

Advancing Affordable, Sustainable Homeownership

The State of Homeownership

Affordable, sustainable homeownership is essential to a functioning housing market and is an important foundation for economic stability and source of wealth-building. Owning a home can provide a stable place to live and remove significant economic uncertainty in the form of fixed housing costs. However, worsening housing market conditions are impeding economic opportunity, especially for Black, Latino, and Hispanic borrowers as well as people earning low incomes. Never in recent history has there been the combination of such an acute shortage of affordable homes coupled with high interest rates and high inflation.¹ As a result, soaring home prices, rising insurance premiums, potential risk of loss, and a widening racial homeownership gap continue to impede household financial health and put sustainable homeownership further out of reach for more Americans.

Important measures—some permanent—were taken to help bolster homeowner resilience in the face of pandemic economic challenges. Forbearance allowed struggling borrowers to pause their mortgage payments temporarily, while expanded loss mitigation helped make mortgages more affordable. These and other policies underscore the important partnership between the government, community organizations, and financial institutions in maintaining stability in the mortgage market and promoting sustainable homeownership.

Still, homeowners continue to find themselves in a precarious place. Historic inflation, high interest rates, and rising rates of economic insecurity threaten the housing security and financial well-being of millions of homeowners, especially those who were economically fragile before COVID-19.² Now is the time for renewed urgency. Policymakers, the private sector, and community organizations should come together to build on COVID-era protections and transition to a more robust and sustainable housing ecosystem that promotes homeowner access, affordability, and stability.

JPMC’s Commitment to Expanding Homeownership

\$12 billion | JPMC’s racial equity commitment toward home lending programs

\$400 million | JPMC’s 5-year philanthropic commitment to improving housing affordability

We’re taking action to increase equity, affordability, and access to housing by expanding our lending overall and committing an incremental \$12 billion over and above our 2019 business results toward the purchase and refinance of home loans, including for Black, Hispanic, and Latino families across the wealth spectrum. Since 2021, we have assisted Black, Hispanic, and Latino homeowners with 11,500 incremental home loans together worth over \$4 billion, mainly driven by refinance activity when rates were low. Additionally, in 2021, JPMorgan Chase announced a \$400 million 5-year philanthropic commitment to improve housing affordability and stability for underserved households.³

Housing Market Affordability

Helping to ensure housing markets across the United States are more affordable, stable, equitable, and sustainable.

Recommendations

Housing Access & Affordability

- **Expand funding to increase supply of affordable homes.** The lack of available homes constrains affordability and prices potential homeowners out of the market, particularly borrowers of color and people earning low incomes.
- **Increase availability of affordable and sustainable mortgages.** Policy reform that increases access to sustainable mortgage credit can remove barriers to homeownership.
- **Leverage public funds to help homebuyers meet down payment requirements.** HUD could further accelerate usage by promoting use of down payment assistance delivered through a Special Purpose Credit Program.

Housing Stability & Wealth-Building

- **Build a sustainable mortgage servicing ecosystem to effectively support homeowners.** Increase homeowner awareness and understanding of available mortgage forbearance and loss mitigation options to improve outcomes for families facing financial hardship.
- **Encourage housing policies that eliminate bias in the valuation of property.** Property valuation equity is critical to housing stability and wealth building, and inequities in property valuation contribute to the racial wealth gap and loss of generational wealth.
- **Build and preserve generational wealth by addressing heirs property.** Heirs property occurs when someone dies without a will and several people gain rights to indivisible shares in the same property, leading to an increased risk of property loss that disproportionately impacts minority families and those with limited wealth.

