-Grizzell recommended the homeowner seal the asphalt driveway and have landscaping done. The house was built in 1924. • The home's kitchen amenities, including newer appliances and soft-close cabinets, were a real plus to home seekers, the real estate agent says. • The home's kitchen amenities were a real plus to prospective buyers, the real estate agent says. **Row 2:** "I love this house," the seller says. "If we didn't need more space, I would stay. It's quite quiet. Everyone's so friendly." • "The natural wood is often something buyers look for," says Bozin-Grizzell, showing this "affordable" house in Cleveland. She guesses the trim of its windows is walnut. • Of course, the pup, named Macy, wasn't part of the $220,000 deal for the house, which sold in 2023. When the seller takes Macy on walks, she says, "Everyone smiles and waves." • The small bedrooms and closets inside this Cleveland house turned off some home seekers, as did its upstairs bathroom, the real estate agent says. The room's layout includes a narrow space (not pictured) between the bathtub and built-ins in the wall.

Why does affordable homeownership matter?

Robie K. Suggs, president and chief executive officer, Warsaw Federal Savings and Loan in Cincinnati*: It should matter to everyone. It's better for the economy to have more homeowners; it's better for our schools; it's better for small cities and towns, whether they be urban or rural. It hurts our communities when people can't purchase homes. People who purchase homes pay property taxes, and that increases the wealth for the city or county.

**Current member of the Cleveland Fed's Community Advisory Council*

Ken Oehlers, executive director, Habitat for Humanity of Southeast Ohio in Millfield*: Housing is the epicenter of life. Everything revolves around where we live and where we put our heads down at night. It's our safe space, it's our private place, and that place needs to be healthy for not only ourselves, but also for our children. If it's not, physical and mental health suffer. At some point, housing changed from a basic, essential function of one's life to an investment. It can still be an investment, but it also needs to be a basic right. The lack of affordable housing has a financial impact on society, for example, increased hospital bills for treating conditions such as lead poisoning and asthma due to mold. There's also the necessity to increase subsidization of food programs for people who are paying high rents and high mortgages. When people are paying the latter, they have less money for food and medication. It affects a child's ability to succeed educationally: It's very hard to study when you've got a drip from a roof leak hitting a five-gallon bucket or when your home isn't heated. To sum it up, we're going to pay for housing one way or another. The price we pay in other services is due in part to not having invested in housing.

**Current member of the Cleveland Fed's Community Advisory Council*

Kevin J. Nowak, president and chief executive officer, CHN Housing Partners in Cleveland: Look at the ability to mortgage the equity in one's home: Often that equity is used to help pay for education or to invest initial capital in a small business. If you do not have wealthy friends, traditionally the way to generate cash for a small business is your home. One of the ways for children across the board, but particularly from blue-collar and low-income families, to go to college is their parents' mortgaging their homes. There's a direct connection between people's level of education and their participation in the economy: Those with more education tend to have greater opportunities. There's also a direct connection between the number of small businesses you're able to generate and a functioning economy. Homeownership has been a cornerstone to funding both.

Part II

Lauren, a homeowner in Cleveland

Lauren Camacci calls herself a living, breathing example of the way parents' homeownership can financially benefit their child. One of the only reasons she was able to buy her house in 2022 is because her parents, bolstered by intergenerational wealth she says is rooted in homeownership, let her use the wedding fund they'd saved for a down payment.

Left: Camacci did not buy the house for its dark pink walls. Her mom and dad, Annette and Dave, and her partner helped her change the color. Right: Lauren with her mom and dad at a Cleveland microbrewery in summer 2023, roughly a year after she bought her house.

"A house instead of a spouse," she quips. "My accountant father basically fainted in happiness," she jokes.

So while she's moved in and was having her home's foundation shored up following the discovery of significant issues beneath the back deck, people she knows—even those with better-paying jobs than her B2B-content-writer role—are losing houses to more competitive bids or halting their home searches.

"My friends who are expecting a child wanted to be in a different home before birth," Camacci says. "They put bids in on 50 houses in Columbus, Ohio. Nothing. The houses all went to cash buyers.

"Most of my friends here are not homeowners," adds the 34-year-old. "The ones that are purchased way before the pandemic. The ones who are still renting, if they looked for a home to buy, they had to stop looking. Nothing was affordable, and things were going so fast. This was a 24-hour deal, it was that fast."

“This” refers to the Cleveland home Camacci toured even before pictures of its interior were online and that she snapped up for $186,000, a thousand more than list price, using a loan borrowed at a “lucky” 5.375 percent interest rate.

