AMY DEBUSK HOME LOANS

America’s Housing Shortage and the First-Time Homebuyer Crisis

Restoring the American Dream:
The Long Line at the Front Door

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Figure 1. A neighborhood of newer two-story houses in West Roseville, Placer County, in the Sacramento region.

Housing supply, mortgage finance, public policy and a path to sustainable homeownership.

By Amy DeBusk

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Executive summary

America's housing shortage reflects both years of underbuilding and limited access to homes that already exist. This report combines national evidence with California and Sacramento-region examples to examine construction, mortgage finance, public assistance and family resources. The objective is sustainable homeownership: buying a suitable home while retaining the capacity to absorb costs and setbacks.

Seven findings guide the analysis.

1. Construction recovered slowly after the 2008 crisis. National totals also conceal local shortages of smaller, lower-priced ownership options. Permits, starts, completed units and occupied homes measure different stages and must be tracked separately.

2. Low fixed mortgage rates and aging in place can reduce resale turnover. Institutional rental ownership is modest nationally but more concentrated in selected markets. Rental homes remain housing even when they are unavailable for owner-occupant purchase. [1, 2]

3. Rate portability and institutional portfolio sales address different barriers. The Take Your Rate Act proposes a feasibility study, not immediate portability. Existing mortgage and securities contracts create substantial legal and funding obstacles. Proposed divestiture mandates must be distinguished from the enacted federal acquisition restrictions discussed in Section 3. [3, 4, 5]

4. Assistance succeeds only when subsidy, income limits, eligible geography and available homes fit together. Placer County's 109 processed applications and 13 fully approved households illustrate access problems, but approvals are not completed purchases. [6]

5. Agency mortgage pricing must be evaluated after applicable waivers and insurance. Some first-time buyers receive broad waivers; households just outside an income limit can face different pricing. Separate VantageScore grids cited in the earlier paper were removed effective October 1, 2026. [7, 8]

6. Employment-report revisions are measurement corrections, not proof of manipulation or a quantified borrower overcharge. Research supports announcement effects on yields; a persistent household-level mortgage cost requires additional evidence. [9, 10, 11, 12]

7. Family resources and past mortgage distress can affect ownership opportunities. Associations do not establish how many qualified renters avoid buying because of the 2008 crisis. Co-purchasing can help, but it also creates shared liability and exit risks. [13, 14, 15]

The report's rent-versus-buy and household-payment models make the tradeoffs visible. Their outcomes depend on stated assumptions, and overlapping benefits cannot be added as if they reach different people. The recommended agenda combines attainable construction, workable assistance, transparent financing, carefully designed mobility reforms and neutral education. Success means more households obtaining suitable homes and remaining financially secure after closing.

1 Generations arriving at the front door

A large cohort reaches homebuying age

The United States is facing a mismatch between the generations seeking homes and the homes available to them. Census Bureau Vintage 2024 estimates counted 74.1 million residents ages 25 to 40, compared with 65.7 million ages 10 to 24 and 66.9 million ages 60 to 78. Age 34 was the largest single-year age group nationally. These are people, not prospective-buyer households, and the age bands have different widths. [16]

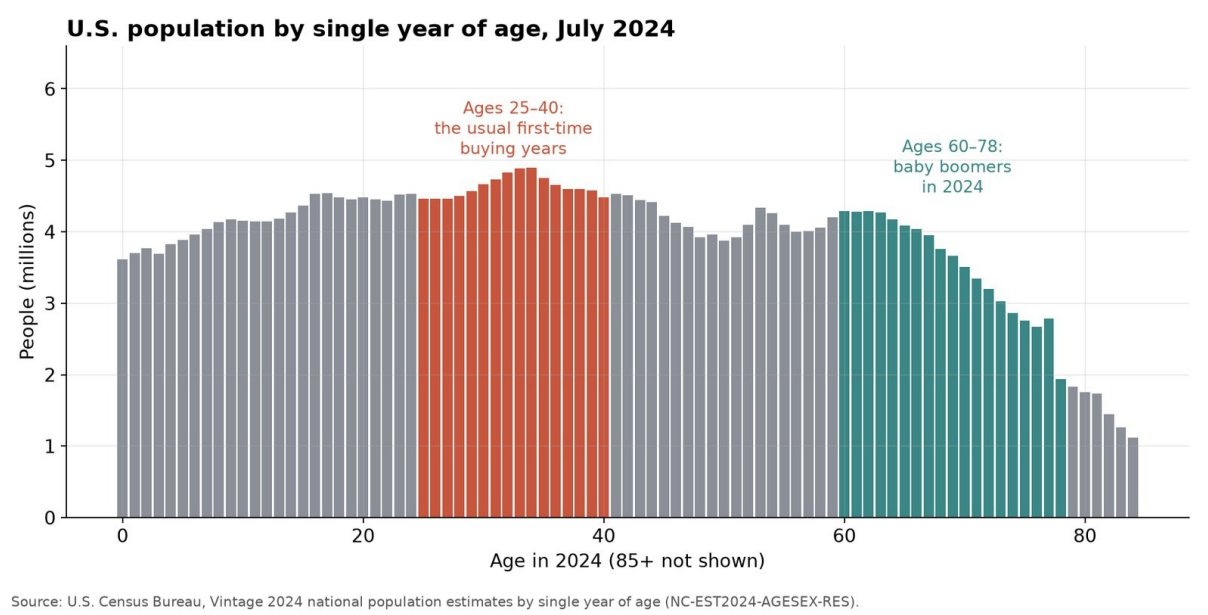


Figure 2. U.S. population by single year of age in July 2024. Age 34 was the largest single-year group in the supplied Census-based exhibit. The highlighted age bands have different widths. Population is not a count of mortgage-ready households.

California's civilian population included 9.08 million people ages 25 to 40 and 7.14 million ages 60 to 78. Its largest individual age group was also 34, excluding the grouped category for ages 85 and older. Many people in these cohorts are forming households or considering their first purchase. Migration, marriage, shared living, income, credit, and preferences determine how many become buyers. [17]

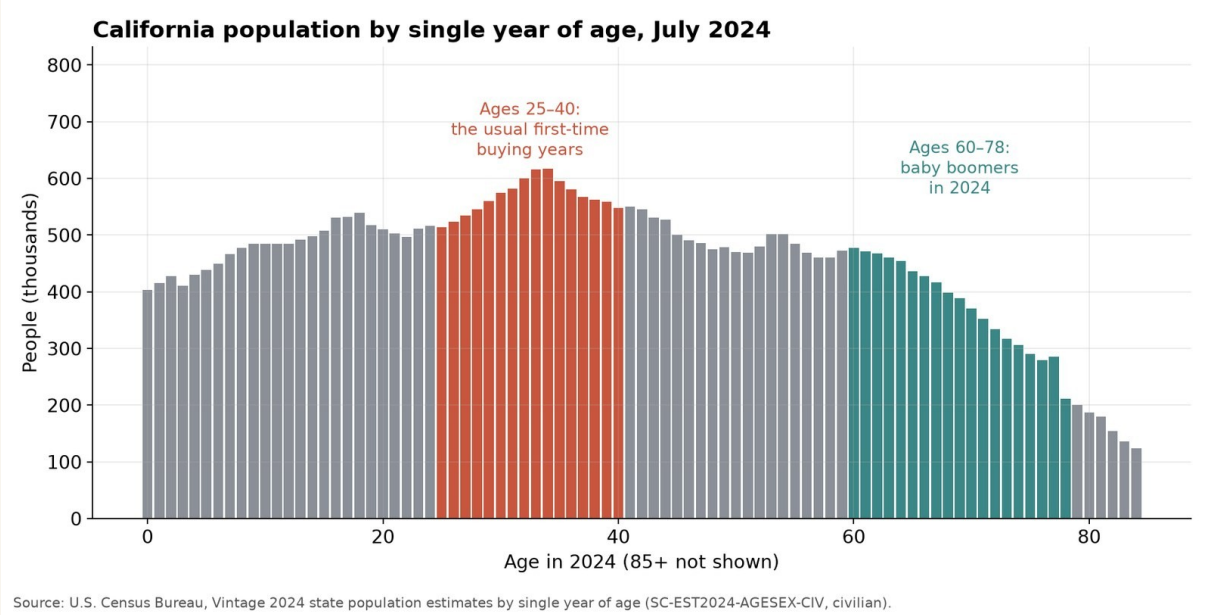


Figure 3. California civilian population by single year of age in July 2024. Ages 85 and older are omitted. Civilian population; unequal age-band widths. The national chart uses resident population.

The birth record explains part of this demographic shape. U.S. births declined from about 4.3 million in 1957 to 3.14 million in 1973 and 3.16 million in 1974, then rose to 4.16 million in 1990 and 4.32 million in 2007. Final 2024 data record 3.63 million births. The smaller cohorts born in the early 1970s reached their thirties near the housing bubble, while the larger 1990 cohort reached age 34 in 2024. [18, 19]





Figures 4 and 5. Left: A new mother views her child in the nursery of Loretto Hospital in New Ulm, Minnesota, October 1974. Right: Levittown houses photographed in 1958.

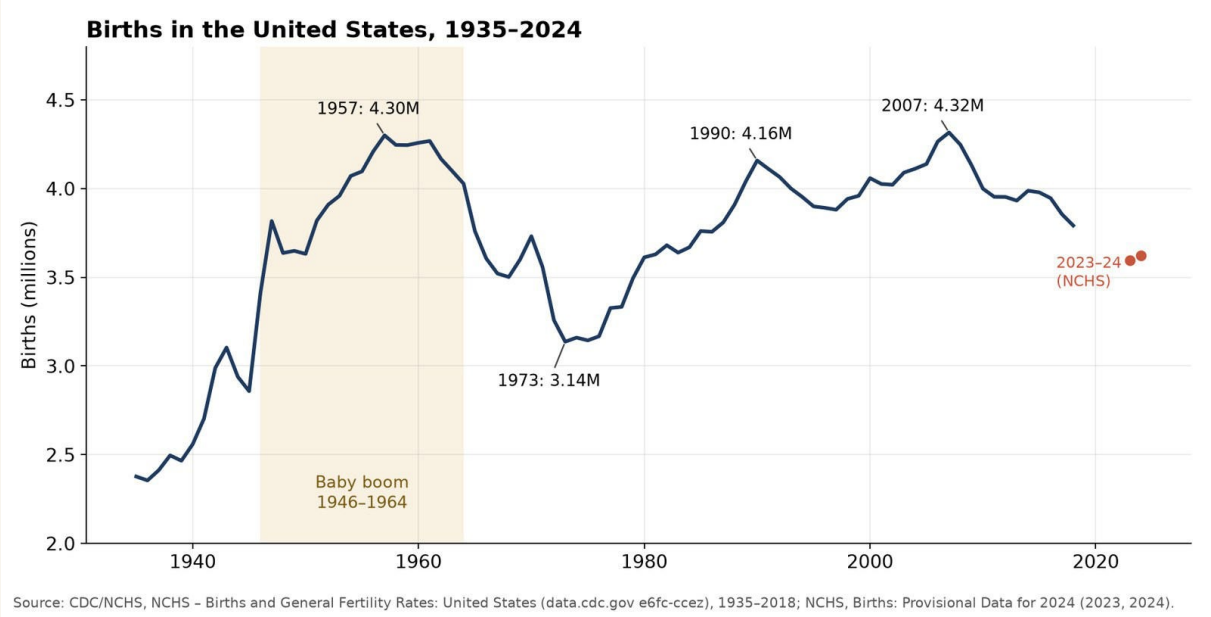


Figure 6. U.S. births from 1935 through 2024, reproduced from the source paper. The exhibit omits annual observations for 2019-2022 and labels 2023-2024 provisional. The source chart omits 2019-2022. Final 2024 NCHS births are 3,628,934 (3.63 million), replacing the provisional endpoint shown. [18]

The earlier paper raises a hypothesis that the smaller early-1970s cohorts weakened the entry-buyer pipeline near the 2008 crash. The birth counts establish the cohort difference, but they do not isolate a contribution to the crash. Migration, lending standards, leverage, speculative demand, and prices also shaped that period. Demography is a long-run demand input, not a complete explanation of a financial crisis.

The smaller cohorts now behind the Millennial generation may eventually ease some demand pressure. That possibility does not provide an immediate home for households waiting today. Nor does slower population growth eliminate an accumulated shortage or ensure homes are available in the right locations.

How delayed access appears in buyer statistics

NAR's 2025 survey estimated that first-time buyers accounted for 21% of primary-residence purchases from July 2024 through June 2025, with a median first-time buyer age of 40. The estimate includes cash purchases of primary residences and comes from a survey of successful buyers. It does not describe all households, all mortgage borrowers, or everyone who wanted to buy. [20]

Zillow's 2025 buyer survey estimated a 45% first-time share using a different online sampling method and a two-year purchase window. Its 2026 report estimated 42%, while the published methodology described a one-year purchase window. The different sampling and reference periods prevent treating these numbers as interchangeable observations or a clean unified trend. [21, 22]

First time buyer estimates have different denominators

Source	Estimate	Population and reference period
NAR 2025 profile	21%; median age 40	Surveyed primary-residence purchases, July 2024-June 2025; includes cash
Zillow 2025 report	45%	Online sample of successful primary-residence buyers over prior two years
Zillow 2026 report	42%	Online successful-buyer sample; published methodology uses prior year

Survey results are not a census of transactions or of financially ready renters. Different sampling and recall periods limit direct comparisons. [20, 21, 22]

The discrepancy is substantive. It cannot be resolved by selecting the most dramatic number. Both surveys face sampling and response issues, and loan datasets introduce other restrictions by excluding cash transactions or including a borrower who has not owned for three years within a program's first-time definition.

The defensible conclusion is that entering ownership has become difficult for many households, supported by direct affordability and supply evidence. The exact national share of first-time buyers depends on the definition and measurement method. For program evaluation, the more useful questions are how many eligible households seek assistance, how many complete purchases, and how many remain financially secure.

2 The homes that were never built

How a financial crisis became a supply problem



Figure 7. Outside Lehman Brothers headquarters in New York on September 15, 2008, the day the firm filed for bankruptcy.

The housing crash disrupted builders, lenders, construction workers, and households at the same time. Foreclosures and falling prices weakened household demand. Development financing contracted, builders lost capital, and workers left the industry. When demand recovered, the construction pipeline could not immediately replace the homes that had not been built.

The resulting shortage accumulated over time. Land, infrastructure, labor, insurance, financing costs, and approval delays now constrain production in different combinations across markets. A single national interest-rate decision cannot explain this history, and lower rates alone cannot resolve it.