By the numbers



As of 2021, almost one-third of all households are cost-burdened, defined as spending more than 30 percent of their income on housing costs.⁴

Housing Access & Affordability

Expand funding to increase supply of affordable homes

A profound shortage of affordable homes undermines access to homeownership for young families and long-term middle-class renters. Freddie Mac estimates that the housing stock deficit increased by approximately 52 percent between 2018 and 2020, which has been exacerbated by the long-term decline in construction of single-family homes.⁵ The lack of available homes for purchase or rent further constrains affordability and prices potential homeowners out of the market, particularly Black, Latino, and Hispanic borrowers and people earning low incomes. Policymakers should prioritize opportunities to increase the supply of affordable homes for purchase, including:

- **The Neighborhood Homes Investment Act** (S. 657 and H.R. 3940), which would create a new federal tax credit valued as the cost-based difference between market value and the redevelopment or construction of a home. This reinvestment tool could help homeowners renovate one- to four-unit properties in low- to moderate-income neighborhoods. The proposed bill would be an especially important tool to spur redevelopment and address long-term deferred maintenance in communities that for decades have grappled with economic disinvestment challenges. This builds on prior policy research to develop solutions for housing redevelopment in distressed neighborhoods⁶, as well as a \$3 million grant from JPMorgan Chase to the Housing Partnership Network to support the Community Aggregators Group—a group of nonprofits that

bids on government-owned home mortgages, acquires and rehabs homes, and makes them available primarily to first-time, low-income homebuyers at affordable prices.

- **Continuing to update industry underwriting guidelines to permit Accessory Dwelling Unit (ADU) rental income in property underwriting.** In 2023, the Federal Housing Administration (FHA) proposed underwriting policy changes to allow the consideration of the use of projected ADU rental income to qualify for FHA-insured financing. JPMorgan Chase supports this positive step forward and encourages finalization of the policy and adoption of consistent income qualification standards for rental income by government-sponsored enterprises (GSEs) and government agencies.
- **Accelerating efforts to modernize the manufactured housing ecosystem and implementing public policies to elevate manufactured housing as a viable homeownership pathway.** Reforming the financing and legal infrastructure underlying manufactured housing could increase the flow of mainstream capital to developers and consumers. In 2022, Congress enacted the Preservation and Reinvestment Initiative for Community Enhancement (PRICE) Fund, a \$225 million investment to preserve and revitalize manufactured housing. Lawmakers should build on this progress to further strengthen and modernize the manufactured housing sector. For example, policymakers at all levels of government can update zoning policies to ensure consistent treatment for manufactured and site-built housing, and enact policies such as long-term lease options to protect unit owners who rent the land where their unit is located.

Recent Policy Actions to Promote Affordable and Sustainable Homeownership

- The Federal Housing Finance Agency (FHFA) offered expanded deferment options in March 2023, including offering a 6-month deferment with a lifetime cap of deferring up to 12 monthly payments (excluding prior COVID and disaster deferments).
- Fannie Mae, Freddie Mac, and the FHA are working to incorporate the use of alternative credit data to responsibly expand eligibility for homeowners, especially those with thin or no credit; all three introduced positive rental payment history and Fannie Mae and Freddie Mac additionally implemented cash flow underwriting.
- The Interagency Task Force on Property Appraisal and Valuation Equity (PAVE) proposed policy changes to enact quality control standards for automated valuation models. These steps will help address the negative impacts on equity, value appreciation, and wealth building, including for Black, Latino, and Hispanic individuals and families across the United States.
- The FHFA and the Department of Housing and Urban Development (HUD) have made progress in harmonizing the permissibility of Special Purpose Credit Programs (SPCPs) under the Fair Housing Act and the Equal Credit Opportunity Act. HUD's 2021 guidance serves as a guidepost to the mortgage industry and a catalyst to deepening financial institution engagement in SPCP offerings, which are a crucial lever for widening credit access and sustainable homeownership opportunities in diverse communities. As one of the first mortgage industry participants with an SPCP, JPMorgan Chase helped develop an innovative and widely disseminated [SPCP framework](#), shared expertise with GSEs and other federal agencies, and led collaborative dialogues with industry allies and trade organizations to bolster SPCP adoption.
- Progress to address generational wealth preservation challenges includes the adoption of the Uniform Partition of Heirs Property Act (UPHPA) reforms by twenty-three jurisdictions and strengthened state property laws to provide meaningful due process protections to fractional or heirs property owners. These transformative legislative reforms preserve generational wealth and sustain homeownership over generations for economically disadvantaged families.