“I don’t take for granted that my family’s circumstances and generational wealth made it possible,” she says. “My great-grandpa came here with a couple bucks in his pocket when he was 15. He became a steelworker and because he and his family were white, they owned homes, and because they owned homes, they were able to gift their children inheritances, down payments, things that so many other people don’t have access to.”

Camacci’s house and its Brooklyn Centre neighborhood have their drawbacks: It’s located in a food desert, she says, and she doesn’t feel safe going on walks like she used to around her apartment building.

But homeownership’s upsides more than make up for its downsides, and she’s happy she bought. “Halle-freaking-lujah, the parking,” she says, noting she used to pay $135 a month to park at her apartments. Now, for the first time as an adult, she’s parking in a garage. “I love it. I really like not having to scrape snow and ice off my car. I enjoy the privacy, and I enjoy that the money I pay remains mine. I can borrow against my house later.”

The people she knows who’ve failed to buy feel jaded, she says.

The last 20 years have seen unprecedented volatility in the housing market and record-breaking house price increases, said a speaker during the Federal Reserve’s November forum, “Renting, Owning, and Implications for the Racial Wealth Gap.” Sharing a chart that captures house-price changes back to 1890, Carolina Reid from the University of California, Berkeley, said, “You can see the early volatility of an unregulated housing market at the turn of the 19th century and [then] the impact of the Great Depression. What’s remarkable to me is that the subsequent 50 years were characterized by relatively consistent price stability. That fundamentally changes in the early 2000s, first with a subprime boom, then the foreclosure crisis, and then the recovery starting in around 2013. . . . Renters and homeowners are experiencing a very different market than households in the 1950s and ’60s, with significant implications for both access and wealth building.”

There are multiple reasons why house prices are so much higher now compared to even five years ago, experts say, and those prices are only one reason so many people can't afford to buy.

Left to Right Row 1: Lauren Camacci lives in Cleveland with her partner and cat. • Camacci's house is a few properties away from the end of her street, which drops into the ravine where the Cleveland Metroparks Zoo is located. She and her partner hear the roar of bears in the mornings. • When contractors removed the deck to install French drains to address the water in her basement, they uncovered a pricy problem: The foundation of Camacci's house is sinking. "I don't love when contractors say, 'Uh oh,'" she says. The foundation fix will cost $10,000. **Row 2:** Camacci's guest room is on the third floor, which she calls the tower. It's one of her favorite spaces in the house she bought for $186,000 in 2022. • The woodwork in the house is one of the reasons Camacci bought it. So is the spaciousness of the kitchen, "even though I hate to cook," she says. • While there's some water damage in the finished basement of the house Lauren Camacci bought in 2022, it's also got a bathroom in what probably used to be a coal cellar and futuristic-looking washer and dryer units that she calls the "spaceships." • A retired police officer is one of Camacci's neighbors on this brick street in Cleveland's Brooklyn Centre neighborhood.

How has the affordable homeownership market changed in recent years, and why?

Matt Klesta, senior policy analyst, Federal Reserve Bank of Cleveland: Twice a year, we survey organizations that serve low- and moderate-income communities, and we ask them about the availability of affordable housing.

Ken Oehlers, executive director, Habitat for Humanity of Southeast Ohio in Millfield*: The need [for affordable housing] is significant right now, and any Habitat organization would tell you that. Any affordable housing provid-

Stephan Whitaker, senior policy economist, Federal Reserve Bank of Cleveland: During the pandemic, people were reevaluating where they wanted to be, and there was a very pronounced acceleration of movement out

Corinne Bozin-Grizzell, real estate agent, Northeast Ohio: One challenge is interest rates, certainly. A person who could afford a $250,000 house last year when the rates were 3 percent may not now be able to afford a house that's

Over the past few surveys, it's been at its lowest levels. Sixty-seven percent of respondents in September 2023 said the availability of affordable housing decreased, up from 52 percent who said so in our first survey in March 2018. It's a longstanding problem for the region we study and serve (Ohio, western Pennsylvania, the northern panhandle of West Virginia, and eastern Kentucky).

One reason is the impact of investors. While large, institutional investors are more active in the Sun Belt and the American West, there are a lot of smaller investors in our region, and the concern is that they're buying up homes that need work that might be good homes for first-time homebuyers. A lot of times, they turn these into rentals. It's not necessarily a bad thing if they're flipping and improving homes, or turning them into rentals, but the issue is they're competing potentially with first-time homebuyers and offering to buy with cash. That makes the investors' a surer deal. [A guest blogger also emphasized the impact of investors, specifically in Columbus, Ohio, which in 2022 was one of the nation's 10 most popular metro areas for investors.]

er would tell you that. We have seen the request for Habitat services quadruple since 2020, and we are also getting requests for assistance from middle-income families because they cannot afford what is available right now.