Freddie Mac estimated a national shortage of approximately 3.7 million housing units in the third quarter of 2024. That estimate compares the existing stock with modeled housing demand, including demand that is not fully expressed in observed household formation. It is not a count of available lots or a forecast of immediate purchases. Its national estimate cannot be allocated to Sacramento, Placer, or Santa Clara by population share. [23]

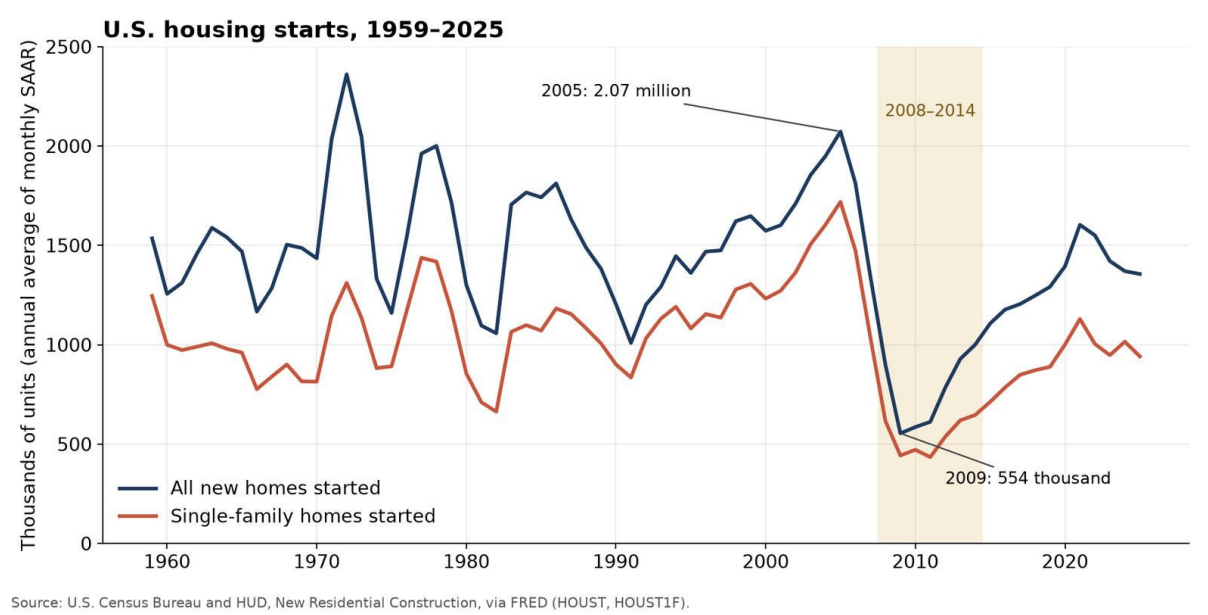


Figure 8. U.S. housing starts, 1959-2025. Starts fell from approximately 2.07 million in 2005 to 554,000 in 2009; the shaded period is 2008-2014. Starts are authorizations becoming construction, not completed units. The completed-unit exhibit below measures a different stage. [24]

Construction recovered slowly after 2008

Period	Starts per year	Completions per year	Household change
2000-2007	1.738m	1.716m	1.239m
2008-2014	0.766m	0.778m	0.730m
2015-2019	1.206m	1.124m	1.278m
2020-2025	1.446m	1.430m	1.676m

Author calculations from Census series. Household change is a survey-estimate difference, not a shortage. The first row uses seven household changes and eight construction years. [24, 25]

The historical exhibit distinguishes construction from demand. Completions count privately owned housing units finished during a year. The household series counts occupied households at a survey reference date. Neither series alone measures the need to replace demolished homes, maintain a workable vacancy rate, accommodate second homes, or correct geographic mismatches. Appendix A provides the annual observations and their limitations. [24, 25]

A simple subtraction also misses suppressed household formation. Adults may remain with parents or roommates because they cannot afford a separate home. Observed household counts then understate potential demand. Conversely, the construction boom of 2005 and 2006 cannot serve as a permanent production target: parts of that boom were unsustainable.





Figures 9 and 10. Left: Workers frame new houses at an affordable housing development in Greenville, North Carolina, February 2024. Right: New homes under construction in Winchester, Riverside County, California, April 2024.

Why attainable homes remain scarce

The practical shortage is a mismatch between homes and purchasing power. Large or expensive homes can be profitable even where modest homes are scarce. Land, infrastructure, and development fees often impose substantial costs per dwelling regardless of its size. Builders may respond by producing a higher-priced home that can absorb those costs. Zoning can further restrict small lots, attached homes, condominiums, and other lower-cost forms of ownership.

An attainable-supply agenda therefore includes detached starter homes, townhomes, condominiums, manufactured homes, shared-equity ownership, and suitable small multifamily properties. Each has different financing and maintenance requirements. Condominium dues, reserve deficiencies, insurance costs, or project ineligibility can erase an apparent purchase-price advantage. An accessory dwelling unit can create rental housing or space for relatives without creating a separately purchasable home.

The appropriate measure is completed, financeable housing at prices consistent with local household incomes. Permit counts and zoning capacity describe earlier stages of that process. They are useful indicators, but they are not completed homes.

California and Sacramento construction history

California's permit record shows a steep post-crash contraction. The accompanying Census series tracks statewide and Sacramento metropolitan authorizations, rather than completed or occupied homes. The eight-year planning benchmark shown on the California chart comes from the state housing plan; it is not an annual construction forecast. Regional housing-element cycles do not all share identical dates. [26, 27]

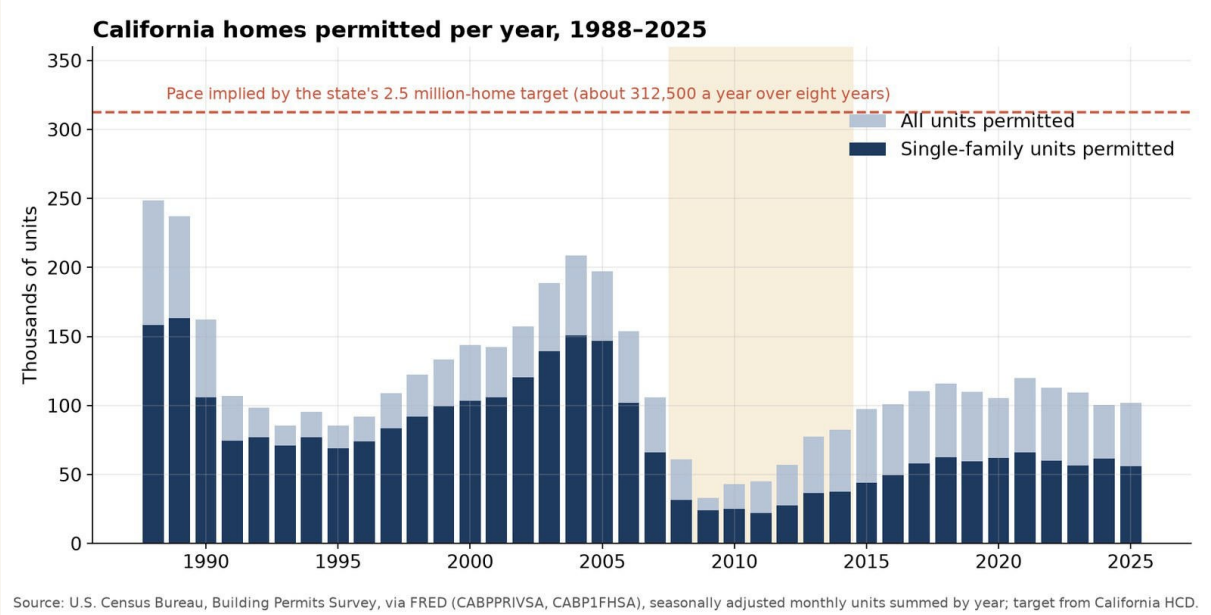


Figure 11. California housing permits, 1988-2025. The source exhibit contrasts annual permitted units with an annualized benchmark derived from a 2.5-million-home planning target. The target is an annualized planning comparison. Housing-element cycle dates vary by region. Permits do not equal completions. [26, 27]

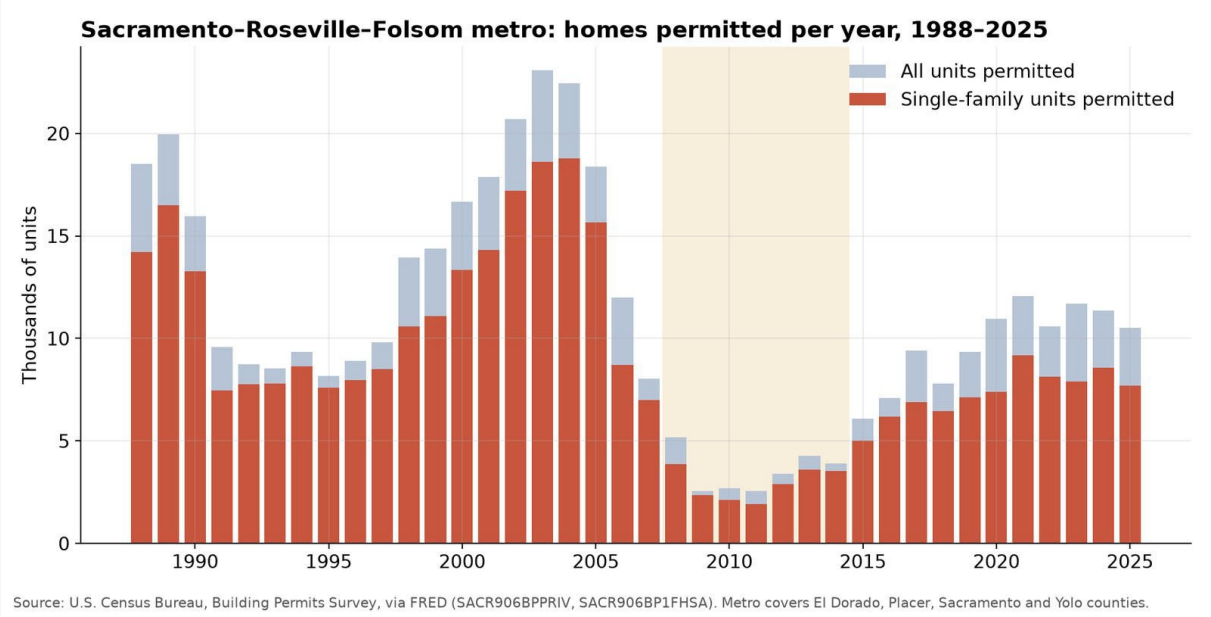


Figure 12. Homes permitted in the Sacramento-Roseville-Folsom metro area, 1988-2025. Approximately 23,000 were permitted in 2003, 2,550 in 2011, and 10,500 in 2025. Metropolitan geography includes El Dorado, Placer, Sacramento and Yolo counties. Permits do not equal completed homes. [26]

The 2015 Legislative Analyst's Office report explains why local supply constraints can spread across nearby markets. It found high development costs and insufficient construction in expensive coastal areas, with inland markets absorbing some displaced demand. Its analysis found that a 10% increase in one county's housing costs was associated with roughly a 5% increase in neighboring counties. These historical associations help explain regional pressure; they are not forecasts for Placer prices or current construction-cost estimates. [28]



Figure 13. Sacramento from the air, July 2023, with the downtown and midtown street grid at center.

Census ACS estimates for 2020 through 2024 put the owner-occupied share of housing units at 74.8% in Placer County, 55.9% in California, and 65.2% nationally. Using the same measure and period avoids confusing the proportion of people living in owner-occupied homes with the proportion of households that own. High existing ownership does not establish that new buyers can afford entry. [29, 30, 31]

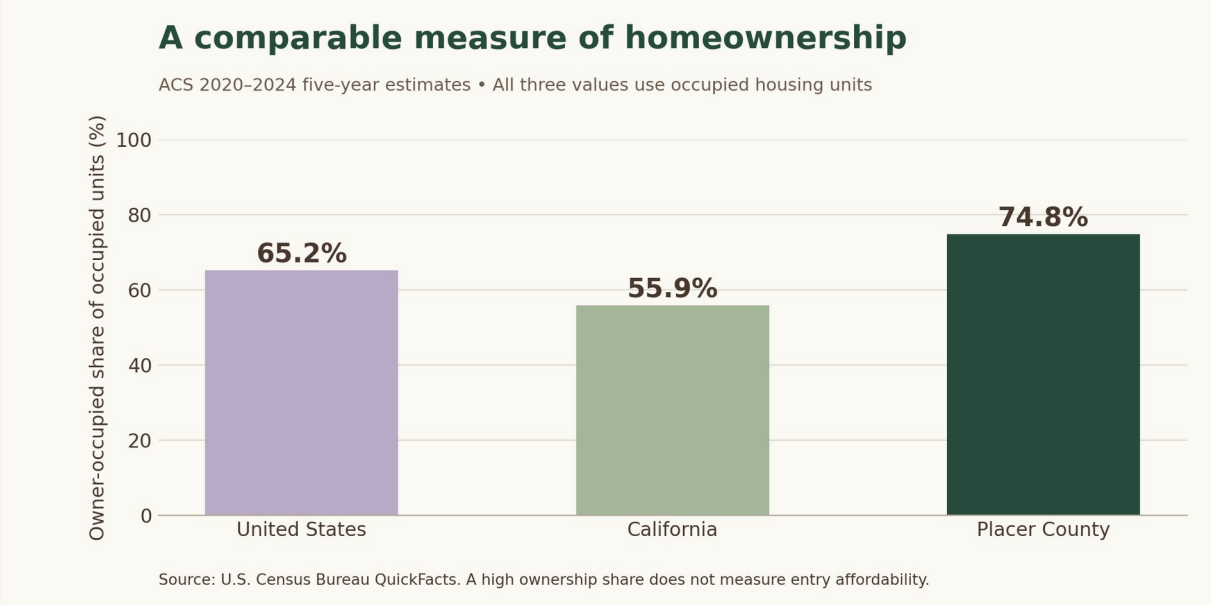


Figure 14. Owner-occupied housing units in the United States, California and Placer County, ACS 2020-2024. All three bars use the same household measure and period. Matching ACS 2020-2024 estimates. [29, 30, 31]

Count each stage separately

California HCD's annual progress reporting distinguishes applications, entitlements, permits, and certificates of occupancy or other readiness indicators. Those stages describe different

accomplishments. They are reported by local jurisdictions and can be revised. A permit can authorize construction without producing an occupied unit in the same year. [32]

Local progress also needs a tenure distinction. A completed income-restricted apartment can improve rental stability without producing a first-time homeowner. An ADU can create valuable housing without a separate sale. An affordable ownership unit may carry resale restrictions that preserve affordability but limit the first owner's appreciation. None should be judged against a purpose it was not designed to serve.

Reported permits and completion readiness by income group

Area year and stage	Very low or below	Low	Moderate	Above moderate	Total
CA 2024 permits	8,697	14,678	8,999	84,170	116,544
CA 2025 permits	12,139	16,818	9,607	85,032	123,596
CA 2024 readiness	9,172	11,492	9,049	82,161	111,874
CA 2025 readiness	10,738	13,478	8,202	79,812	112,230
Roseville 2024 permits	219	273	464	577	1,533
Roseville 2025 permits	129	363	369	573	1,434
Roseville 2024 readiness	18	125	450	705	1,298
Roseville 2025 readiness	332	459	493	775	2,059
Placer 2024 permits	14	62	91	670	837
Placer 2025 permits	22	40	59	431	552
Placer 2024 readiness	14	63	82	746	905
Placer 2025 readiness	0	37	46	522	605

Placer means unincorporated Placer only. Author calculations from HCD October 30, 2026 export using stage-year matching and exact-row deduplication. Readiness includes certificates of occupancy or other evidence, not necessarily occupancy or closed purchases. [32]

Roseville's reported permits declined from 1,533 units in 2024 to 1,434 in 2025, while units reaching certificate-of-occupancy or other readiness stage increased from 1,298 to 2,059. Those events belong to different development cohorts; dividing the second count by the first would not measure a completion rate. The official calendar-year observations also do not validate the earlier third-party rolling-year claim of 744 permits.

For unincorporated Placer, the October HCD export reports 552 permits in 2025. The county's March 2026 progress report states 574, including 22 more very-low-income units. The cause of that difference is unresolved. This table uses one export consistently rather than silently combining versions. Neither series represents the whole of Placer County. [32, 33]

The state total is an author calculation from the same file and cleaning rules, not a quoted audited HCD headline. The 2025 income groups show why an overall production count cannot stand in for lower-income access. Even the affordable units in these tables combine tenures and do not establish how many first-time buyers completed purchases.



Figure 15. The California State Capitol in Sacramento at blue hour, August 2018.

Approved financing is not a completed home

The CalHFA Mixed-Income Program's project list supplies concrete examples of the state's affordable housing pipeline. Its developments are rental housing, not an inventory of homes available for purchase. The approvals identify financing milestones rather than verified completion and occupancy dates. [34]

A verified sample of approved rental developments

Project and county	Units	Approval date	Status supported by record
Monarch / Sacramento	241	Mar. 20, 2025	Financing approved; May 2025 groundbreaking
Sierra Vista / Placer	192	May 21, 2026	Financing approved; completion projected May 2028
Julian Street Studios / Santa Clara	305	May 22, 2025	Financing approved; completion projected Aug. 2027
North City Affordable / San Diego	224	Feb. 20, 2025	Financing approved; completion projected Mar. 2027
Sherman / Los Angeles	244	Apr. 16, 2026	Final financing commitment
Victoria Flats / Ventura	104	Apr. 16, 2026	Final financing commitment
Marinwood Plaza / Marin	125	Apr. 16, 2026	Final financing commitment
831 Water Street / Santa Cruz	150	Oct. 16, 2025	Final financing commitment

All are multifamily rentals. Approval dates and units come from CalHFA's project list and reports; projected completion is not observed delivery. Monarch groundbreaking is confirmed by its developer. [34, 87]

A useful housing delivery report ties each project's approved units and affordability restrictions to its later construction, occupancy, and operating status. It records tenure, AMI bands, subsidy, and

the relevant date. For ownership developments, it also records actual sale prices and closed purchases. For rentals, it measures rents, occupancy, and continued affordability.