Increase availability of affordable and sustainable mortgages

Persistent barriers to obtaining sustainable mortgage credit have long limited Black, Latino, and Hispanic households and households earning low incomes from accessing the dream of homeownership.⁷ Policy reform that increases access to sustainable mortgage credit can remove barriers to homeownership. Safely leveraging private capital in the mortgage market can increase secondary liquidity for sustainable loans. This increases competition, enables mortgage product innovation, and expands the suite of diverse product offerings. JPMorgan Chase economists estimate that key federal reforms that open private securitization markets for sustainable loans could also help the GSEs meet Duty to Serve commitments. These advancements could increase the availability of mortgages to consumers by adding \$500 billion of additional purchase mortgages to the market and potentially increase access to homeownership for Black, Latino, and Hispanic homebuyers and homebuyers earning low incomes.

Existing policies have built a foundation that institutional actors can continue to enhance to promote mortgage affordability:

- **Lenders, investors, and insurers should pilot and accelerate mortgage reserve accounts**, which can provide a valuable source of stability to support homeowners weather economic shocks. As is being done at the GSEs, the FHA and Department of Veterans Affairs (VA) should develop and pilot reserve account programs. Analysis from the JPMorgan Chase Institute finds that liquidity may be a more important predictor of mortgage default than equity, income level, or payment burden.⁸ Based on this research, JPMorgan Chase made a \$2.5 million commitment to the Center for Community Self-Help to scale its mortgage innovations to support low- to moderate-income borrowers, including people of color.⁹ This includes the Equity Boost mortgage—a 97-100 percent loan-to-value mortgage product paired with a zero interest down payment assistance loan and a SAFE mortgage savings account that incentivizes saving for financial emergencies or urgent home repairs.
- **The Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Reserve should accelerate actions to enable credit risk transfer tools** to facilitate diversification of mortgage offerings beyond GSEs and FHA, fuller participation by banks, and improved distribution of mortgage credit risk to private investors.
- **GSEs and other federal agencies can help reduce closing costs borne by the homeowner** by encouraging transparency, innovation, and competition among vendors for services like title insurance and continued expansion of lower-cost appraisal alternatives.

Government and industry partners also must urgently address the increased insurance costs faced by homeowners as a result of increasing weather-related threats. Federal and state agencies must encourage early awareness and disclosures in the home shopping process to

help prospective homeowners better assess both affordability and sustainability in choosing a home and in making informed decisions when purchasing homes in areas prone to natural disasters. Federal and state agencies also should consider developing programs to help at-risk borrowers, homeowners, and landlords finance home repairs, retrofits, and upgrades to withstand severe weather and become more energy efficient. Most immediately, implementation of the Inflation Reduction Act's \$27 billion Greenhouse Gas Reduction Fund, facilitated by the Environmental Protection Agency, could serve as a resource for economically and climate vulnerable homeowners to have access to cost-saving and pollution-reducing clean technology projects.

Leverage public funds to help homebuyers meet down payment requirements

Renters report coming up with down payment and closing costs as the main barrier to purchasing a home. And while it takes White renters on average nine years to save for a down payment, it takes Latino renters eleven years and Black renters fourteen years.¹⁰ In 2023, the Biden Administration's budget proposed \$10 billion for a program to target down payment assistance to first-time homebuyers whose parents do not own a home and are at or below 120 percent of the area median income or 140 percent of the area median income in high-cost areas.¹¹ Federally-backed down payment assistance would remove persistent barriers, help address inequities in the housing market, and increase access to homeownership. Recognizing the impact of helping customers cover down payment and closing costs, JPMorgan Chase recently expanded its \$5,000 Homebuyer Grant to include 16 additional markets, increasing the program's reach to serve customers purchasing a home in more than 14,000 majority Black, Latino, and Hispanic communities across the country.¹² Since our grant program began in 2021, we have provided 2,700 grants totaling \$13.5 million to Black, Hispanic, and Latino homebuyers.

We applaud Fannie Mae and Freddie Mac's initiatives focused on down payment assistance which can provide scalable solutions to the industry. HUD could also accelerate usage by promoting use of down payment assistance delivered through a SPCP. Further, there is a need to streamline requirements and increase visibility of down payment assistance programs, including establishing a centralized repository for lenders to identify programs and offering templates and best practices for entities offering down payment assistance programs.