Houses that were priced between $100,000 and $200,000 don't exist anymore. They're either already purchased, and the people who live in them don't want to sell because of interest rates, or the house was purchased by an investor to become a rental. What's left for the most part are homes that need significant repair in order to pass a Federal Housing Administration (FHA) inspection to qualify for an FHA loan. People either have to pay all cash for property or they have to find a way to finance something north of $175,000. When your median income is $45,000 a year and you have a car loan and student loan debt on top of that, that's a struggle.

We also have not been building housing stock at the level necessary. If I'm a contractor, and I have a choice between building a $200,000 house and a $600,000 house, I'm going to build the latter because I'm going to make more profit, and that's perfectly justifiable. There's a stigma against career center education and construction work that has been ingrained in people's minds, so not enough skilled workers have entered the workforce. Plus, the 2008 financial crisis wiped out a lot of contractors, and they never went back. There are not enough builders now.

**Current member of the Cleveland Fed's Community Advisory Council*

of dense, urban neighborhoods where people are more likely to rent. There's been a flow of 800,000 more than you'd expect, and a lot of those people were making the transition to homeownership and competing for houses on the market at that time.

Later in 2022 and then in 2023, as the Federal Reserve raised interest rates to combat inflation, the housing inventory fell very dramatically because of the "lock-in": People saying, "I have a mortgage at 3 percent, and if I try to move, I'd have to get a mortgage at 7 percent or higher." That discourages people from putting their houses on the market, and then people who do need to move need to compete for limited inventory. That keeps prices up.

During the pandemic, hundreds of thousands of people left the most expensive metros such as San Francisco, New York, and Seattle, and headed to moderate-cost places such as Dallas, Atlanta, and Nashville. If people owned a home in a high-cost area, they may have had a lot of equity, which they can use to be in stronger positions, offering more for houses, and that pushes up prices, too. Plus, there is some research evidence that suggests that if someone comes from a region where the median house costs $600,000, and they arrive in a place where it's $250,000, they're not going to negotiate as hard to get the price down by $10,000 or $20,000. Their ideas of what a house is worth are influenced by their previous neighborhood, and they already feel like they are getting a great deal.

The recent surge in demand could appear in other market segments, even though the shift was concentrated in people with remote-work occupations, which are generally higher income. Say a lot of these people are going out and buying $200,000 houses in suburbs; others who may have bid on those houses in the past may now be looking at $150,000 houses, and so on and so forth. The shift in each influences the adjacent segment of the market, and you can find those impacts in affordable housing.

more than $125,000, and there aren't many of those houses out there. And for someone dependent on the Federal Housing Administration (FHA) to guarantee their mortgage, it's difficult. In doing my research on houses under the $105,000 mark, most were not available under FHA; the homes had to be bought with cash or a conventional mortgage. Conventional finance requirements are much different than FHA's, for which a borrower's debt-to-income ratio can be higher and down payment lower.

People who are selling at these more-affordable prices are targeting investors, often from out of town. They're not targeting young couples who want a foothold in the American dream. It's really sad. When you offer homes that are affordable but not to the community that needs them to be affordable, you're not helping the community.

Part III

Robie, a banker in Cincinnati

The man came in with his daughter to apply for the loan, Robie K. Suggs* remembers. He had found a house he wanted to be his. Even after the man, a Black veteran, qualified for a mortgage, he expressed disbelief. "'You're not going to give me this loan,'" she remembers him saying, probably 25 years ago. "You qualified," she corrected him. "Unless you decide not to buy it, you close." When the deal went through and the house was his and "he opened the door, he was overcome," said Suggs, who was with him. He sat in its eat-in kitchen and cried.

Robie K. Suggs is president and CEO of Warsaw Federal Savings and Loan, which recently became Ohio's second minority depository institution.

The man had just bought his first home, and he was 90 years old.

"He was overjoyed," says Suggs, then a mortgage lender in Cincinnati and today president and CEO of Warsaw Federal Savings and Loan, which recently became Ohio's second minority depository institution. "I was proud we were able to do it and excited because he didn't think it would ever happen." She pauses, choked up. "I felt good about being able to help him. He had been told no before. It made me feel like, man, this is what it's about. I helped someone achieve a lifelong dream."

For some clients she's served, the "game-changing" help she provided took the form of advising folks how to improve their credit rather than leaving an answer at "no."