Evaluate each program against its purpose

Low-income housing tax credits and mixed-income financing primarily support rental supply. Zoning and permit reform expand development capacity, with outcomes depending on financing and market conditions. Fee deferral reduces carrying costs but may not lower the eventual price. Community land trusts preserve affordability through ground-lease and resale structures while limiting some owner appreciation.

Down payment assistance acts closer to a purchase but usually reallocates purchasing capacity across an existing supply of homes. If many buyers receive more purchasing power while inventory remains fixed, part of the benefit may raise bids and flow to sellers. Pairing assistance with attainable supply reduces that risk, although the size of the effect varies by market.

The common evaluation standard is additional, completed, durable housing outcomes per public dollar. Rental security and ownership access are both valuable, but their results should be reported separately.

3 Why existing homes stay off the market

Aging in place changes turnover

Older owners often remain in their homes longer than comparable earlier cohorts. Freddie Mac's February 2019 study estimated that about 1.6 million more homes remained owner-occupied in 2018 than if three older cohorts had exited ownership like earlier generations. The counterfactual attributed roughly 1.1 million to people born in 1931 through 1941, 300,000 to the 1942-through-1947 cohort, and 250,000 to those born in 1948 through 1959. This is a historical model estimate, not a current count of vacant homes or properties withheld from sale. [35]



Figure 16. An older couple paints the porch of their house in Boomer, West Virginia, June 1975.

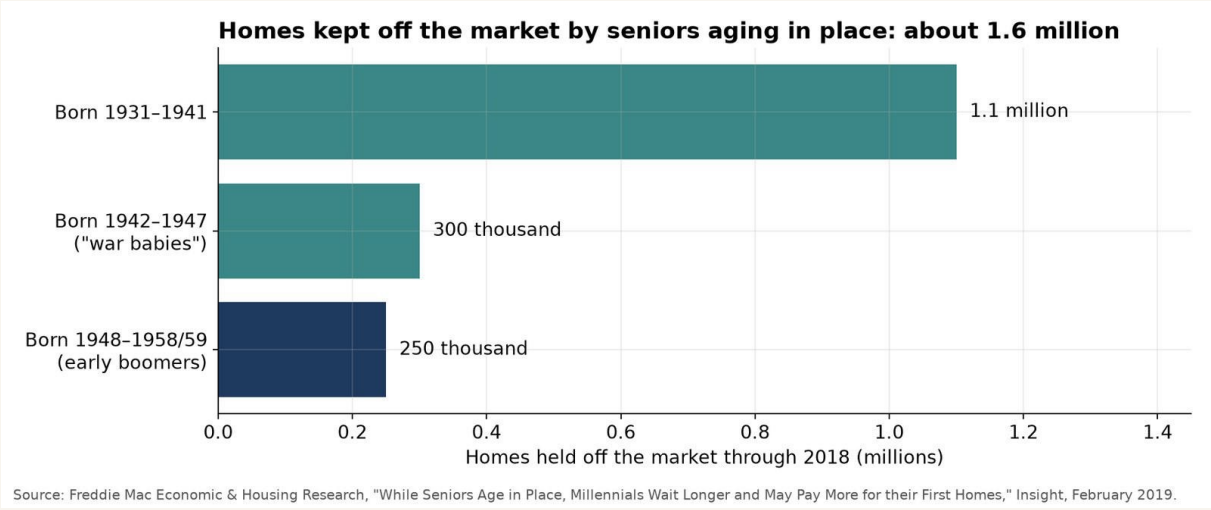


Figure 17. Freddie Mac estimated approximately 1.6 million additional homes retained by older owners through 2018 relative to a counterfactual based on earlier generations. Historical model estimate for 2018, not a current count of vacant homes. [35]

Remaining at home can reflect preference, community ties, a lack of suitable alternatives, taxes, care arrangements, or the cost of moving. A person who stays continues to consume housing. Encouraging an older owner to move is therefore not the same as creating another unit. It changes the distribution of available homes and can release an existing property for another household.

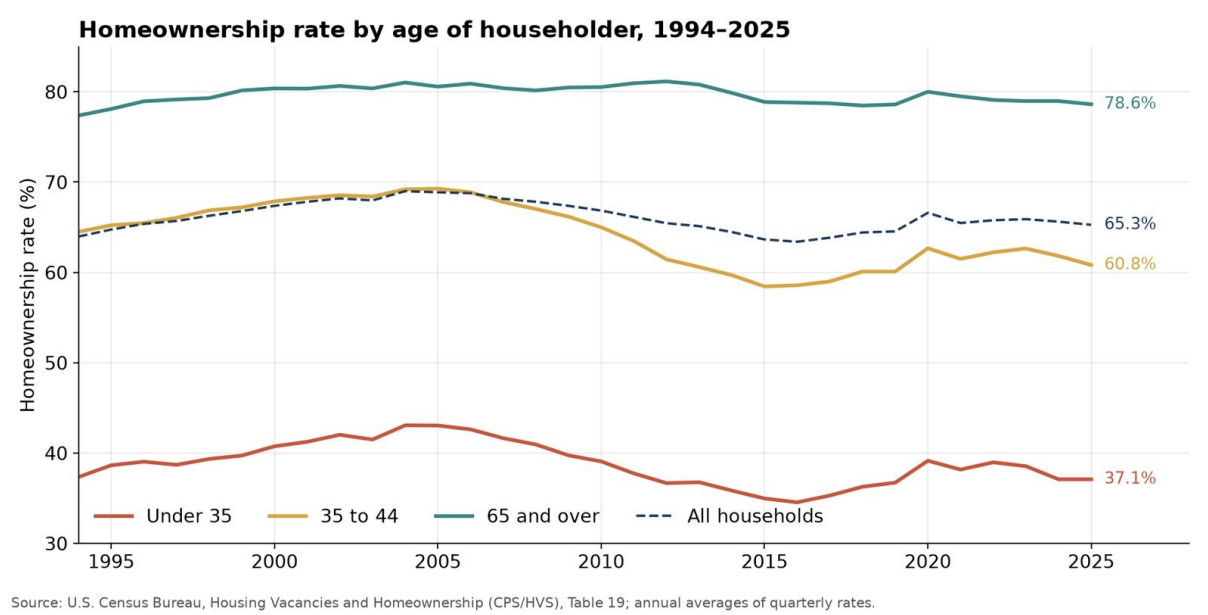


Figure 18. Homeownership by age of householder, 1994-2025. The source exhibit reports 2025 averages of 37.1% for under-35 householders and 78.6% for householders aged 65 and older. The 2025 endpoints are simple averages of quarterly rates. Q4 covers November-December only; the annual under-35 estimate is 37.0%, rather than the plotted 37.1%. [64]

California property taxes influence moving and inheritance

Since April 1, 2021, Proposition 19 has allowed eligible owners age 55 or older, people with severe permanent disabilities, and qualifying wildfire or disaster victims to transfer a principal residence's taxable value to a replacement principal residence anywhere in California, subject to timing and value rules. Age- and disability-based transfers are limited to three per person. Qualifying disaster transfers do not count toward that limit. Claims go to the replacement property's county assessor. [36]





Figures 19 and 20. Left: Residences at Pilgrim Place, a senior community in Claremont, California, April 2023. Right: An established neighborhood in the Briggs Ranch area of Folsom, Sacramento County, May 2012.

The inheritance rules are different. For qualifying parent-child transfers from February 16, 2021, retaining the family home's prior taxable value generally requires the child to use it as a principal residence and meet the filing requirements. The exclusion threshold for qualifying transfers from February 16, 2025 through February 15, 2027 is the prior taxable value plus $1,044,586. A market value above that threshold can produce a partial reassessment. These rules can affect whether a family keeps, occupies, rents, or sells an inherited home, but the evidence reviewed does not measure their net effect on listings. [37]

The cost of giving up a low rate

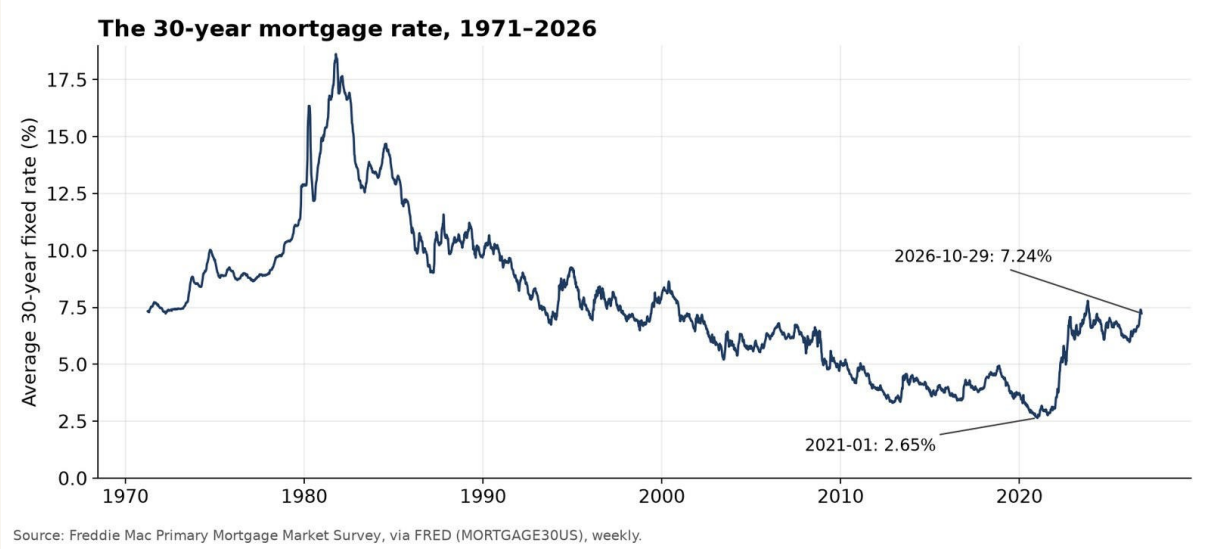


Figure 21. Freddie Mac 30-year fixed mortgage survey rate, 1971-October 29, 2026. The source exhibit marks 2.65% in January 2021 and 7.24% on October 29, 2026. Weekly Freddie Mac survey, not an individual loan quote. The endpoint is October 29, 2026. [38]

An owner with a low fixed-rate mortgage may face a large payment increase after moving, even when the replacement property is similar. That financial incentive to stay reduces the flow of resale listings. It interacts with underbuilding by limiting access to homes that already exist.

The revised August 2024 FHFA study estimates that each percentage-point gap between prevailing and existing mortgage rates reduced the probability of sale by 18.1%. It attributes approximately 1.72 million prevented sales from the second quarter of 2022 through the second quarter of 2024 to lock-in and estimates a 7% house-price effect from the resulting supply restriction. Those are historical model estimates, not a count of missing housing units or a current forecast. [2]

Freddie Mac's weekly 30-year fixed rate was 2.65% in January 2021 and 7.24% on October 29, 2026. For a $300,000 loan over 30 years, principal and interest are about $1,265 at 3% and $2,047 at 7.25%. The roughly $782 monthly difference helps explain why an owner may rationally stay even when a home no longer fits. These payments exclude taxes, insurance, and other ownership costs. [38]

Life events still cause households to move, and the importance of lock-in changes with rates, prices, equity, and time. Policies that increase mobility can help the resale channel. They can also release purchasing demand from the same owners, so additional listings do not translate one-for-one into a net improvement for first-time buyers.



Figure 22. Townhouses under construction in San Jose, June 2010.

Federal rate portability proposals and the mortgage financing system

Mortgage-rate portability could reduce the financial penalty for moving, but it cannot be treated as an immediate, cost-free change to existing mortgages. A workable proposal must identify who controls the loan, how its collateral changes, how investors are treated, and who finances the benefit. The federal proposal most directly addressing this idea is a feasibility-study bill, not an enacted entitlement to retain a low rate.

What the federal bills actually propose

Representative Tom Barrett introduced **H.R. 7754, the Take Your Rate Act of 2026**, on March 3, 2026. It would direct HUD and FHFA to study portability for federally backed residential mortgages, including loans purchased or securitized by Fannie Mae and Freddie Mac. Required subjects include operational feasibility, housing-market effects, federal costs, financial soundness, necessary legal changes, and whether a limited demonstration would be worthwhile. The report would be due 180 days after enactment, not introduction. The bill expressly requests alternatives if portability proves infeasible. As of November 5, 2026, the official status record lists referral to House Financial Services as its latest action. It has not become law and does not itself establish a portability program. [3, 39]

A related but different proposal is Representative Pat Ryan's **H.R. 892, the Mortgage Rate Reduction Act**, introduced January 31, 2025. It would facilitate assumptions through specified FHA and VA second-lien statutory changes, express support for second mortgages in FHA, USDA, and VA programs, and require publication of addresses and origination dates for specified federally supported loans. Its latest recorded action is referral to the Veterans' Affairs Subcommittee on Economic Opportunity on March 5, 2025. It also remains proposed legislation. Its central

mechanism helps a buyer take over financing on the same property; it does not let a seller carry that financing to another house. [40, 41]

What happens after a mortgage funds

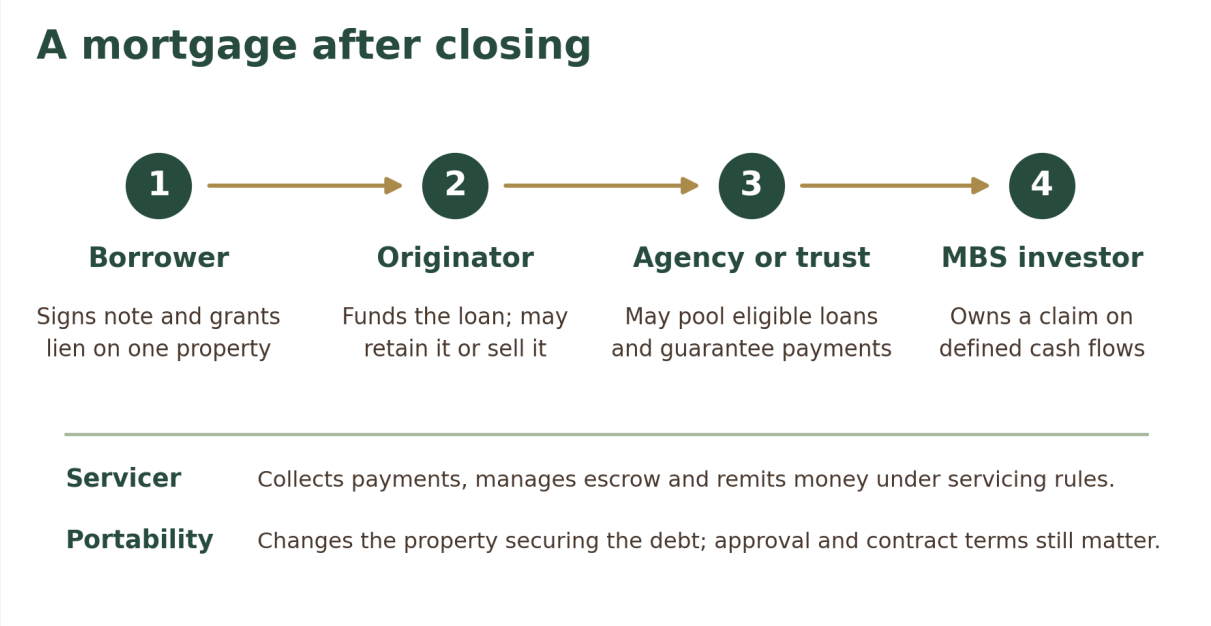


Figure 23. The agency mortgage pathway after closing. Loans may instead remain in portfolio or enter private-label securities. Servicing rights, ownership and guarantees are distinct.