In addition to down payment assistance programs, housing agencies should explore providing guidance and piloting simple and equitable rent-to-own models to better support renters who face the uniquely challenging combination of high rent prices, rising interest rates, limited supply, and high purchase prices. These efforts should explore models that do not expand renter liability and prioritize customer affordability and stability.

Housing Stability & Wealth-Building

Build a sustainable mortgage servicing ecosystem to effectively support homeowners

The pandemic facilitated an opportunity for the government and GSEs to come together with mortgage servicers in the design and implementation of solutions that support homeowners, including mortgage forbearance and loss mitigation policies. According to the Mortgage Bankers Association, servicing a distressed loan cost over ten times more than servicing a performing loan in 2022, and the trend continues to rise.¹³ JPMorgan Chase was proud to work with the FHFA and GSEs to address urgent challenges during the pandemic, including efforts to help increase homeowner awareness and understanding of available mortgage forbearance and loss mitigation options to improve outcomes for families facing financial hardship.

As rising interest rates and expiring stimulus policies further shift the market, mortgage servicers and the federal government can continue to partner to support homeowners and reduce costs by:

- **Ensuring uniform national practices that give all homeowners access to forbearance**, regardless of mortgage product type. Homeowners should be offered clear expectations regarding the path to exit forbearance.
- **Adopting a simplified servicing model that is consistent across the government and GSEs.**
 - Aligning the FHA, VA, US Department of Agriculture (USDA), and the Government National Mortgage Association's (GNMA's) servicing rules with those of the GSEs.
 - Making consistent customer care solutions and foreclosure timelines among all government insurers (e.g., FHA, VA, USDA) and the GSEs.
 - Encouraging flexibility in servicing requirements to maximize customer assistance results.
 - Limiting overlaps and conflicts between regulators and among federal and state rules.
 - Enhancing protections for borrowers by modernizing GNMA's counterparty management system to calibrate risk and ensure compliance to better protect consumers.

Encourage housing policies that eliminate bias in the valuation of property

Property valuation equity is critical to housing stability and wealth building. Black homeowners have experienced an estimated loss of \$156 billion in home equity value as a result of inequities in property

valuation, which contributes to the racial wealth gap and loss of generational wealth.¹⁴ JPMorgan Chase applauds the robust work of the PAVE Task Force, as well as the joint federal agencies recently proposed policy changes to enact quality control standards for automated valuation models. These important steps will help address the negative impacts on equity, value appreciation, and wealth building for individuals and families across the U.S.

We are also leveraging our expertise across the firm to address gaps in the residential appraisal process. In 2020, JPMorgan Chase provided a \$1 million grant to Ashoka to launch the *Valuing Homes in Black-Majority Neighborhoods* challenge to collect and study the most promising innovations to help address the appraisal gap.¹⁵ And in 2021, we provided a \$3 million grant to support the Appraiser Diversity Pipeline Initiative, which seeks to attract new people to the field, help trainees overcome common barriers to entry, and foster diversity.

We encourage policymakers to adopt additional reforms to the appraisal process, including:

- **Developing industry standards for Alternative Valuation Methods and the reconsideration of value (ROV) process** to promote best practices to support customers. We look forward to the outcome of recently proposed updates to the ROV process from combined government agencies.
- **Broadening use of appraisal alternatives**, such as hybrid, inspection-based waivers and desktop appraisals that bifurcate the appraisal process and help address any potential unconscious bias.
- **Releasing additional granularity from the FHFA's aggregate Summary Statistics and Dashboards** to allow the industry to further analyze trends and themes while maintaining individual appraisal privacy.
- **Advancing redesign of GSE forms** to increase data digitization for objectivity and analysis.
- **Continuing to reduce barriers to entry in the appraisal profession**, including supporting nationwide adoption of Practical Applications of Real Estate Appraisal (PAREA).
- **Enacting the Portal for Appraisal Licensing Act ("PAL Act")** which would authorize the establishment of a Portal for Appraisal Licensure and modernize the real estate appraisal licensing system by reducing administrative costs and red tape for staff appraisers. Establishing this nationwide licensing system for real estate appraisers would address many of the current challenges arising from state-by-state background checks, license renewal obligations, and reciprocity license challenges that make it difficult to effectively maintain competitiveness and rigorous standards in the industry.