"It is personal to me," she says. "When I started as a mortgage lender, my niche became first-time homebuyers. I got to see that struggle, and I saw that generally people of color have a harder time purchasing homes." That generational wealth isn't there as often, she says, and "they don't have family leave a home to them or help with a down payment" as often as their white counterparts. "I read some statistics about how much earlier a white person is able to purchase a home than a person of color is; there are 10 years of wealth-building lost because people of color aren't able to buy homes as early. We can decrease that wealth gap one person at a time."

The Cleveland Fed reported in 2021 that although Black homeownership rose between 2018 and 2021 in seven counties across Ohio, Pennsylvania, and Kentucky, the gap remained wide between the Black homeownership rate (35 percent) and the non-Black homeownership rate (66 percent). The Bank has twice reported mortgage lending trends, most recently during the COVID-19 pandemic when interest rates hit record lows and previously after the Great Recession. (Curious about the mortgage lending trends where you are? Use this tool from the Cleveland and Philadelphia Feds to drill down into what types of home loans people are seeking and who's seeking them by applicant gender, race/ethnicity, income, and more. More about the Home Mortgage Explorer here.)

Nationally, the shares of Black and Latinx homebuyers with lower incomes have declined in recent years, as has the share of Federal Housing Administration (FHA) borrowers, and these numbers and others suggest that the likelihood of further reducing the racial homeownership gap is more challenging in the current market, said Jung Hyun Choi with the Urban Institute's Housing Finance Policy Center. Choi spoke in November during the last of three housing affordability-centered conversations hosted this fall by the Federal Reserve Community Development Research Seminar Series. Another researcher during the same session asserted that homeownership is critical to building wealth in America but is not necessarily a path to closing the wealth gap.

A chart shared by Reid from the University of California, Berkeley, "shows average home equity, the difference between the value of the home and the size of the mortgage for different households over time. The home equity gap between white and Black households was $88,000 in 1989. In 2019, it was $135,000. These disparities are a direct result of the age when [people] bought their home, when and where they bought their home, as well as disparities in the pricing of credit and in appraisals. These factors all converged to preserve and, in some cases, widen the wealth gap. What does this all mean for policy? I think it means we need to pay attention to both goals—expanding access to homeownership, as well as thinking creatively about how we can close the wealth gap. They are not the same."

For its part, two-branch Warsaw Federal is planning listening sessions with community members to ask what they need. "How can we make it easier for older folks to stay in their homes?" Suggs says. "How can we assist homeowners in some of the things they need to do? We have to be vigilant and more innovative in the things we are doing. I want us at Warsaw to provide more flexible products that may not be mainstream to be more helpful to our clients."

Small-dollar mortgages, commonly defined as loans of $100,000 or less, are even more scarce than the affordable homes they are used to purchase, wrote one Cleveland Fed Community Development outreach manager in 2023. "This is an especially unfortunate situation for lower-income households for whom it is not unusual to pay more to rent than they would to own a home if they were able to secure a small-dollar mortgage," author Bonnie S. Blankenship wrote. (Small-dollar mortgages were the topic at a public FedTalk, whose video and transcript are available.)

Community contacts are telling the Cleveland Fed that responding better to people's financing needs is one step needed to advance people's ability to access affordable homeownership.

The Federal Reserve is responsible for supervising banks, along with other federal agencies, such as the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency that watch over institutions the Fed doesn't. In examining banks' compliance with the Community Reinvestment Act (CRA), which encourages banks to expand access to credit and financial services in low- and moderate-income communities and other high-need areas, bank examiners interview contacts in communities the banks serve about local community development opportunities and the banks' performance. In 2023, several contacts asserted that banks need to offer alternative types of lending to low- and moderate-income people to increase their access to financing. "Many of the [lending] requirements immediately eliminate the possibility of providing financing to an LMI individual in search of housing," said one nonprofit leader in Louisville, who estimated more than 31,000 affordable housing units are needed to address that Kentucky city's "affordable housing crisis." (In 2021, Cleveland Fed president and CEO Loretta J.

Mester wrote about the aims of the CRA and why place matters in this Reflections piece.)

Housing market observers see people opening doors to homeownership in other ways, too.

**Current member of the Cleveland Fed's Community Advisory Council*

What is being done locally to help increase access to affordable housing?

Ken Oehlers, executive director, Habitat for Humanity of Southeast Ohio in Millfield*: Some townships and counties are developing housing plans and doing housing studies, looking at housing holistically. Those are things I was not seeing four or five years ago, and it's pretty powerful when a place can do a study and say they see 1,500 needed units. That's ammunition for change. Solving for this is going to take private and public investment. Private investment might be "we're going to build the units," and public might involve giving developers or homeowners tax abatements and adjusting zoning regulations to allow the building of housing that otherwise wouldn't conform because the need for housing is so great. We've also worked with all sorts of municipalities in waiving or discounting tap fees, which are charged to developers for the privilege to tap into water and sewer. The other thing that needs to be looked at broadly is increasing some sort of subsidization to build affordable housing. The state has passed some affordable homeownership tax credit opportunities through the Ohio General Assembly that are getting ready to be implemented. Those investments need to continue past just the two-year budget cycle.