At closing, the borrower signs a **promissory note**, which establishes the debt and repayment terms, and a **mortgage or deed of trust**, which secures that obligation against identified real estate. The interest rate belongs to this contractual loan arrangement. It is not a separate credit that the borrower can automatically attach to any future purchase. Releasing the original house and securing the debt against a replacement house requires legal documentation and a valid replacement lien. [42]

The originating lender supplies the loan funds but may later sell the loan. The **servicer** collects payments, manages escrow, and administers the account; the company appearing on the monthly statement need not own the debt. A lender can retain loans in its own portfolio, but a securitized loan operates within additional contractual arrangements. Keeping the same servicer therefore does not establish that the servicer can approve a collateral exchange. [43, 44]

In the agency securities market, mortgages support **mortgage-backed securities**, or MBS. For example, Fannie Mae holds pooled loans as trustee for trusts whose investors own beneficial interests. Borrower payments support distributions to those investors, while servicing and guaranty arrangements allocate administration, fees, and payment responsibilities. A security may have many investors, but each does not separately administer the homeowner's loan. The governing contracts define the authority of the servicer, trustee, and guarantor. [45, 44]

The institutions should not be conflated. Fannie Mae and Freddie Mac purchase or securitize qualifying mortgages. Ginnie Mae guarantees timely principal and interest on eligible securities issued by approved private institutions and backed by federally insured or guaranteed loans. The loan-level insurance or guaranty and the security-level guaranty perform different functions.

Neither arrangement makes the old interest rate an unrestricted government benefit that follows the borrower. [3, 46]

Why existing contracts prevent a simple universal retrofit

First, the current house is the collateral. A replacement could have different value, title defects, insurance costs, disaster exposure, or occupancy characteristics. Any responsible program would need replacement-property eligibility and valuation standards, lien-priority protection, updated insurance arrangements, and rules for subordinate financing. Maintaining the same borrower and note rate does not establish equivalent credit protection.

Second, an ordinary sale commonly ends the existing financing. Fannie Mae's December 2025 prospectus explains that applicable due-on-sale provisions are generally enforced, or the loan is purchased from the pool, subject to legal and contractual exceptions. Those events return principal to security holders. Portability would instead seek to keep the low-rate obligation alive while replacing its collateral. Existing exceptions for protected ownership transfers or permitted assumptions do not create a general right to move the loan to an unrelated property. [45, 47]

Third, the servicer has limited authority. Fannie Mae's servicing guide restricts changes to MBS loan terms, repurchases, and releases of collateral. It also states that servicing agreements cannot expand authority beyond the trust documents. The prospectus separately says that another mortgage loan cannot simply be substituted for a withdrawn loan. Paying off one mortgage and inserting a new low-rate mortgage into its old pool is therefore not an ordinary administrative transaction. These are concrete contractual obstacles, rather than a claim that every bondholder must individually approve every change. [44, 47]

The restrictions are substantial, but not absolute. Fannie Mae's trust agreement permits certain modifications that are not significant for tax purposes, subject to the servicing contract. Treasury's REMIC regulation expressly allows qualifying collateral substitutions when the obligation remains principally secured by real property under the prescribed tests. Thus, neither "securitized mortgages can never change" nor "REMIC law prohibits every property substitution" is accurate. Any program must establish the applicable authority and conditions for the particular loans and securities involved. Tax permissibility alone does not grant borrowers portability or override servicing restrictions. [45, 48]

The economic cost remains even if legal barriers are solved

MBS investors price both interest payments and the timing of principal repayment. Borrowers may repay early through refinancing, sales, or other events. When rates rise, refinancing generally slows and low-rate loans can remain outstanding longer. Investors already bear this prepayment and interest-rate uncertainty; they are not promised that every mortgage will repay on a particular sale date. Nevertheless, changing the contractual treatment of sales can change expected cash flows and security values. [47, 49]

The economic concern is that portability could remove a source of repayment precisely when investors would prefer their principal returned for reinvestment at higher yields. Borrowers would tend to preserve attractive below-market financing while retaining whatever refinancing

rights the product allows. That option has value. For existing loans, allocating its cost requires more than observing that the borrower continues making the original monthly payment. A payment guaranty does not eliminate the opportunity cost of receiving below-market interest for longer. This is an economic implication of the cash-flow structure, not a finding that portability must destabilize the entire MBS market. [49]

An illustrative calculation shows the funding issue. A $300,000 balance amortizing over 25 remaining years at 3% requires approximately $1,423 monthly principal and interest. Discounting those scheduled payments at an assumed 6.5% annual rate, compounded monthly, produces a value of approximately $210,696. These assumptions exclude prepayment, default, servicing, and guaranty fees; this is not an MBS market quote. Nor is the roughly $89,304 difference an estimate of the incremental loss caused by portability: an existing low-rate loan may already trade below principal. It illustrates why paying off investors at $300,000 and funding a replacement 3% obligation creates an economic gap someone must absorb.

Designs that could work require explicit funding and rules

Prospective portability could be written into new loan contracts and disclosed to investors before purchase. Lenders and investors could price the option, restrict replacement collateral, preserve the remaining term and balance, and charge separately for additional borrowing. A portfolio lender may have fewer securitization constraints, although funding costs and credit risk remain. These are possible product designs, not benefits already established by H.R. 7754.

An authorized exchange or subsidized replacement loan could discharge the existing mortgage and provide new financing with a comparable borrower payment. That approach must identify authority for any pool removal and a source of funding for the low-rate replacement. Borrower fees, lender concessions, guarantor resources, or appropriated public funds would have different distributional consequences. Any public subsidy should be estimated transparently rather than described as simply allowing owners to keep something the lender can provide at no cost.

Assumability remains a separate option: the buyer takes responsibility for the existing loan on the same house. Approval and release-of-liability rules still apply. The equity gap also remains. A $450,000 sale with a $275,000 assumable balance requires another $175,000 before closing costs, from cash or permissible additional financing. H.R. 892 addresses this financing problem rather than property portability. [40, 50]

Finally, better mobility is not equivalent to new housing supply. Research supports mortgage lock-in as an impediment to sales, but a moving homeowner often becomes a buyer elsewhere. Portability could improve matching and release particular homes without adding dwellings or guaranteeing lower prices. Its benefits also initially favor owners who already secured low rates. [2] The defensible conclusion is that universal, immediate portability cannot simply be imposed through routine servicing under today's contracts. Carefully designed products or funded pilots deserve evaluation, but they complement rather than replace construction and measures expanding first-time-buyer access.

Institutional investors and the resale channel



Figure 24. Suburbs outside Phoenix seen from an arriving flight, March 2015.

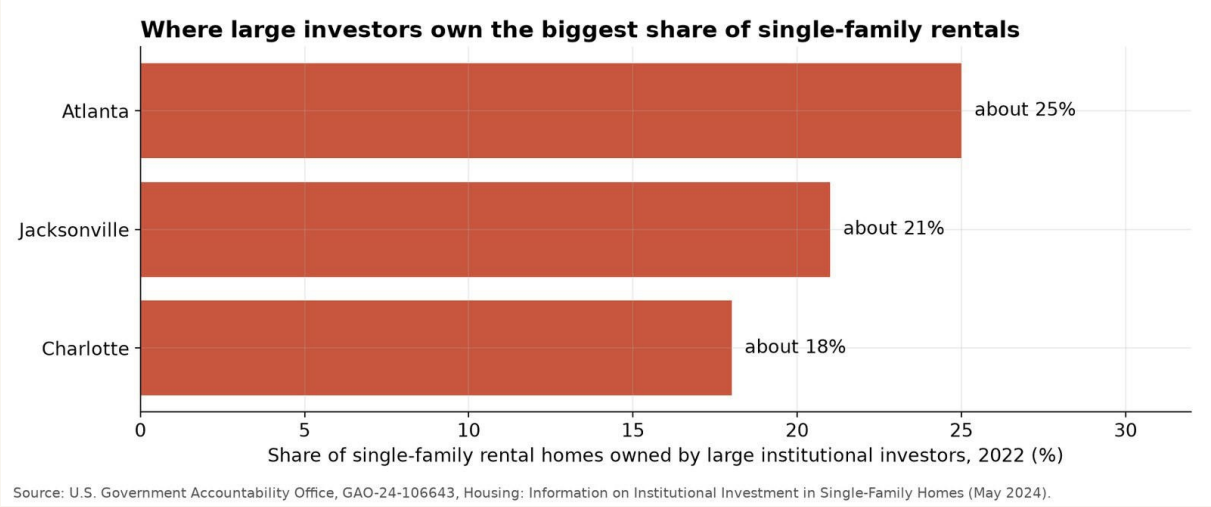


Figure 25. Institutional investors held about 25% of single-family rentals in Atlanta, 21% in Jacksonville, and 18% in Charlotte in the 2022 estimates summarized by GAO. Shares of single-family rentals, not all homes. The 2022 exhibit and the 2026 GAO study use different samples and definitions. [88, 1]

Large investors did not buy most American homes. Their concentration in particular neighborhoods and price ranges nevertheless makes the local resale channel important. A property held as a long-term rental remains housing, but it is unavailable for owner-occupant purchase until sold.

New GAO research published in March 2026 examined institutional investor activity in six selected metropolitan areas. Within that sample, institutional investors held about 4% to 22% of single-family rental homes and less than 1% to 3% of all single-family homes. Annual dispositions never exceeded 8% of their holdings during the study period. These findings support a narrower claim than national market domination: holdings can remain outside the purchase market for

substantial periods where investors are concentrated. The six areas are not a nationally representative sample. [1]

Gross acquisition counts cannot measure the effect on ownership access. Purchases, sales, new construction, property condition, rent levels, and neighborhood characteristics all matter. Build-to-rent developments can add supply even when they add no ownership opportunities. Purchases of existing entry-level homes can change the tenure of the stock without adding a unit. These activities should be evaluated separately.

The available evidence does not establish the causal reduction in starter-home turnover in Sacramento or Placer County. A national or selected-market finding cannot supply that local estimate. The policy implication is to monitor ownership and disposition patterns alongside construction, rather than substitute an investor narrative for the broader supply analysis.

Institutional portfolio sales and access to homeownership

Federal proposals to reduce institutional ownership offer another way to reopen the resale market to households. Their potential contribution is greater access to existing homes, especially where large owners hold entry-level properties. Selling an occupied rental changes its ownership and possibly its tenure; it does not, by itself, add a dwelling. A sound policy therefore needs to expand purchase opportunities while protecting residents who cannot buy. The legislative distinction is also essential: as of November 5, 2026, mandatory portfolio divestiture remains proposed, while a different federal acquisition restriction has become law but is not yet effective. [4, 51, 5, 52]

The proposal requiring annual portfolio divestiture

Representative Anna Paulina Luna introduced H.R. 7221, the **Stopping Wall Street From Competing With Main Street Homebuyers Act**, on January 22, 2026. Its latest official action remains referral to the House Financial Services Committee. The introduced text would prohibit covered funds from purchasing single-family homes beginning 90 days after enactment, require annual divestiture of at least 10% of the single-family homes held at enactment, and prohibit continued holdings, including through a parent or subsidiary, after ten years. The annual percentage refers to the original holdings, rather than a declining balance that never reaches zero. [4, 51]

Coverage is narrower than “all corporations.” The bill applies to registered investment companies, real estate investment trusts, and private funds with more than $500 million in assets under management, or that, during the year before enactment, owned at least 100 U.S. single-family homes or purchased more than five within a 30-day period. Its housing definition includes a residential structure or mobile home containing one family housing unit. The short introduced bill contains no express build-to-rent exemption, tenant purchase priority, affordable resale price requirement, or relocation assistance. Those protections should not be attributed to it. Its sale mandate would operate through amendments to the Investment Company Act, not through the per-home excise taxes proposed in other bills. [4, 51]

Tax incentives for divestiture are different proposals

The **End Hedge Fund Control of American Homes Act**, S. 3402 and H.R. 6608, was introduced on December 5, 2023. Both measures remained at committee referral and expired with the 118th Congress without becoming law. They should be identified as historical proposals, not current requirements. Their mechanism used acquisition and excess-holdings taxes to induce sales. [53, 54, 55]

In the 119th Congress, the related **HOPE for Homeownership** measures, H.R. 1745 and S. 788, were introduced on February 27, 2025. They remain referred to House Ways and Means and Senate Finance, respectively. Their introduced texts would tax covered hedge-fund acquisitions at the greater of 15% of purchase price or $10,000, and impose an annual $5,000 tax per residence above the applicable declining holding limit. For hedge-fund taxpayers, the limit falls from 90% of baseline holdings in the first full taxable year after the statutory baseline date to zero in taxable years beginning more than nine years after that date; other applicable taxpayers retain a 50-home allowance in the schedule. This is a tax-backed phase-down, not H.R. 7221's direct prohibition. [56, 57, 58, 59]

HOPE generally covers partnerships, corporations, and REITs that manage pooled investor funds and act as fiduciaries. Its hedge-fund category starts at $50 million in net value or assets under management, and its housing definition covers one-to-four-unit properties. It excludes qualifying charitable organizations and businesses primarily constructing or rehabilitating homes for ordinary-course sale, with additional property exceptions. Selling to a business entity or someone who already owns another single-family residence would not count as a qualifying reduction. That rule favors buyers without another home, but it does not guarantee that an incumbent tenant receives the property. [56, 57, 58, 59]

A newer proposal, Representative Adam Smith's **Protecting American Homes from Hedge Funds Act**, H.R. 9657, was introduced July 13, 2026 and remains referred to Ways and Means and Financial Services. It proposes a 50% acquisition tax and a $50,000 annual tax per excess residence, subject to its allowances and ten-year phase-down schedule. It covers fiduciary managers of pooled investor funds, while excluding organizations primarily constructing or rehabilitating homes and certain properties, including residences constructed, acquired, or operated with federal appropriations. These exemptions differ from HOPE. Its buyer-certification rules support the exclusion of sales to businesses and existing homeowners. It also directs tax receipts toward state housing-finance-agency assistance for down payments, closing costs, and rate buydowns for households at or below 120% of area median income, prioritizing purchases from covered taxpayers. Spending would depend on appropriations. These provisions strengthen the ownership-access link, but enactment and actual sales remain uncertain. [60, 61]

The enacted federal law does not require an existing portfolio sell-off

H.R. 6644 became the **21st Century ROAD to Housing Act**, Public Law 119-101, on July 11, 2026. Section 1001 generally restricts acquisitions by for-profit entities with direct or indirect investment control of at least 350 single-family homes, with aggregation and exceptions. Its purchase

prohibition and enforcement provisions take effect January 7, 2027. Treasury's October 23, 2026 implementing notice is a proposed rule, not a final regulation. [5, 52, 62]

Crucially, the enacted statute expressly disclaims any requirement to sell homes purchased before enactment. It also permits specified purchases, including build-to-rent and qualifying rehabilitation programs, certain homeownership programs, and qualifying transfers between institutional investors. Its definition generally includes structures with one or two dwelling units but excludes manufactured homes. Thus it neither implements a nationwide 10% annual portfolio reduction nor guarantees that institutional sales will reach owner-occupants. One homeownership-program exception requires a right of first refusal and a 30-day first-look period; this is not a universal right for every tenant. The law also establishes renter outreach and ownership reporting. [5, 52]

What this could mean for Sacramento

Sacramento deserves specific analysis because institutional ownership is demonstrably present, but its scale must be measured correctly. Invitation Homes' filing for the quarter ended September 30, 2026 reports 3,805 wholly owned homes in its **Northern California** market, which includes Sacramento-Roseville-Folsom alongside several other metropolitan areas. That number is neither a Sacramento count nor the total holdings of all institutional owners. The six markets in GAO's 2026 ownership study exclude Sacramento, and its results are expressly nongeneralizable. Neither source supports assigning Sacramento another city's investor share or predicting a local price reduction. [63, 1]

The plausible benefit is straightforward: sales of existing investor-held starter homes to households could expand listings, while accompanying acquisition restrictions could reduce competition from covered purchasers. Benefits would depend on which properties are released, their condition and price, the buyers' financing, and whether sales substitute for transactions that would have occurred anyway. A national divestiture percentage would not ensure an equal percentage of sales in Sacramento, or concentration in the neighborhoods with the greatest unmet demand.

The rental consequences require equal attention. Conversion to owner occupancy reduces the rental stock. If renters become homeowners, rental demand falls too; otherwise, replacement rentals may be needed. Residents unable to qualify for a mortgage could face disruption or displacement even when a sale benefits another household. Tenant notice, enforceable lease protections, purchase counseling, workable purchase priority, and relocation support should accompany any local implementation strategy. These are policy recommendations, not promises contained in every federal bill.