Build and preserve generational wealth by addressing tangled titles and heirs property

Heirs property is a form of tenancy in common ownership that is also referred to as a “tangled title.” It arises most often when someone dies without a will and several people gain rights to indivisible shares in the same home or piece of land, or when an owner had a will that equally distributed the property among multiple descendants.^{16,17} There are more than 440,000 heirs property parcels across both rural and urban areas of the United States, with an estimated \$41 billion total market value in the property.¹⁸ Heirs property is one of the most unstable and insecure forms of real property ownership, greatly increasing the risk of property loss due to land speculation, property partition sales, or tax default.

Heirs property can undermine the creation and preservation of generational wealth and is disproportionately found in racial and ethnic minority populations and in low-income and low-wealth families. Heirs property largely stems from inadequate estate planning, insufficient access to affordable legal services, and a general lack of awareness about how property interests can be protected from generation to generation. As a result, JPMorgan Chase supports national adoption of the Uniform Partition of Heirs Property Act (UPHPA)¹⁹ to provide fractional or heirs property owners with basic due process protections and encourages additional solutions, including:

- **Ensuring heirs property owners are eligible for government issued assistance** by allowing alternative forms of ownership proof outside of formal deeds, such as utility bills and receipts for property improvements.
- **Providing affordable legal services and educational resources** to elevate the importance of estate planning and cover the expenses associated with probating a will once a property owner has passed.
- **Supporting responsible data collection efforts** to identify where heirs property exists and accurately target resources to communities most in need. Accurate data on heirs property will also enable researchers to measure the impacts of fractionalized ownership on household and community wealth.

Nationally, Congress has the opportunity to reauthorize the Heirs Property Relending Program (HPRP) and strengthen the program to best serve borrowers. HPRP was authorized as a pilot in the 2018 Farm Bill. USDA administers the program through eligible intermediaries who re-lend to individuals with documented heirs property. Borrowers can use the loan to resolve title issues, including financing the consolidation of property interests, which allows heirs to be eligible for additional government resources requiring proof of title, such as USDA and Federal Emergency Management Agency programs. HPRP is an important option for heirs property owners nationwide, yet regulations were not finalized until 2022, and few lenders have been established as eligible partners. Further, borrowers may need more repayment options to meet the terms of the loan. Congress should reauthorize HPRP in the 2023 Farm Bill and consider provisions to provide loan forgiveness and expand the program’s reach to more borrowers.