One of the more innovative solutions I see is modular home construction taking off and becoming more a common thing. These houses, which can cost less, can usually be preassembled and moved onto a foundation. They are about 85 percent complete when they hit a person's lot, meaning fewer builders necessary to generate more housing. It's pretty much happening everywhere: They arrive unbuilt, and workers come in and finish them and put in utilities. Some think they're lower quality, but they're not.

**Current member of the Cleveland Fed's Community Advisory Council*

Robie K. Suggs, president and CEO, Warsaw Federal Savings and Loan in Cincinnati*: The City of Cincinnati has really stepped up to provide additional funding to support affordable housing. Hamilton County has provided funding, as well, and there are more funds than ever before to fill the gaps for affordable housing development. The municipal bodies are putting the money into the hands of Cincinnati Development Fund, a community development financial institution, or CDFI, to help it bridge the gap between what it costs to build and what the CDFI has in funds.

Our port did something amazing, too, to repurpose the housing stock we already have: A couple years ago, it purchased a block of roughly 200 single-family dwellings from an out-of-town investor. The port and the nonprofit Homesteading and Urban Redevelopment Corporation are remodeling them to enhance their safety, and the people who are renting are being given the opportunity to purchase these homes. It is a unique and innovative way to get this work done. This is not the space the port usually works in, but they saw this need and they felt they needed to take these properties and upgrade the lives of people living in them. Could we start something that does that all the time, purchase properties from out-of-state investors, rehab them, and put them out for homeownership?

Finding ways to help people *stay* in their affordable homes is important, too. People have lost their homes because of property tax and code violations, for example, when people who have lived in homes for a long time don't have the money to do exterior maintenance. In Cincinnati, we have the homestead exemption that affords people of a certain age and income reduced property taxes. That's very helpful for people with fixed incomes currently in homes, a population that gets preyed upon by investors who say they'll buy their houses and make improvements, and a lot of times that turns out to be a scam, and they've lost their wealth-building vehicle.

**Current member of the Cleveland Fed's Community Advisory Council*

Kevin J. Nowak, president and CEO, CHN Housing Partners in Cleveland: Practitioners are working across products, education, and inventory. On the product side, it's about affordable and flexible mortgages, home repair loans, and down payment assistance. Inspired by Homewise in New Mexico, we created our Homeownership Center, which delivers traditional homebuyer education and helps people build financial capabilities, such as putting away savings and cleaning up debt. We thought we would have 400 people in our Homeownership Center in 2023; since January, we have had more than 1,000 people. On the inventory side, we're producing new affordable units and also acquiring and preserving existing houses that otherwise fall into the hands of investors.

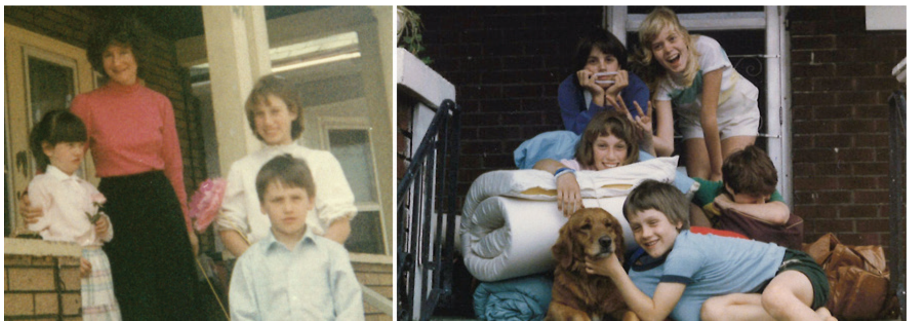
What you often see in housing is the homeownership camp and the rental camp. We need both. Sometimes people want or need to be a renter. For some extremely low-income residents, renting is probably the better option for them. And for some seniors, they would prefer to live independently in a rental property. That's missed sometimes. It's "we don't want Ms. Smith to leave her home." What if she wants to? It helps to meet people where they are, and it takes public–private partnership for this to work. I give a shoutout to legislators and our governor: There's a state housing tax credit to address some of the housing need on the rental side, the single-family housing tax credit program to build homes in our communities, and Welcome Home Ohio! homebuyer incentives. We need continued investment at the state and local levels.