Implementation would also require identifying affiliated owners, tracking baseline portfolios and qualifying buyers, resolving exemptions, and covering inspection, repair, transaction, and enforcement costs. Sacramento should evaluate additional owner-occupied purchases, tenant outcomes, rents, and new construction together. Portfolio divestiture could be a useful complement to construction and mortgage-access reforms, but its success should be judged by additional sustainable homeownership and housing stability, rather than by the number of institutional properties sold alone.

Vacancies measure a different part of supply

The homeowner vacancy rate is vacant for-sale housing divided by the sum of owner-occupied and vacant-for-sale units. It is not the share of occupied homes that are empty. The Census series reached 2.9% in early 2008 and 0.7% in the second quarter of 2023; it stood at 1.2% in the third quarter of 2026. A low rate indicates limited slack in the ownership stock, but it does not count every listing or establish whether a home is affordable. [64]

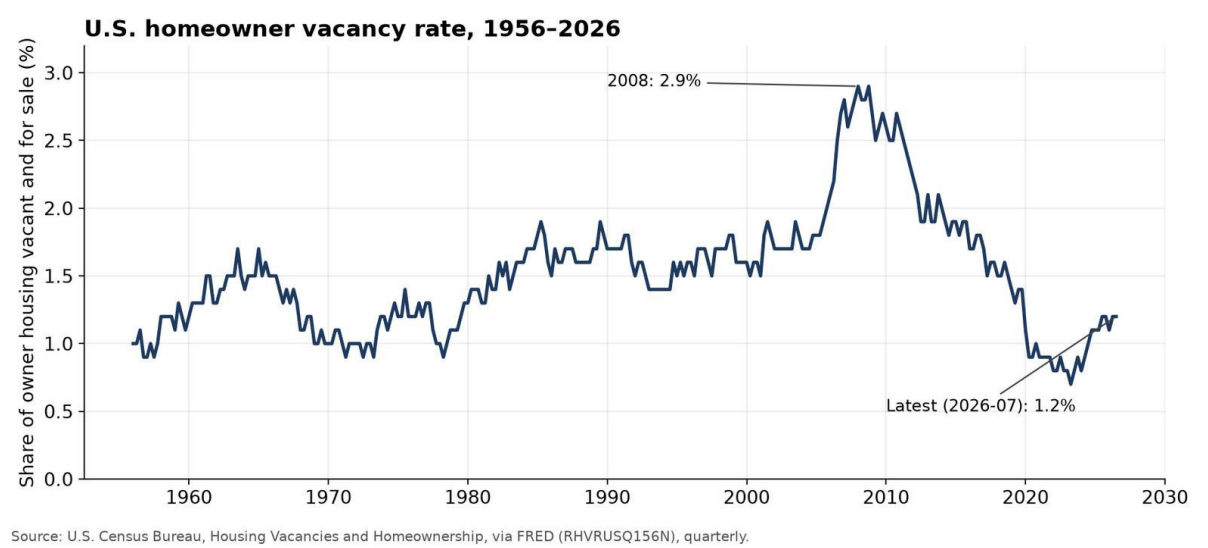


Figure 26. U.S. homeowner vacancy rate, 1956-2026. The source exhibit shows 2.9% in early 2008, 0.7% in 2023Q2, and 1.2% in 2026Q3. The denominator is owner-occupied plus vacant-for-sale housing units, not occupied homes alone. [64]

4 The financial promise and risk of ownership

How ownership can build wealth

A home provides a service the household consumes every day while also functioning as a leveraged asset. Mortgage principal repayment increases the owner's equity if the property value is unchanged. Appreciation, when it occurs, applies to the full property value rather than only the down payment. A fixed-rate mortgage stabilizes principal and interest, although taxes, insurance, maintenance, and association dues can rise.

These benefits are significant but conditional. A 5% decline on a home bought with 5% down can eliminate the initial equity before selling costs. A forced sale can realize that loss even when long-run local prospects remain favorable. Repairs and insurance shocks can create financial stress without a fall in market value. Housing wealth is also less liquid than cash savings and concentrated in one property and local economy.

The Federal Reserve's 2025 Survey of Consumer Finances, released in October 2026, provides updated context. Median net housing value among owners rose from $218,900 in 2022 to $230,000 in 2025, measured in 2025 dollars. The same report found that renters and younger families were among groups experiencing declines in median net worth. These are descriptive outcomes across different households, not proof that purchasing a home would cause every renter to become wealthier. [65]

Tax benefits also vary. A household's filing status, deductions, debt, and eventual sale determine its treatment. Assuming that every dollar of mortgage interest creates a tax saving exaggerates the benefit for households that do not itemize or cannot deduct the full amount. This paper's calculations omit tax advantages rather than assign a benefit that may not exist.

A complete rent versus buy comparison

The following calculation compares the same housing service over four holding periods. It gives the renter credit for investing the cash that the buyer uses for the down payment and closing costs. Each month, whichever household has the lower housing cost invests the difference. Both are assumed able to fund the higher of the two budgets. This equal-budget convention avoids comparing a saving owner with a renter who spends all available cash.

The purchase price is $450,000. The buyer pays 5% down and 2% in purchase closing costs, borrowing $427,500 for 30 years at 6.5%. Initial property taxes are 1.2% of price, insurance is $1,800 annually, and maintenance is 1% of the initial price. Taxes increase 2% a year; insurance and maintenance budgets increase 3%. Private mortgage insurance is modeled at 0.6% of the initial loan annually until the scheduled balance reaches 78% of the original value, assuming current payments. Actual PMI premiums and cancellation rules vary. [66]

The alternative rent starts at $2,400 per month and rises 3% annually. Investments earn an assumed 5% annual effective return. Sale costs are 5% of the eventual home value. No refinancing, taxes on investment returns, housing tax deductions, capital-gains taxes, moving costs, or special

assessments are modeled. These assumptions are deliberately visible because changing them can change the answer. The rent is an illustration, not a verified local comparable.

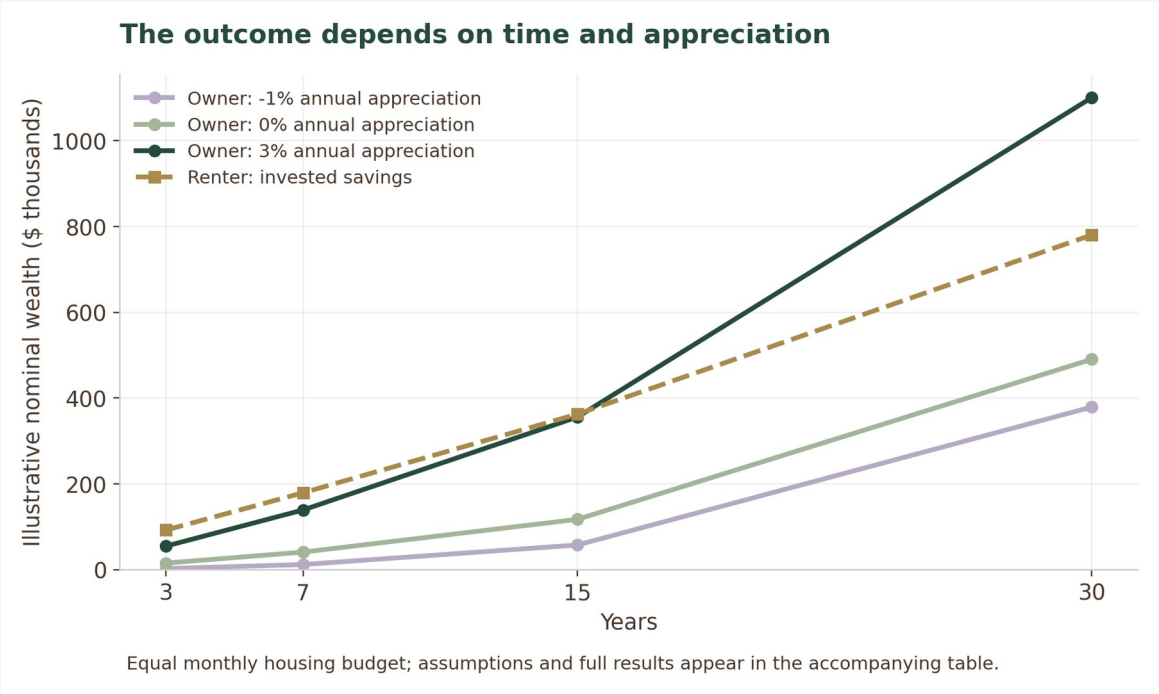


Figure 27. Illustrative rent-versus-buy wealth paths. Assumptions are held consistent with the accompanying table; results are scenarios, not forecasts.

Rent versus buy wealth under different appreciation assumptions

Years	Renter investments	Owner at -1%	Owner at 0%	Owner at 3%
3	$92k	$3k	$15k	$55k
7	$179k	$12k	$41k	$139k
15	$363k	$57k	$117k	$356k
30	$780k	$379k	$490k	$1,101k

Illustrative nominal wealth, including owner net sale proceeds and any investments. All households receive the same monthly housing budget. Renter returns and owner appreciation are assumptions, not forecasts.

At 3% annual appreciation, renting and investing leads in this example at three and seven years, remains slightly ahead at fifteen years, and trails ownership at thirty years. With no appreciation, renting and investing leads at all four horizons. The result does not show that one tenure is universally superior. It shows why an ownership education program must address holding period, transaction costs, savings discipline, and downside scenarios.

The model also assumes reliable investment contributions and the ability to absorb rising expenses. Actual families may not save every monthly difference, and owners may face repair costs far above the maintenance allowance. Conversely, rents may rise faster or suitable rentals may offer less stability. A financially sound decision includes these nonfinancial conditions rather than treating one projected net-worth number as decisive.

5 Affordability is a household budget

Payment sensitivity

Mortgage qualification depends on more than principal and interest. Property taxes, insurance, mortgage insurance, association dues, and other debt all affect the payment ratios. Employment documentation, reserves, credit, property eligibility, and subordinate financing can also change the outcome.

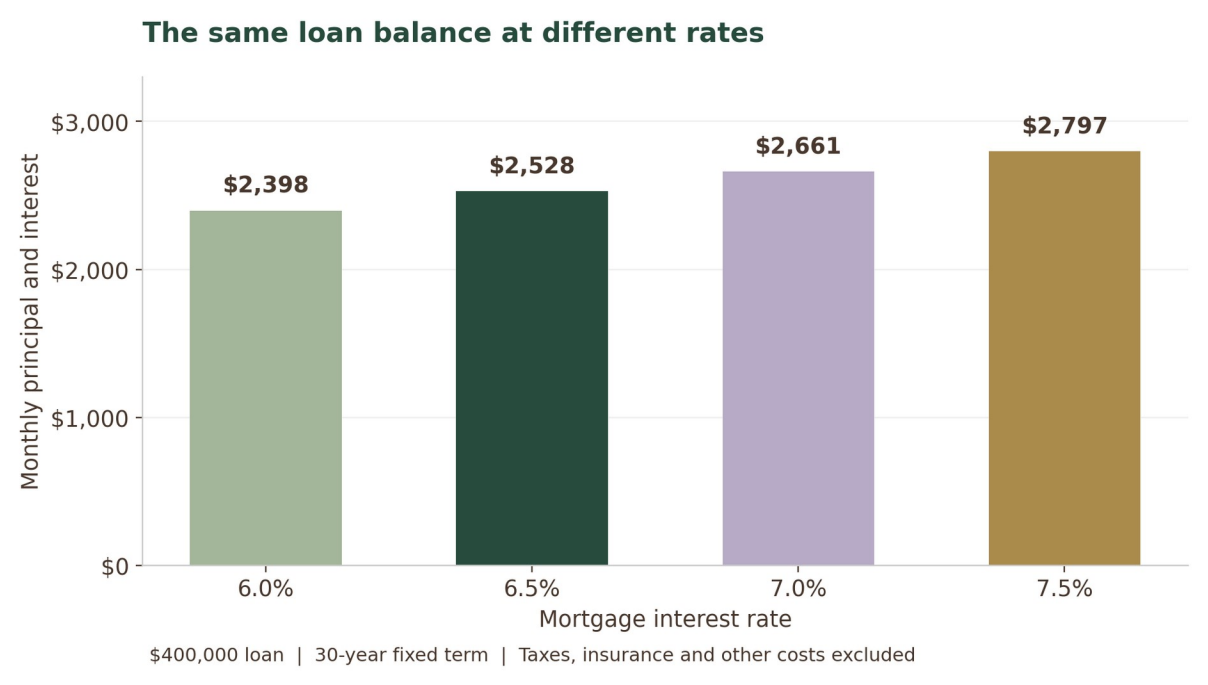


Figure 28. Monthly principal and interest on the same $400,000 mortgage at different fixed rates. Author calculations using a 30-year amortization schedule.

Monthly principal and interest on a 400000 dollar loan

Rate	Monthly payment	Change from 6.5%
6.00%	$2,398	$-130
6.50%	$2,528	$+0
7.00%	$2,661	$+133
7.50%	$2,797	$+269

30-year fully amortizing fixed loan. Excludes taxes, insurance, mortgage insurance, HOA dues, fees and early payoff.

A half-percentage-point change from 6.5% to 7.0% raises monthly principal and interest on a $400,000 loan by approximately $133. That calculation measures sensitivity. It does not identify which policy, economic release, or market force caused a rate change.

An underwriting ratio is an eligibility screen, not a household comfort guarantee. Childcare, transportation, medical expenses, variable earnings, and support for relatives can make an approved payment difficult to sustain. A household budget should retain room for those obligations and for property repairs.

Payment capacity and purchasing power

At a fixed income and ratio limit, a larger down payment or deferred subsidy can reduce the first mortgage and make a purchase feasible. It does not necessarily pay the buyer's required contribution, closing costs, or reserves. A temporary buydown can reduce early payments without improving the permanent obligation or the qualifying payment under the applicable rules.

A permanent buydown and principal reduction use public funds differently. Principal reduction lowers debt directly. A permanent buydown lowers the payment through the loan rate but may deliver less value if the borrower refinances or sells quickly. The appropriate comparison includes the subsidy cost, expected loan life, qualification result, and remaining household equity.

The county examples below illustrate a further problem: a program can permit a sale price that its target household cannot finance. A price ceiling protects a funding program from financing excessively expensive homes. It is not a promise that a household at the income limit can afford every property under that ceiling.

Education that improves decisions

Useful homebuyer education explains amortization, leverage, total monthly costs, emergency reserves, insurance exposure, inspection findings, and exit costs. It also explains how to read a Loan Estimate, compare rate-and-point combinations, and recognize that program eligibility is conditional.

The educational objective is an informed, sustainable decision. A household may reasonably choose to rent while building savings, preserving mobility, or avoiding concentrated risk. Another may value the stability and control that ownership offers despite a modest expected financial advantage. Education serves both households when it makes assumptions and tradeoffs understandable.

6 Assistance and the gap between eligibility and access

Placer County provides a documented case

Placer County's May 2025 program announcement offered up to $100,000 in assistance backed by $2,624,007 in available funds. The total included federal HOME and CDBG funds and California Permanent Local Housing Allocation funds, or PLHA. Applications closed on June 6, 2025 because of volume. These are historical program facts, not current assistance limits. [67, 68]

The county's February 17, 2026 memorandum supplies direct evidence of the implementation problem. Staff had processed 109 applications, and 13 households had been fully approved with a prequalified lender. That is 11.9% of processed applications at that point. It is not a closing rate, a final denial rate, or an estimate of how all applicants eventually fared. [6]

Staff explicitly reported that the old $100,000 ceiling was insufficient for many eligible households. In a November 20, 2025 inventory snapshot, 294 residential listings were active countywide, but only 25 were in unincorporated Placer and priced at or below $581,000. The smaller figure does not establish that every listed home met property standards or was affordable to a particular applicant. It does show how geography and price restrictions sharply narrowed the visible inventory. [6]

The county responded by revising its guidelines in February 2026. The PLHA maximum became $150,000. HOME and CDBG maximums became tied to applicable HOME per-unit subsidy limits rather than a universal $100,000 ceiling. Actual assistance remains subject to documented need and program rules. The county memorandum identified approximately $2.6 million available and a goal of assisting 10 to 20 households over the next three years. [6, 69, 70]

These records support a specific conclusion: the earlier design encountered a financing and inventory mismatch, and the county adopted changes intended to address it. The evidence does not yet establish the number of completed purchases produced by the revisions.