Endnotes

1. Alana Semuels. "Why There Are No Houses to Buy in Many U.S. Metro Areas." Time. March 2023. <https://time.com/6261427/current-us-housing-market-inventory-low/>
2. Board of Governors of the Federal Reserve System. "Federal Reserve Board - Survey of Household Economics and Decisionmaking." May 2023. <https://www.federalreserve.gov/consumerscommunities/shed.htm>
3. JPMorgan Chase & Co. "JPMorgan Chase Furthers Commitment to Closing the Housing Affordability Gap for Black and Latinx Households." June 2021. <https://www.jpmorganchase.com/news-stories/jpmorgan-chase-commitment-to-closing-the-housing-affordability-gap-for-black-and-latinx-households>
4. Joint Center for Housing Studies of Harvard University. "The State of the Nation's Housing 2023." 2023. https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf
5. Freddie Mac. "Housing Supply: A Growing Deficit." May 2021. <https://www.freddiemac.com/research/insight/20210507-housing-supply>
6. Kristin Siglin. "Supporting Neighborhoods Left Behind: Advancing Opportunity through Affordable Housing." 2019. <https://housingpartnership.net/files/Supporting-Neighborhoods.pdf>
7. Amalie Zinn and Liam Reynolds. "How Local Differences in Race and Place Affect Mortgage Lending." Urban Institute, November 2021. <https://www.urban.org/urban-wire/how-local-differences-race-and-place-affect-mortgage-lending>
8. Diana Farrell, Kanav Bhagat, and Chen Zhao. "Trading Equity for Liquidity." JPMorgan Chase Institute, June 2019. <https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/institute/pdf/institute-trading-equity-for-liquidity.pdf>
9. Amalie Zinn, and Michael Neal. "How Self-Help Is Expanding Mortgage Credit Access and Mitigating Risk in Mortgage Reserve Accounts." Urban Institute, June 2023. <https://www.urban.org/research/publication/how-self-help-expanding-mortgage-credit-access-and-mitigating-risk-mortgage-reserve-accounts>
10. Christelle Bama. "Hardship for Renters: Too Many Years to Save for Mortgage down Payment and Closing Costs." Center for Responsible Lending, April 2021. <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-mortgage-downpayment-7apr2021.pdf>
11. The White House "FACT SHEET: President Biden's Budget Lowers Housing Costs and Expands Access to Affordable Rent and Home Ownership." The White House. March 2023. <https://www.whitehouse.gov/briefing-room/statements-releases/2023/03/09/fact-sheet-president-bidens-budget-lowers-housing-costs-and-expands-access-to-affordable-rent-and-home-ownership/>
12. JPMorgan Chase & Co. "JPMorgan Chase Furthers Commitment to Closing the Housing Affordability Gap for Black and Latinx Households." June 2021. <https://www.jpmorganchase.com/news-stories/jpmorgan-chase-commitment-to-closing-the-housing-affordability-gap-for-black-and-latinx-households>
13. Bonnie Sinnock. 2023. "Distressed Servicing Costs Normalizing after Two-Year Reprieve." National Mortgage News, February 2023. <https://www.nationalmortgagenews.com/news/distressed-servicing-costs-normalizing-after-two-year-reprieve>
14. Rashawn Ray, Andrew M. Perry, David Harshbarger, Samantha Elizondo, and Alexandra Gibbons. "Homeownership, Racial Segregation, and Policy Solutions to Racial Wealth Equity." The Brookings Institution, September 2021. <https://www.brookings.edu/articles/homeownership-racial-segregation-and-policies-for-racial-wealth-equity/>
15. JPMorgan Chase & Co. "JPMorgan Chase Furthers Commitment to Closing the Housing Affordability Gap for Black and Latinx Households." June 2021. <https://www.jpmorganchase.com/news-stories/jpmorgan-chase-commitment-to-closing-the-housing-affordability-gap-for-black-and-latinx-households>
16. T.W. Mitchell. 2001. *From Reconstruction to deconstruction: undermining Black ownership, political independence, and community through partition sales of tenancy in common property.* Legal Studies. 95(2): 505-580.
17. Cassandra Johnson Gaither, et al. "Heirs' Property and Land Fractionation: Fostering Stable Ownership to Prevent Land Loss and Abandonment." U.S. Department of Agriculture Forest Service, Southern Research Station, September 2019. https://www.srs.fs.usda.gov/pubs/gtr/gtr_srs244.pdf
18. G. Rebecca Dobbs and Cassandra Johnson Gaither. "How Much Heirs' Property Is There? Using LIGHTBOX + DMP Data to Estimate Heirs' Property Extent." U.S. Journal of Rural Social Sciences, 2023. https://srdc.msstate.edu/sites/default/files/2023-06/dobbs_johnson-gaither_pre-print-manuscript-6.5.23.pdf
19. Uniform Law Commission. "Partition of Heirs Property Act - Uniform Law Commission." 2023. <https://www.uniformlaws.org/committees/community-home?CommunityKey=50724584-e808-4255-bc5d-8ea4e588371d>

About the PolicyCenter

The JPMorgan Chase PolicyCenter develops and advances sustainable, evidence-based policy solutions to drive inclusive economic growth in the U.S. and around the world. It is powered by the firm's unique global business resources and expertise, including data, research, talent, and philanthropic investments. The PolicyCenter works with policy, business, and community leaders to drive effective public policy solutions at all levels of government.

To learn more, visit www.jpmorganchase.com/publicpolicy