Our mortgage market is not working for everybody. Our housing market is not working for everybody. There will be homes built in central Ohio for employees of Intel—folks earning $130,000 to $170,000 a year—all day long, but that is just one small part of the economy. How about the maintenance workers, the gas station attendants, the public employees? The market isn't taking care of [them] itself.

Part IV

Stephan, an economist in Cleveland

Even when Stephan Whitaker's parents were together, they couldn't afford to buy a house because interest rates in the early 1980s reached a peak they never had before and haven't since. The benchmark interest rate in the United States, which in November of 2023 was 5.25 percent to 5.5 percent, was 20 percent in March 1980.



Left: In the summer of 1986, Whitaker's family doubled up with his aunt and cousin in a 1947 house his aunt inherited from his grandparents. There weren't enough bedrooms, so he slept in the dining room. His mother's not pictured; she's behind the camera. **Right:** Stephan Whitaker is in front with the dog, surrounded by his sister and her friends, probably in June 1985. This is the house his mom was renting when his family almost ran out of time before the owners required them to leave.

After his parents split, Whitaker's mom sought the lowest-cost rentals available because it's what she could afford. They lived in five houses between 1984 and 1987, and twice they moved because landlords sold the properties. The second time it happened, the landlord gave them 30 days to move. "We couldn't find anything we could afford until we had only three days left," says Whitaker, a senior policy economist at the Federal Reserve Bank of Cleveland. "I remember sitting at the kitchen table, trying to do my homework, and thinking about whether I would have anywhere to sit the next week. I remember being scared. I was nine years old, and I didn't understand much about the finances of a household, but I understood enough to know we didn't have a place to live." Finally, something cheap enough appeared in the classifieds, and the family moved that weekend.

The topic of affordable homeownership is personal to Whitaker. During the pandemic, he studied where people were moving, and during the foreclosure crisis, he studied tax-delinquent, foreclosed, and abandoned properties. "I sympathize and understand what people are feeling when they're really struggling to find a place to live," he says.

America’s high-cost housing markets face different problems than do Ohio and parts of the surrounding states, he says, the latter the region the Cleveland Fed serves.

“People are willing to pay a lot to live there,” he says of places such as the East and West Coasts. “Property owners can count on being able to sell their property and recover what they invest in it. Even small houses on small lots usually sell for more than $500,000. It’s hard for people with low or moderate incomes to come up with a down payment and pay interest on that large mortgage balance every month.

“Our challenge here is different,” Whitaker adds. “There are homes that appear affordable in our region, with list prices under $100,000. However, if a house costs, say, $75,000, and it has a foundation problem that would cost $25,000 to fix, it’s hard to justify paying $100,000 for a house that, after the repair, could be sold for only $75,000. In many cases, owners opt to let the house deteriorate, and eventually the homes are condemned and demolished. There are thousands of vacant lots in the centers of our metro areas because this scenario has played out repeatedly for decades. Rather than having a high purchase price as on the coasts, the most affordable homes in low-cost regions come with the risk that they will lose their value,” he says.

The high-cost and low-cost areas have this in common, though: “I’m not aware of any region in the country, really, where investors without a significant affordable housing subsidy are building housing that you would call affordable,” Whitaker says. “If the developers aren’t intentionally keeping the price down, they are probably going to build units that low- and moderate-income households cannot afford.”

There’s literature in economics that argues that building affordable housing is not the thing to do, notes Lara Loewenstein, a Cleveland Fed research economist who’s studied national housing trends for a decade. Instead, some push that building any housing should be the goal so long as there’s more of it, and market-rate housing built a while ago will decline in value and become affordable. Some debate, too, whether money spent to build affordable housing could be spent in better ways. “There may be enough housing in an area to house people, and maybe some people can’t afford it, and maybe the answer is not to build more affordable housing,” Loewenstein says. “Maybe what people need is assistance paying for the housing that exists.”

Whitaker raises another question related to resources. Many local policies, such as zoning and minimum lot sizes, aim to protect homeowner's wealth, but that's inseparable from keeping the prices of their homes high. Other policies and programs then try to boost people up to reach homeownership at those prices or bring down prices for specific properties. Periodically, he says, we need to reevaluate whether it is the best use of resources to subsidize housing versus approaches that would raise people's incomes so they could afford housing. "Do you want to lower costs or focus on raising incomes so people can afford everything they need?" he says.

The answers matter to the Federal Reserve, which is mandated by Congress to pursue the economic goals of price stability and maximum employment. "It's hard for people to maintain employment if they don't have stable housing," says Matt Klesta, senior policy analyst with the Cleveland Fed's Community Development Department whose recent report found that floods exacerbate affordable housing shortages.

Where do we go from here?