Current Placer rules differ by funding source

Placer assistance rules by funding source

Funding	Four-person income cap	Assistance maximum	Standard housing and total ratios
HOME	$105,100	Applicable HOME per-unit subsidy limit	25-30% / 25-40%; exceptions documented
CDBG	$105,100	Applicable HOME per-unit subsidy limit	25-35% / 25-45%
PLHA	$186,000	$150,000	25-35% / 25-45%

Income limits effective May 26, 2026; guidelines approved February 17, 2026. Assistance depends on need and full eligibility. New applications remain closed per the current county page. [68, 69, 70]

As of November 5, 2026, the county's public page continued to state that new applications were closed, with an interest list available. The current four-person income limits effective May 26, 2026 are $105,100 for HOME/CDBG and $186,000 for PLHA. A household-size-adjusted assistance limit is

not interchangeable with the property-specific AMI threshold used by a mortgage agency for a pricing waiver. [68]

HOME's published housing-payment ratio range is 25% to 30%, with total debt generally limited to 25% to 40% and documented compensating-factor exceptions. CDBG/PLHA guidelines use 25% to 35% for housing and 25% to 45% for total debt. The guidelines require fixed-rate first mortgages, restrict their rate relative to the applicable Freddie Mac benchmark, and prohibit temporary buydowns. These distinctions matter when evaluating a borrower's actual purchasing power. [69, 70]

The historical Placer example explains the mechanism

The county guideline example uses $7,858 in monthly income, a $390,000 price, a $289,570 first mortgage, $11,700 in buyer funds, and $10,416 in closing costs. The purchase gap is $88,730, and adding the closing costs produces $99,146 in assistance. The intermediate purchase-gap number printed in the guideline is inconsistent with its inputs; the calculation here reconciles them. [69]

At 6.5% for 30 years, the stated first mortgage has principal and interest of approximately $1,830 a month. A 30% housing ceiling on $7,858 of income is approximately $2,357, leaving about $527 for taxes, insurance, and other included housing charges. The example is therefore sensitive to nonmortgage expenses as well as the rate.

The example retains a 2024 income limit and does not represent a universal 2026 price ceiling. Higher current limits, revised subsidy caps, different household sizes, buyer assets, and funding-source rules can change the result. Its enduring lesson is that the maximum eligible sale price and the maximum financeable sale price are different quantities.

Santa Clara shows both the benefit and the limits of a larger subsidy

Empower Homebuyers SCC offered deferred shared-appreciation assistance of up to 30% of the purchase price, capped at $250,000, for qualifying households. The historical guidelines required at least 3% buyer contribution, subject to its own-funds rules, and generally limited household income to 120% of the applicable area median income. The assistance reduced the first mortgage but created a future repayment and appreciation-sharing obligation. [71]

The historical $1 million example is straightforward: $30,000 in buyer funds and $250,000 in assistance leave a $720,000 first mortgage before other financed amounts. At an assumed 6.5%, its principal and interest are approximately $4,551 a month. If total housing costs are assumed to be $6,000, the historical 38% housing-payment limit requires approximately $189,474 in annual income. Using only the 45% total-debt limit would understate the required income. This example does not document a denied application or establish program failure. [71]

A 2026 evaluation reports that Empower assisted 91 households with $14.7 million in investment during 2019 through 2025. Those figures are more informative than an early anecdote about roughly 20 loans. The current official page states that the program became fully subscribed, stopped accepting applications, and had a June 30, 2026 sunset date. It remains a useful historical design comparison, but it should not be presented as currently available assistance. [72, 73]

California Dream For All produces purchases at a limited scale

Dream For All is a concrete example of assistance that produces purchases while reaching a limited share of demand. CalHFA announced $250 million for the 2024 round and expected it to help 1,600 to 2,000 households statewide. The program received more than 18,000 eligible applications and issued approximately 1,700 initial conditional awards, roughly one in eleven applicants. Later waitlist awards expanded access, so that initial share is not a final approval or closing rate. [74, 75]

In fiscal year 2024 through 2025, Dream For All financed 1,732 completed purchases with approximately $200 million in assistance. Average assistance was about $116,000 and the average sale price was about $602,000. Those fiscal-year purchases should not be relabeled as a final total for an entire funding round. [76]

Dream For All funding and reach by dated record

Record	Funds described	Households or application outcomes
2023 first phase	$300m initially available; $245m disbursed by Nov. 30	2,182 purchases as of Nov. 30, 2023
2024 round announcement	$250m announced	1,600-2,000 households projected
2024 applicant selection	Conditional awards, not disbursements	Over 18,000 eligible applicants; about 1,700 initial awards
FY2024-25 results	About $200m assistance	1,732 completed purchases
2026 announcement	$300m FY2025-26 appropriation; $150-200m anticipated for new round	About 2,000 additional households projected from appropriation, including waitlist

These figures describe different dates and stages. They must not be added into a cumulative total or divided into a single conversion rate. First-generation eligibility began in Phase 2. [74, 75, 76, 77, 78]

Funding has come through separate state budget appropriations, carryovers, returned reservations, and recycled funds. Application openings occurred in March 2023, April 2024, and February 2026. The record does not establish a guaranteed $250 million appropriation every February. For 2026, CalHFA anticipated $150 million to $200 million for the new application round and separately projected that the $300 million fiscal-year appropriation would support approximately 2,000 additional households, including existing waitlisted borrowers. [75, 77, 78]

Under the current design, all borrowers must meet the first-time-buyer requirements and at least one must meet the first-generation definition. Assistance can reach 20% of the price, capped at $150,000, with future principal repayment and shared appreciation under the agreement. First-generation eligibility began with the second phase rather than the original 2023 launch. A voucher still requires successful mortgage qualification and a qualifying purchase. [75, 79]

A hypothetical $250 million loan pool could support 1,666 full $150,000 loans with $100,000 remaining, or about 2,155 loans at the reported $116,000 average. These are capacity calculations before any other budget deductions, not forecasts. The official 1,600-to-2,000 estimate is the clearest statement of the intended 2024 scale.

The program can materially change a recipient's position while leaving many eligible applicants unserved initially. Applicant demand is a better denominator for that conclusion than California's entire population, which includes people who are not eligible buyers. The statewide number of all financially eligible first-generation households has not been established here.

Other local programs and the importance of funding status

SHRA's published 2024 CalHome fact sheet describes assistance up to 20% of the price, capped at $40,000, as a deferred 30-year second mortgage at 3% simple interest. Those published terms do not by themselves establish that an applicant can obtain funds in November 2026. Citrus Heights' current official page states that homebuying assistance is unavailable because state and federal funding is unavailable. [80, 81]

A useful comparison therefore separates the design of a program from its availability. A closed or fully subscribed program can have served households successfully in an earlier period while offering no immediate route for the next applicant. Conversely, an open program with unspent funds may still face a qualification or inventory constraint.

Assistance design does not establish current availability

Program	Design and reach	Availability at review
Placer FTHB	Need-based deferred loans; 109 applications processed, 13 approvals reported Feb. 2026	Closed to new applications; interest list
Empower SCC	Shared appreciation; 91 households served in 2019-2025	Fully subscribed; June 2026 sunset
SHRA CalHome	2024 fact sheet: up to $40,000 deferred assistance	Current allocation not established
Citrus Heights	Local first-time-buyer assistance	Unavailable for lack of funding
Dream For All	Shared appreciation; 1,732 purchases in FY2024-25	2026 application window closed March 16

Statuses checked November 5, 2026. Approvals, closed purchases and households served are not identical measures. [6, 68, 72, 73, 80, 81, 76, 79]

Measuring delivery without mislabeling attrition

A complete program record follows households from inquiry through application, income eligibility, funding reservation, first-mortgage approval, closing, and post-closing performance. The denominators should remain visible. Approved applications divided by processed applications cannot answer the same question as funded purchases divided by reservations.

Reservation expirations also need reasons. A household may fail to locate a property, encounter an appraisal or title problem, lose employment, withdraw voluntarily, or be denied by a lender. Treating all expirations as mortgage failures would lead to the wrong redesign.

Public reporting can preserve privacy while providing annual counts by funding source, median assistance, purchase price, income, time to close, and coded nonclosing reasons. Tracking loan performance and continued occupancy at two and five years would connect access with sustainability. These are policy reporting standards, not claims that the missing outcomes have already been measured.

7 Mortgage pricing and the cost of credit

What an agency price adjustment represents

Fannie Mae and Freddie Mac apply upfront credit and loan-feature adjustments to certain loans they acquire or guarantee. Lenders may pass those adjustments through as points, a different rate, lower credits, or a combination. An adjustment of 1% of the loan is not a one-percentage-point increase in the mortgage rate.

Agency guarantee fees finance credit losses, administration, and capital. They are distinct from lender margins, servicing income, mortgage insurance, and the investor's required yield. FHFA's 2024 report places the average single-family guarantee fee on enterprise acquisitions at 65.2 basis points. That broader fee measure is not the same as any one borrower's upfront score adjustment. [82]

Calling the entire amount government profit would ignore the guarantee obligation. A sound fairness analysis asks whether pricing is proportionate to remaining risk and whether policy benefits reach the households they are intended to serve.

The verified score comparison

Comparable Fannie Mae and Freddie Mac purchase adjustments

Credit score	Base adjustment	Price on 400000 dollars
680-699	1.375%	$5,500
720-739	0.875%	$3,500
740-759	0.625%	$2,500
780 and above	0.250%	$1,000

90.01-95% LTV; purchase term longer than 15 years. Before waivers and other loan features. These are loan-price amounts, not guaranteed cash fees or rate changes. [7, 83]

The table uses the current Fannie Mae matrix dated September 30, 2026 and the comparable Freddie Mac purchase grid in its November 4, 2026 Exhibit 19. It assumes a term longer than 15 years and an LTV above 90% through 95%, before applicable waivers and additional loan features. The four base cells agree across the two agencies. [7, 83]

For a $400,000 loan, the difference between the 680-to-699 cell and the 780-or-higher cell is $4,500 in price. A particular lender may translate that difference into rate or points differently on different days. Without contemporaneous quotes, it cannot be assigned a reliable monthly payment equivalent.

Fannie's September 30 announcement also changed the interpretation of score models: pricing for Classic FICO and VantageScore 4.0 was aligned for the applicable October 1 deliveries, and the separate VantageScore grids were removed. The earlier assertion that a 680 VantageScore necessarily prices like a 660 Classic FICO is therefore no longer current. [8]

Waivers change who actually pays

Eligible first-time buyers at or below 100% of the applicable AMI, or 120% in designated high-cost areas, can receive broad agency pricing relief. Fannie's waiver generally excludes an applicable minimum-mortgage-insurance-coverage adjustment. Freddie's corresponding fee cap has its own exceptions. HomeReady and Home Possible have additional product-specific rules. A county's expensive housing market alone does not establish the high-cost designation for every transaction. [7, 83]

The base table therefore cannot describe all lower-score first-time buyers. A qualifying waived borrower may not incur the listed score adjustment at all. The more focused policy question concerns otherwise similar households just above and below the income cutoff.

An income cliff arises when a small increase in qualifying income removes substantial pricing relief. For two genuinely comparable loans, a tapered waiver could smooth that discontinuity. Its cost would need to be financed through enterprise revenues, capital, other borrowers, or public resources. A taper should be assessed for borrower savings and distributional effects alongside credit risk.

Mortgage insurance and subordinate financing

Private mortgage insurance transfers part of the default-loss exposure but does not eliminate every risk borne by a guarantor. Coverage limits, claim timing, exclusions, insurer strength, and residual losses matter. The existence of both MI and an agency adjustment is not sufficient evidence of duplicate charging. Evaluating the combined burden requires the insurance contract and the remaining credit exposure.

The current Fannie matrix also excludes qualifying Community Seconds from the subordinate-financing adjustment; Freddie has an analogous exemption for qualifying Affordable Seconds. At the LTV used above, the ordinary subordinate-financing adjustment is 1.875%. The exemption already exists. A local public program should be structured and delivered correctly if it qualifies, rather than assuming that a new exemption must first be created. [7, 83]

Condominium, high-balance, occupancy, and multiunit features can add charges or change eligibility. A borrower-facing comparison should hold those characteristics, lock period, mortgage insurance, and lender constant. The relevant outcome is the total rate-and-cost package, including cash needed at closing, rather than an isolated matrix cell.

Affordability should not be locked in a vault

Government should take a closer look at every cost it can responsibly reduce for a household trying to buy or keep a home. FHA mortgage insurance deserves that attention. When families are stretching to make a payment work, even a modest reduction can create meaningful room in the household spending plan. We should be asking how much protection the insurance fund needs, what the evidence supports, and how much relief can safely reach the people paying into it.

The monthly cost that deserves a closer look

For a typical 30-year FHA loan with more than 95% loan-to-value and a base loan amount of $726,200 or less, the published annual mortgage insurance premium is 0.55%. A simple $400,000 balance illustration puts that cost at about $183 a month. Other loan sizes, terms, and down payments have different premiums. FHA also generally charges a separate 1.75% upfront premium, often financed into the loan. [89, 91]

In its October 14, 2026 affordability roadmap, the Mortgage Bankers Association called for responsibly reducing FHA annual mortgage insurance premiums. MBA illustrated a 20-basis-point reduction saving nearly $800 a year on a $400,000 loan. That is a reduction of 0.20 percentage points, not 20%. Applied to a 0.55% premium, the illustrative new rate would be 0.35%. [92]

$400,000 balance illustration	Annual MIP rate	Monthly MIP
Published rate for the example	0.55%	$183.33
Hypothetical 20-basis-point cut	0.35%	$116.67
Potential difference	0.20 percentage points	$66.67

This isolates mortgage insurance, not the full mortgage payment. Actual premiums follow FHA's balance calculations and applicable schedule. The proposed cut is not an announced benefit. Principal and interest, property taxes, homeowners insurance, and any HOA dues remain part of the household's housing cost.

What could a lower premium mean for a family?

For a future homeowner, a lower monthly premium could reduce the payment from the beginning, ease the strain on the household spending plan, and sometimes improve the debt-to-income calculation used in qualification. It would not turn every unaffordable home into an affordable one. But a policy does not have to solve the entire housing crisis to make a meaningful difference to a family.

A refinance could combine two sources of relief

Current homeowners deserve consideration too. If mortgage rates reach a level where refinancing makes financial sense, a lower interest rate combined with a lower FHA monthly premium could produce more breathing room. That is money a household could put toward savings, other debts, repairs, or everyday expenses. The value should be measured in the family's actual spending plan, not just in a headline rate.

A future premium reduction would not automatically change an existing FHA loan. Eligibility, effective dates, and any treatment of existing borrowers would depend on the policy adopted. A refinance comparison must include closing costs, any new upfront MIP and available refund, the new loan balance, the remaining and proposed terms, and the time needed to recover the costs. Extending the term can lower a payment while increasing total interest. The household must receive a worthwhile net benefit under the applicable loan requirements.

A strong fund should prompt a serious affordability review

HUD reported an 11.47% Mutual Mortgage Insurance Fund capital ratio at September 30, 2025, compared with a statutory minimum of 2%. Its FY2026 second-quarter report listed $205.22 billion in cash and investments at March 31, 2026. These are different measures at different dates. Neither identifies an amount that can simply be distributed to borrowers; the fund must cover insurance obligations and adverse conditions. [90, 91]

Still, those figures warrant a direct public question: what level of reserves is justified by today's risks, and what reduction in borrower premiums could the fund safely support? Calling the fund overfunded is a policy argument that needs analysis. Treating the current premium as beyond reconsideration is not a sufficient answer either.

Open the books. Test the assumptions. Explain the decision.

FHA already undergoes independent actuarial review. I am calling for a closer, transparent examination of the reserves, projected foreclosures and insurance claims, expected losses, and the assumptions used to justify today's premiums. Publish updated stress tests. Show how projected losses compare with actual experience. Explain what would support a premium reduction and what would rule it out. [90]

Delayed claims need scrutiny, not guesswork

HUD's FY2026 second-quarter report says loss-mitigation changes taking effect in October 2025 could delay claims by six to twelve months. Year-to-date claims were below forecast, while net loss severity was above forecast. Lower claims to date therefore cannot be treated as proof that future losses have disappeared. These uncertainties belong in the review, alongside the potential household benefit of lower premiums. [91]

A September 24, 2026 HousingWire interview reported that acting FHA Commissioner Joe Gormley considered the current single-family premium structure appropriate while officials continued evaluating capital and market conditions. That interview preceded MBA's October proposal. It was not a formal denial of that proposal. FHA is part of HUD; FHFA oversees Fannie Mae and Freddie Mac and is not the agency setting FHA mortgage insurance premiums. [93]

The public deserves a clear explanation of the tradeoff between protecting the fund and making payments more affordable. Safeguarding taxpayers and improving affordability should be evaluated together. If an updated, independent review supports a responsible reduction, government should act. Keeping a lock on the vault of affordable payments should not become the default simply because the current structure is familiar.

For buyers hoping to get in and homeowners trying to stay financially secure, a smaller required monthly payment can matter. Put the fund's strength, projected losses, and borrowers' household spending plans on the same table. Then make the decision with evidence, transparency, and the purpose of FHA firmly in view.

Sources for this Chapter 7 addition

[89] HUD, Mortgagee Letter 2023-05, annual FHA mortgage insurance premium schedule

[90] HUD, FY2025 MMI Fund results and independent actuarial review, January 2, 2026

[91] HUD, FY2026 Q2 MMI Fund report, data at March 31, 2026, pp. 12-15

[92] MBA, Affordability in Action policy roadmap announcement, October 14, 2026

[93] HousingWire, Ginnie Mae's Gormley signals no change to FHA MIP for now, September 24, 2026 (direct interview)

8 Employment data and mortgage rates

The institutional pathway

The Bureau of Labor Statistics produces employment estimates. The Federal Reserve sets monetary policy. Mortgage lenders and financial markets price expectations about inflation, growth, policy, Treasury yields, mortgage-backed securities, and other risks. These institutions interact, but they do not perform the same function.

Preliminary payroll estimates are revised as more employer reports arrive and are later benchmarked to more comprehensive administrative records. A benchmark correction can change the picture of the economy that was available in real time. It does not by itself show that officials deliberately manipulated the data or that a particular borrower was charged an identifiable excess rate.

A consistent record of benchmark revisions

Payroll benchmark revisions with consistent definitions

March year	Preliminary NSA	Final NSA comparison	Final SA level
2021	-166	-7	+374
2022	+462	+506	+568
2023	-306	-187	-266
2024	-818	-598	-589
2025	-911	-861	-898
2026	-79	Not final	Not final

Thousands of jobs. NSA means not seasonally adjusted; SA means seasonally adjusted. Final NSA comparison removes scope changes. March 2025 headline NSA revision is -862,000. March 2026 remains preliminary. [9, 10, 86]

The table uses March benchmark years rather than publication years. Its final unadjusted comparison removes scope changes, following BLS's historical technical table. For March 2025, the headline unadjusted level revision was minus 862,000, while the historical comparison was minus 861,000 after a 1,000-job reconstruction adjustment. The seasonally adjusted level revision was minus 898,000. All three figures can be correct when their definitions are stated. [9, 10]

The record includes an upward revision in 2022 and downward revisions in 2023 through 2025. It does not support describing each of those three years as a 0.4% to 0.6% overstatement of annual job growth. A benchmark percentage concerns the employment level at a point in time, not a percentage of that year's job growth. The March 2026 preliminary adjustment was minus 79,000, with a final benchmark scheduled for February 2027. [9, 10]

What announcement studies establish

George Perry's study of releases from 1994 through mid-2004 found that payroll surprises explained a substantial share of Treasury yield changes in a narrow announcement window. The

surprise was the difference between the initial release and the forecast available beforehand. It was not the eventual benchmark revision. The same paper found no consistent effects for the two- and ten-year maturities over a full-day window, an important limit on claims about persistence. [11]

More recent San Francisco Fed research, published in February 2025, examines rolling responses to payroll and inflation surprises from 2014 through January 2025. It finds that Treasury sensitivity to payroll news increased sharply in early 2024. That evidence supports the transmission mechanism and shows why a single constant response coefficient is inadequate. It does not identify a counterfactual mortgage-rate path. [12]

The strongest supported conclusion is that unexpected employment news can affect market yields. Determining whether inaccurate initial data caused a lasting mortgage-rate premium requires further identification. Markets also respond to inflation, wage data, Federal Reserve communications, Treasury supply, and changes in risk premiums. Lender hedging and mortgage spreads add another layer between a Treasury price move and a borrower's lock.

Why a borrower loss estimate remains unestablished

The sharp mortgage-rate rise in 2022 coincided with inflation and monetary tightening, while that year's March employment benchmark was later revised upward. This timing weakens an explanation that attributes the entire rate increase to payroll overstatement. It does not rule out incremental effects on particular release days.

A defensible causal estimate would separately establish the unexpected information, the yield response, its persistence, the pass-through to mortgage quotes, and the number and duration of affected loans. Treating final revised data as if traders possessed them at the initial release would introduce look-ahead bias. Multiplying a temporary yield change by 360 payments would also exaggerate losses for loans refinanced or repaid earlier.

The payment table in Section 5 is consequently a sensitivity calculation. The paper does not assign its half-point scenario to BLS errors. The policy response supported by the evidence is stronger data collection, transparent vintage comparisons, and clear explanation of uncertainty while preserving statistical independence.

9 The inheritance of the housing crisis

Financial losses and learned beliefs can coexist





Figures 29 and 30. Left: A deserted house during the foreclosure crisis, August 2008. Right: Bidders at a foreclosure auction, February 2007.

A family foreclosure can remove assets, damage credit, disrupt schooling or employment, and reduce the ability to help the next generation with a down payment. It can also change what children believe about debt, lenders, and housing security. Those channels may reinforce one another, but they are not interchangeable.

Nicholas Fritsch and Rawley Heimer's Cleveland Fed study follows 53,040 children linked to adult guardians through credit records. By age 30, approximately 50% of children from households without parental mortgage distress had purchased a home, compared with 37% from households with mild distress. The 13-percentage-point gap is descriptive evidence in that sample. Purchases are inferred from mortgage borrowing, which does not measure cash purchases in the same way. [84]

The study cannot fully distinguish changes in beliefs from family wealth, transfers, credit access, or children's incomes. Its participants entered the sample at ages 19 to 22 during 1999 through 2004. They are not a direct survey of today's entire first-time-buyer population. The result establishes a relevant intergenerational association, not a national estimate of fear caused by the 2008 crisis.

Boston Fed research by Anat Bracha and Julian Jamison provides complementary evidence on attitudes. Using 2011 survey responses, it found that personal or close secondhand real-estate losses were associated with lower confidence in homeownership among younger respondents, while the pattern differed for older respondents. Some of the age-split estimates were only marginally statistically significant. The study does not establish that information has no value or that all younger adults learned the same lesson. [13]

Experience can change housing choices in different directions

Malmendier and Wellsjo's published work on inflation experience finds that people with greater lived inflation exposure are more likely to own, particularly where fixed-rate mortgages are

common. The result supports an experience-based explanation of housing choices, but its direction is increased ownership demand and its exposure is inflation rather than foreclosure. [14]

Happel and coauthors' study of wartime housing destruction in Germany finds lower ownership decades later among exposed cohorts, with evidence favoring changed housing attitudes over several alternative explanations. That historical setting offers a useful example of persistent experience effects. It cannot quantify the consequences of the U.S. foreclosure crisis. [15]

Together, these studies justify including beliefs in housing analysis while resisting a single generational story. Some adults become cautious after family distress; others become more determined to own. Some want to buy but cannot qualify. The same person can belong to more than one of those groups.

Different barriers need different responses

A financially blocked aspiring buyer needs help with the actual constraint: income, cash, credit, price, or suitable inventory. Neutral counseling may improve preparation but cannot substitute for an affordable home. A financially ready but hesitant buyer may benefit from transparent downside scenarios, a realistic maintenance budget, reserves, and a clear explanation of loan obligations. A renter who values mobility or prefers a different investment strategy may need no intervention at all.

These categories are practical distinctions rather than diagnoses. The evidence does not establish a prevalence of PTSD among prospective buyers or the number deterred by inherited fear. Calling every cautious renter traumatized would disregard rational risk assessment and the diversity of family experience.

The most informative evaluation would measure present financial readiness separately from stated intentions and childhood exposure. Even after matching on income and observed parental wealth, unobserved differences may remain. A remaining association is not automatically a pure psychological effect. Appendix B supplies a concrete measurement framework and the conditions required for a causal interpretation.

10 Families buying together

Shared resources can expand access

Family co-purchasing can combine documented income and savings, accommodate caregiving, and support multiple generations under one roof. It may also be a preferred living arrangement independent of financial necessity. Multigenerational occupancy, multiple borrowers, gifts, and joint ownership describe different arrangements and should not be counted as the same behavior.

NAR's 2025 buyer profile reports that 14% of surveyed buyers purchased a multigenerational home, compared with 17% in the prior profile. Among those multigenerational buyers, 41% cited care for aging parents and 29% cited cost savings. These are reported motivations among successful buyers, not proof that every family needed additional borrowers to qualify. [20, 85]

The financial mechanism is clear. Additional qualifying income can reduce the combined debt-to-income ratio, while a gift can reduce the loan or cash gap. The lender must still apply the rules for income, gifts, occupancy, and nonoccupant borrowers. A home with an ADU or flexible layout can make shared living workable without guaranteeing that projected rental income can be used to qualify.

Shared liability requires an exit plan

Before purchasing together, the parties need clear advice about title, ownership percentages, responsibility for payments and repairs, occupancy rights, buyouts, inheritance, disability, divorce, and refinancing. Leaving the property does not necessarily release a borrower from the debt. Removing someone from title also does not automatically remove mortgage liability.

A co-purchase can spread a housing opportunity across a family, but it can spread losses and obligations too. Legal and tax advice should be specific to the parties and jurisdiction. An affordable monthly payment is only one part of a sustainable arrangement.

For evaluating whether family pooling changed access, the useful comparison is the same loan with and without the additional qualifying income or assets. The result should identify the constraint relieved, such as debt ratio, down payment, or reserves. It should distinguish necessary pooling from a household that could have bought independently but chose to live together. No national prevalence estimate follows from practitioner anecdotes alone.

11 A household model of access and resilience

Scope and assumptions

The following completed calculation applies common payment assumptions to six illustrative households. It demonstrates how reforms overlap; it is not a population estimate or a lender's underwriting decision. Prices are deliberately chosen examples rather than current county medians or lower-quartile listing prices. Case B uses an income equal to Placer's current four-person HOME/CDBG limit, but no case is represented as program-approved.

All cases begin with 5% down, a 30-year fixed mortgage at 6.5%, taxes at 1.2% of price annually, $150 monthly insurance, no HOA dues, and $400 in other monthly debt. Mortgage insurance is assumed to cost 0.6% of the initial first-mortgage balance annually when first-lien LTV exceeds 80%, and zero otherwise. The insurance rate is a modeling input, not an insurer quote. Actual subordinate financing, credit score, coverage, lender overlays, and property characteristics may change eligibility or pricing.

A case passes the illustrative payment screen if housing expenses do not exceed 36% of gross income and total debt does not exceed 43%. These are research thresholds, not universal agency limits. The model assumes enough savings for 5% down, 2% closing costs, and at least three months of housing expenses. Assistance is a hypothetical $100,000 deferred second with no current payment; it reduces the first mortgage and remains repayable. It is not a promise of an available program or a grant.

The model tests a 10% lower price, a half-point lower rate, assistance alone, and $30,000 in additional qualifying family income with no additional debt. The combined scenario applies all four. A price reduction represents access to a cheaper comparable housing option, not a forecast that a policy will reduce market prices by 10%.

Baseline household payment cases

Case	Annual income	Price	Housing per month	Housing ratio
A	$84,000	$400,000	$3,142	44.9%
B	$105,100	$450,000	$3,516	40.1%
C	$150,000	$550,000	$4,264	34.1%
D	$150,000	$650,000	$5,012	40.1%
E	$200,000	$800,000	$6,134	36.8%
F	$210,000	$1,000,000	$7,630	43.6%

Illustrative cases. The payment screen is housing at most 36% and total debt at most 43%; this is not lender or program approval.

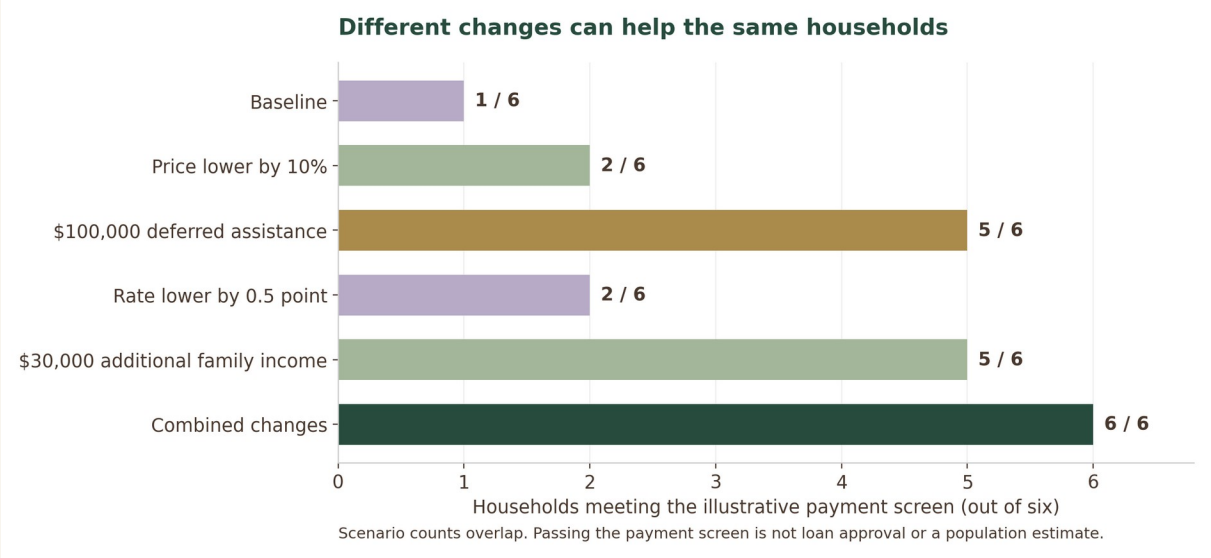


Figure 31. Six illustrative household cases under separate and combined changes. The groups overlap, so the scenario gains cannot be added.

How the same households benefit from multiple changes

Case	Baseline	Price -10%	DPA 100k	Rate 6.0%	Income +30k	Combined
A	Above	Above	Pass	Above	Pass	Pass
B	Above	Above	Pass	Above	Pass	Pass
C	Pass	Pass	Pass	Pass	Pass	Pass
D	Above	Above	Pass	Above	Pass	Pass
E	Above	Pass	Pass	Pass	Pass	Pass
F	Above	Above	Above	Above	Above	Pass
Passing	1 / 6	2 / 6	5 / 6	2 / 6	5 / 6	6 / 6

Pass means within the illustrative payment screen. Above means at least one ratio exceeds it. Cash, credit, program availability and property eligibility still require separate verification.

What the results demonstrate

Only one of the six cases passes the baseline screen. A lower price or half-point rate reduction raises that number to two. Assistance alone brings five cases within the screen, as does added family income. Combining the changes brings all six within it. The result is five additional passing cases relative to baseline, not the sum of each separate scenario's gains.

The same mechanism can help one household but leave another constrained. Case F still exceeds the housing ratio after assistance alone or family income alone; it passes the combined scenario. Case C already passes and should not be counted as newly enabled by every reform that improves its payment.

These results cannot establish that assistance is always more effective than rate changes. The subsidy amounts are not cost-equivalent, prices and incomes are selected illustrations, and added family income creates legal and personal obligations. The loan price needed for a half-point rate

reduction is also unspecified. A cost-effectiveness comparison would divide the public cost by additional sustained purchases under comparable designs.

Cash and resilience can reverse a payment result

A household with 3% or 5% of the purchase price saved cannot fund the modeled 5% down payment plus 2% closing costs without another allowed source. At 10% savings, the examples leave 3% of the price after closing, sufficient for three months of the modeled baseline housing expense. A different reserve standard, higher insurance, or an HOA assessment could change that result.