Kevin J. Nowak, president and CEO, CHN Housing Partners in Cleveland: I think we're in the new norm for a while. I don't think it's forever, but I do think we'll be working through this acute homeownership issue for three to five years. We have had a major adjustment in interest rates that was a long time coming, we have inflation still where we don't want it to be, and people are feeling it. One interesting piece of the puzzle will be the investor market. A lot of investors were buying properties with debt that carried a five- to seven-year bridge period, and those will start coming due. Those purchases worked when you had rates in the 4s and 5s; they do not work when you have mortgage rates in the 7s and 8s. I think there will be a correction in that investor market, meaning those who bought at a lower interest rate and try to refinance out will have great difficulty doing it. That could be an opportunity to bring the properties they own back into the homeownership space.

Robie K. Suggs, president and CEO, Warsaw Federal Savings and Loan in Cincinnati*: I feel we are destined to be in this space for the foreseeable future. We have more people trying to purchase homes, and I don't think we can catch up. Funds for building come in from different sources, and it takes a while to apply and get the funds to use, so it's taking so long to get units online for people to purchase. Things could get better, but I don't think we're ever going to be at a place where the inventory is there for everyone who wants a home.

**Current member of the Cleveland Fed's Community Advisory Council*

Ken Oehlers, executive director, Habitat for Humanity of Southeast Ohio in Millfield*: The answer to that question depends on what we as a society decide to do. If we make a major investment in housing, we can get back to where affordable housing is attainable for everyone. If we don't, if this just becomes the hot discussion topic, then we could be in trouble.

**Current member of the Cleveland Fed's Community Advisory Council*

Khari, a homeowner in Berea

Khari Joyner made compromises when he bought his house in January 2022 for less than $200,000. In a perfect world, he says he would have ended up with a newer house that required fewer repairs and came with newer appliances but radiator heating, but here he is, settling in Berea, Ohio, where contractors are hard at work on his new house. At the time Joyner house hunted, mortgage rates were low, and there was no shortage of open houses taken off the market in their first days. Joyner, a professional cellist, was outbid a handful of times by buyers offering cash and waiving inspections. He was unwilling to do the latter.

The best things about the affordable house Khari Joyner bought in Berea, Ohio, include proximity to the Cleveland Metroparks and to grocery stores and other shopping, he says.

In the end, he saw probably 45 houses before he made a three-bed-room, two-bath his first home purchase. Now he's ripping up older carpeting and painting surfaces while contractors are working on the home's basement and roof.

“There was something about it that drew me to it,” he says of his house, citing its ample yard, the quiet street, and the windows that let in wel-come light. “The house has good structure, good bones. I could tell it had been kept up.”

He never would have been able to buy a house in his native Atlanta for less than $200,000, Joyner says. He attributes his success despite this housing market to sheer luck; the compromises he was willing to make; his family and friends, who advised him on the “overwhelming” amount of paperwork involved with buying a home such as insurance and buyer's agreements; and the way he saved for a decade to free himself from the headaches of roommates, parking, and pests in New York City rentals.

To the contrary, more and more people over the past five years have been telling staff at CHN Housing Partners in Cleveland they don't know if they want to be homeowners, says Kevin J. Nowak, president and CEO. "For decades, people understood homeownership as the next step," he says. "It was so much the end game. People are not believing they can attain the American dream [to own a home], and when we move away from the belief that we can continue to grow our families' wealth, that we can help provide a better life for our kids, there's a fundamental breakdown in the fabric of society and what has made America America. It's been a greater challenge for us to show people the value of homeownership."

What, then, do CHN staffers say? "We tell them homeownership brings the ability to generate assets and build wealth, to break intergenerational cycles of poverty," says Nowak, whose organization has originated since 2021 roughly 100 Believe Mortgages, loans available to homebuyers who complete homebuyer classes prior to closing. Ninety-six percent of CHN Housing's Believe Mortgage borrowers are Black and Latinx, and about 50 percent are female-led households; CHN has recorded zero delinquencies on these mortgages. A number of the borrowers are tenants who bought the houses their landlords wanted to sell.

"It's how I'm here today," Nowak says, standing this October day outside two affordable houses built and owned by the organization he's led since 2016. He's referring to his being the first in his family to go to college, thanks to his parents' using equity in their Detroit home. He still visits that affordable, 1,000-square-foot ranch his late father impeccably maintained. It looks almost the same, he says, except the basketball hoop is down. The neighbors there were, and remain, family: "I have a hundred different aunties and uncles who aren't related to me there to this day," he says with a smile. "Homeownership, it's so much more than having a place to live."