The stress test reduces gross income by 10% and increases taxes and insurance by 10%, leaving the other assumptions unchanged. Among the cases that pass the baseline screen, Case C's housing ratio rises from 34.1% to approximately 38.5%. Under the combined scenario, all six remain below 34% on that stressed housing ratio. These are conditional calculations; they do not include maintenance, loss of a whole co-borrower's income, or an additional family debt.

A separate six-month reserve standard is materially stricter than the three-month standard. Approval and resilience should therefore be reported as separate outcomes. A household may qualify yet have too little liquidity for a major repair or temporary income loss.

What a population estimate would require

Estimating additional households in Sacramento, Placer, or Santa Clara requires representative household weights, verified local inventory, property-specific program limits, and actual rate and MI quotes. Credit scores cannot be translated into monthly payments with a generic conversion from agency points. Local assistance income limits cannot substitute for Fannie or Freddie AMI calculations.

Without those inputs, multiplying these six examples by county household counts would create false precision. The completed model instead establishes the calculation logic, identifies binding constraints, and demonstrates why combined policy gains must be deduplicated.

12 A practical reform agenda

Expand attainable ownership supply

Local governments can allow more modest lots and attached homes, preapprove appropriate small-home designs, streamline infill approvals, and connect development with infrastructure. Manufactured housing and well-managed condominium ownership can broaden options where financing and insurance are workable.

These changes should retain safety and environmental protections while making delays and costs visible. The performance record should show completions by structure type, size, tenure, and affordability relative to local income. Additional capacity on a map is an intermediate result. The lasting benefit is a suitable home that a household can occupy or purchase.

Make assistance reflect real purchasing power

Programs should publish a dated borrower example that includes full housing expenses, debt, cash, assistance repayment terms, and the actual underwriting limits. They should report both the permitted price ceiling and the lower price supported by representative household budgets when those differ.

Placer's revisions illustrate the kinds of changes available: higher need-based assistance, funding-source coordination, and administrative adjustments. The tradeoff is that larger assistance can reduce the number served by a fixed budget. The decision should be guided by closings and sustained ownership, including whether smaller awards leave too many households unable to purchase at all.

Shared appreciation can recycle public capital and broaden initial access, but borrowers need a clear explanation of repayment at sale, refinance, or other triggering events. A program should report both homes purchased and the equity buyers retain over time.

Review pricing cliffs and improve disclosure

Agency pricing reform should focus on discontinuities and net risk rather than assume every differential is unfair. A tapered AMI waiver can be tested against the current threshold with transparent costs and distributional effects. Correct use of existing Community Seconds and Affordable Seconds rules can prevent avoidable subordinate-financing charges where the transaction qualifies.

Borrowers should receive an understandable comparison of total points, credits, rate, insurance, and monthly payment. Publicly available pricing matrices remain useful, but consumer understanding depends on how those inputs appear in the offered loan.

Improve economic data without politicizing revisions

BLS needs sufficient capacity to collect, reconcile, and explain reliable statistics. Public vintage tables should make the difference between initial estimates, monthly revisions, and annual

benchmarks easy to see. Analysts should disclose the data available when a market or policy decision occurred.

Independent evaluation can examine announcement effects without presuming manipulation. A finding of a small, temporary, or statistically uncertain effect would still improve understanding. Confidence in statistical institutions is better served by accurate definitions and reproducible methods than by treating every revision as evidence of bad faith.

Support informed ownership and safe co purchasing

Education should help households compare renting and owning, plan for repairs, understand insurance, and decide how much risk they can bear. It should acknowledge the experience of families harmed during the crisis without using that history to pressure them into purchasing.

Families considering joint purchases need legal and financial planning that addresses exit as carefully as entry. Programs and lenders can make those resources more accessible while maintaining prudent qualification standards and clear liability disclosures.

Test mobility reforms with transparent costs

Voluntary portability pilots and improvements to assumption processes may release some resale inventory. Their evaluation should include the equity gap, investor consent, collateral quality, credit performance, and whether listings rise more than purchasing demand. Benefits to incumbent owners should not be assumed to translate directly into greater access for first-time buyers.

Implementation and public accountability

A practical first stage is a shared reporting standard among participating agencies and jurisdictions. Within the first 90 days of a pilot, the program sponsor would establish baseline counts, current guidelines, household scenarios, and a privacy-protective outcome record. The next six months would test administrative changes and publish reservations, approvals, closings, completion milestones, and reasons for attrition. A twelve-month review would compare results with the baseline and determine whether the design should continue, change, or stop.

This timetable is a recommended pilot sequence, not an agency commitment. Longer-run evaluation must follow affordability restrictions, delinquency, displacement, and household equity. Where an outcome depends on economic conditions outside the program, the evaluation should use an appropriate comparison and disclose uncertainty.

Conclusion



Figure 32. Sacramento skyline and the Tower Bridge over the Sacramento River at dusk, August 2024.

The housing problem is cumulative. Years of weak construction reduced the stock of attainable homes, while financing costs and limited resale inventory made access harder. Households without family wealth face additional cash barriers. Some also carry memories of foreclosure or financial loss that influence how they judge a mortgage today.

The evidence supports a response that connects these problems. Build more suitable homes, align assistance with actual purchasing power, make pricing transparent, and help families evaluate ownership with realistic budgets and reserves. Programs such as Dream For All demonstrate that substantial assistance can produce real purchases while reaching only a limited share of the demand presented to them. Their value and their scale constraints should both remain visible.

Success is measured in households obtaining appropriate homes and staying secure after closing. That standard is more demanding than a funding announcement or a mortgage approval, and more useful to the working families this paper aims to serve.

Appendix A National construction and household estimates

The annual series below uses Census housing starts and completions, together with the Census Housing Vacancy Survey's estimated occupied housing units. Values are thousands of units. Household change is the difference between successive annual occupied-unit estimates, not an independently measured flow of newly formed households. [24, 25]

National housing construction and household estimates

Year	Starts	Completions	Occupied units	Household change
2000	1,568.7	1,573.7	102,584.0	Not calculated
2001	1,602.7	1,570.8	103,948.0	1,364.0
2002	1,704.9	1,648.4	105,319.0	1,371.0
2003	1,847.7	1,678.7	106,111.0	792.0
2004	1,955.8	1,841.9	107,606.0	1,495.0
2005	2,068.3	1,931.4	109,484.0	1,878.0
2006	1,800.9	1,979.4	110,693.0	1,209.0
2007	1,355.0	1,502.8	111,258.0	565.0
2008	905.5	1,119.7	111,672.0	414.0
2009	554.0	794.4	112,295.0	623.0
2010	586.9	651.7	112,902.0	607.0
2011	608.8	584.9	113,544.0	642.0
2012	780.6	649.2	114,559.0	1,015.0
2013	924.9	764.4	115,286.0	727.0
2014	1,003.3	883.8	116,371.0	1,085.0
2015	1,111.8	968.2	117,781.0	1,410.0
2016	1,173.8	1,059.7	118,790.0	1,009.0
2017	1,203.0	1,152.9	119,842.0	1,052.0
2018	1,249.9	1,184.9	121,367.0	1,525.0
2019	1,290.0	1,255.1	122,762.0	1,395.0
2020	1,379.6	1,286.9	125,884.0	3,122.0
2021	1,601.0	1,341.0	126,790.0	906.0
2022	1,552.6	1,390.5	128,645.0	1,855.0
2023	1,420.0	1,448.8	130,302.0	1,657.0
2024	1,367.1	1,626.9	131,670.0	1,368.0
2025	1,355.8	1,488.5	132,820.0	1,150.0

Thousands of units. Census revised series downloaded November 5, 2026. Household changes are affected by survey controls and methodological differences; see notes below. [24, 25]

Census's revised series begins in 2000, so no 2000 change is calculated here. The 2000 occupied estimate averages the second and third quarters. Later changes in survey controls affect comparability, particularly around 2020. The 2025 household estimate uses eleven months because October data were not collected during the federal funding lapse. The period average for 2000 through 2007 therefore contains seven household changes, while its construction average contains eight annual observations.

Completions exclude manufactured homes and are gross additions rather than changes in the total stock after demolition and conversion. Required vacancies, second homes, regional mismatch, and suppressed household formation are outside this subtraction. The exhibit describes the historical construction recovery; it does not compute the national shortage.

From January through September 2026, the revised Census monthly series records 969,600 completions, compared with 1,108,800 in the same nine months of 2025, a decline of 12.6%. These figures are preliminary year-to-date observations, not a full-year result. [24]

Appendix B Methods and measurement

Mortgage calculations

For a fully amortizing loan, the monthly payment equals the initial balance multiplied by the monthly interest rate, divided by one minus the reciprocal of one plus that rate raised to the number of payments. Mortgage illustrations use 360 monthly payments except the portability valuation example in Section 3, which uses 300 remaining payments. Dollar figures in the tables are rounded after calculation.

The rent-versus-buy calculation applies monthly mortgage amortization and end-of-month investment contributions. Annual cost increases take effect at each anniversary. The investment account compounds at the monthly equivalent of a 5% annual effective return. Owner wealth equals the net sale proceeds after the remaining mortgage plus any invested monthly savings. Renter wealth equals invested initial cash plus accumulated monthly savings. Principal repayment is reflected in the loan balance and is not counted a second time as separate savings.

The housing-price scenarios are annual appreciation of minus 1%, zero, and 3%. Maintenance follows the same budget path in all three cases, rather than assuming a price decline makes repairs cheaper. Property taxes follow the stated 2% cost path. These simplifications isolate the valuation effect; they are not a parcel-specific California tax calculation. In the first mortgage-only model, PMI ends when the scheduled balance crosses the modeled 78% threshold; no early cancellation from appreciation is assumed.

The household screen uses first-mortgage balance equal to 95% of the modeled purchase price minus the hypothetical assistance. Housing expense includes principal, interest, property tax, insurance, and modeled MI. Total debt adds $400 monthly. Deferred assistance has no current payment in the illustration but remains a liability. Shared appreciation, assistance interest, and future repayment are outside the payment screen and would be essential to a wealth comparison.

Employment announcement identification

The benchmark exhibit reports published BLS revisions and does not estimate mortgage effects. A valid announcement study links each release timestamp to the forecast available before it, the initial payroll surprise, revisions, wage and unemployment surprises, and contemporaneous Treasury and agency MBS prices. Short-window and longer-window responses answer different questions.

The counterfactual cannot substitute a later benchmark for information available at the time without accounting for expectations and subsequent news. Confidence intervals, alternative windows, overlapping announcements, and placebo dates are necessary for interpreting an estimated effect. Mortgage quotes, lock timing, refinancing, and prepayment determine whether a market response becomes a realized borrower cost.

Separating readiness from beliefs

A useful survey instrument records the following items separately: current tenure; intention to buy within two years; perceived likelihood of foreclosure after a purchase; confidence in maintaining a payment; childhood exposure to a parental delinquency, foreclosure, or forced move; expected family assistance; income and debt ranges; savings and reserves; credit range; and expected geographic mobility. Each attitude item includes an option for uncertainty or a preference not to answer.

The primary descriptive outcome is purchase intention among households meeting a clearly defined affordability screen. Childhood exposure is measured separately from current family resources. Comparisons account for age, household composition, education, geography, income, credit, and measured parental resources. Unmeasured family circumstances and recall error remain limitations even after adjustment.

A randomized neutral-information intervention could identify changes in knowledge or stated intention more convincingly than an observational comparison. It would not by itself establish that a purchase is beneficial. Any study using personal financial histories requires appropriate consent, privacy protections, and ethical review. This paper reports no newly recruited respondents or confidential borrower-file findings.

Program and family purchase records

Program records need separate dates for application, eligibility, reservation, lender approval, closing, and termination. Funding source and guideline version accompany each observation. Coded reasons for nonclosing distinguish property availability, underwriting, appraisal, borrower withdrawal, employment changes, and administrative expiration.

For family purchases, the relevant counterfactual holds the property and loan terms constant and removes the additional borrower's eligible income or assets. The analysis records which constraint changes and whether the household could have qualified independently. De-identified aggregate results can describe necessary pooling without exposing private financial histories.

California reporting calculations

The local and state stage tables use an October 30, 2026 HCD annual-progress export. Exact duplicate rows were removed. Each stage is counted only where its issuance year matches the annual reporting year, preventing old permits carried forward on later completion records from being counted again. Income groups sum restricted and unrestricted entries in the corresponding HCD fields. Very low and below combines acutely low, extremely low, and very low categories.

These are calculations from self-reported records, not an audited census. Exact-row removal does not detect every possible duplication. Missing or incorrect stage dates may exclude genuine events. Certificates of occupancy and other readiness evidence do not establish actual occupancy or a completed ownership sale. Different export dates can produce different totals.

Appendix C Reading ownership measures together

Housing statistics can describe people, households or housing units. Their labels and reference periods determine which comparisons are valid. The historical chart below is retained from The Long Line at the Front Door to show the longer series used in that paper.

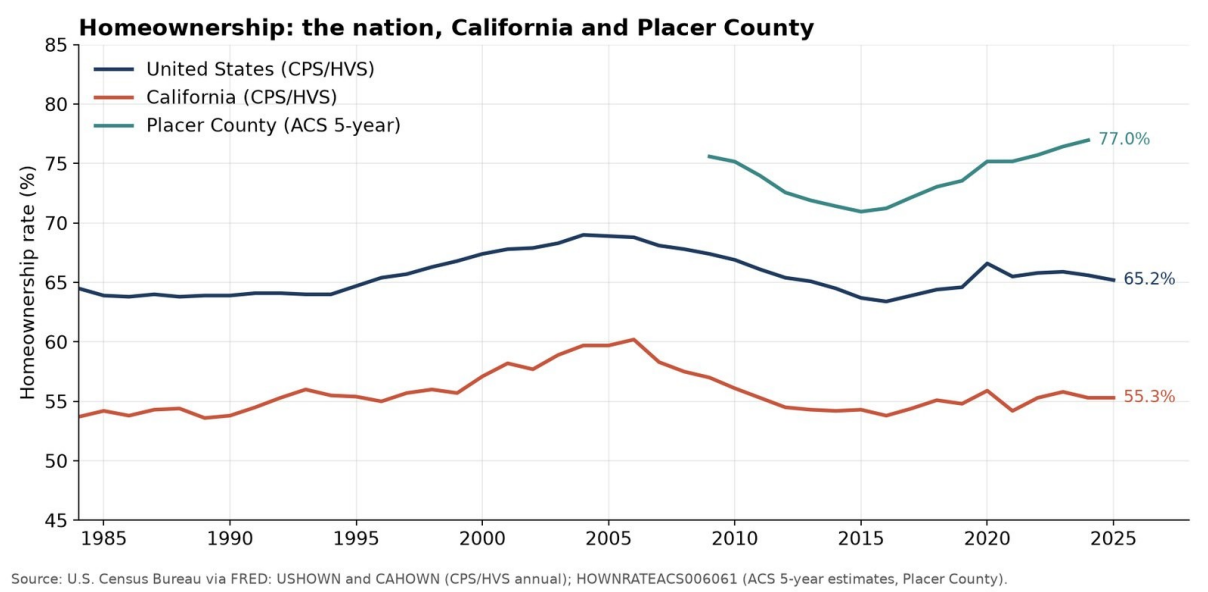


Figure 33. Historical source exhibit of national, California and Placer County ownership series. The Placer line measures people in owner-occupied housing; the other lines measure households. The series are explained below and are not a like-for-like comparison.

The national and California lines use annual CPS/HVS household homeownership estimates. The Placer County series describes people living in owner-occupied housing from overlapping ACS five-year estimates. Its 77.0% endpoint is therefore not a directly comparable household homeownership rate. A gap between these lines combines different measures as well as geographic differences.

For the like-for-like comparison in Section 2, this report instead uses owner-occupied housing units as a percentage of occupied housing units for all three geographies over the same ACS 2020-2024 period: 65.2% for the United States, 55.9% for California and 74.8% for Placer County. These figures describe the existing stock and households, not the affordability of entering the market today. [29, 30, 31]

Author note

Amy DeBusk is a mortgage branch manager in Roseville, California. Mortgage lenders have a commercial interest in home purchases. This paper provides general research and policy analysis. It is not an offer of credit or individualized financial, tax, or legal advice.

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