Left to Right Row 1: This attic space is one of Joyner's favorite parts of the home he purchased in 2022. It's cozy and nice for reading, he says. ▪ Look closely and you'll see an example of the wildlife Joyner sees regularly: a fawn in his backyard. ▪ The middle property is one of 60 affordable houses CHN Housing Partners recently built in the Detroit Shoreway neighborhood of Cleveland. The organization bought the land from city and county land banks for a couple hundred dollars. **Row 2:** The residents of the affordable houses built as part of CHN Housing Partners' Lease Purchase Program rent them for 15 years, then usually take out a loan from CHN to buy them. Even if the home next door ends up selling for $300,000 (and that has happened), the prices of CHN's houses are locked in at an affordable rate, the organization's top exec says. ▪ One home in the neighborhood where CHN is building affordable houses hangs flowers. Others line steps this fall with white, green, and orange pumpkins, and post scarecrows in their garden beds. ▪ Across the street from the two newer builds are a vacant lot and older houses, some well-kept and others in disrepair. Varied property conditions are a common sight in parts of many neighborhoods in the city of Cleveland, says Kevin J. Nowak of CHN Housing Partners.

More on the homeowners

Three facts about Lauren's and Khari's journeys to homeownership, including what they would have done differently in hindsight.

Lauren

Immediately no
Lauren toured affordable houses and saw stuff purposely pushed up against walls, hiding problems, and many with old roofs or electrical systems. The garage of one house had dangerous horizontal cracks on three walls—"the top was going to fall down."

Khari

Challenging gig
"What ends up being a challenge for a lot of independent contractor musicians in homebuying is it's hard to secure income verification documentation for lenders," he says. That happens pretty regularly for workers in the gig economy, including servers

What she's changed
"This house was such a dark cave." She's repainted and replaced blinds, and when the house that ticked enough boxes needed replacement air conditioning, she added it. "Short-term financing is my friend." She's looking forward to moving her grandma's cedar table and hutch into her dining room.

Her woulda, shoulda, coulda
"Pay for more than one home inspection or do more independent investigation. I now know to ask deeper questions than before, and I'll be purchasing a handheld moisture meter for any future homebuying journey. Always sand and prime before painting, even if the paint store people say it's an all-in-one. Also, painting takes so much longer than you expect. Find a handy person sooner than later because home repairs are expensive, and not all of them need a dedicated company/contractor."

and self-employed individuals, a local real estate agent says: People have the cash but can't get financing. Those who have two or three years of filed tax returns should have less of a problem, though, she says.

When Khari said no
Khari declined to take advantage of any first-time homebuyer programs because they had stipulations such as the number of years homebuyers had to live in houses and prohibitions on renting. The homebuying process that ensued was "a little overwhelming," but Khari sought the advice of colleagues and family who had bought recently "to see what was normal."

His woulda, shoulda, coulda
Khari would have brought in external inspectors with specific expertise in addition to his general home inspector to investigate various problems that can arise, especially in houses older than 100 years like his. He urged others to be careful about waiving home inspections and to not feel like the homebuying process has to be rushed at any step of the way. "Even if there is a potential bidding war or line, there will always be housing stock and something else [to buy] if you use time to your advantage."

Hunting for a home?

The experts and homebuyers who informed this story identify resources that help people seeking to buy and maintain houses. Many counties and local governments also have programs to assist homebuyers and potential homebuyers with homebuyer education, down payment assistance, grants or loans, and home repair.

Examples of national resources

- US Department of Housing and Urban Development (HUD) offers nine steps to homeownership as well as housing counselors, and a variety of programs including the Limited 203(k) Mortgage program that permits homebuyers and homeowners to finance up to $35,000 into their mortgage to repair, improve, or upgrade their home. HUD also oversees the Federal Housing Administration (FHA) that hosts the FHA Resource Center
- US Department of Agriculture has a Section 502 Guaranteed Loan Program (accessible through lenders) that helps low- and moderate-income households living in rural areas make homeownership a reality
- Community development financial institutions (CDFIs) can provide small-dollar mortgages and more flexible loan terms
- Next Door Programs offer grants, down payment assistance, and other benefits for the public service professionals who serve our communities
- JustChoice Lending through Federation of Appalachian Housing Enterprises, Inc. lends to homebuyers in 16 states, including 100 percent financing with no down payment for qualified borrowers

Examples of Ohio resources

- Ohio Housing Finance Agency
- Ohio CDC Association

For more on housing from the Federal Reserve, visit

- Community Development Department
- Regional Analysis
- Program on Economic Inclusion
- Fed Communities

Are we missing a national or statewide resource you know to be helpful? Email us.

Credits: Reporting and writing by Michelle Park Lazette | Photography and video by Emily Kalina | Design by Greg Johnson