A Critical Problem: Housing Cost Burdens
According to Prosperity Now’s 2019 Scorecard, nearly half of all renters (49.5%) and more than a quarter of homeowners (27.5%) in the country are housing cost-burdened, meaning that they spend more than 30% of their monthly incomes on housing-related costs, and have less left over to cover other expenses or save for a downpayment or home repair. Households of color also face a disproportionate amount of hardship. The Scorecard estimates that Black and Hispanic renters and homeowners have rates of being housing cost burdened that are 10 percentage points higher than White households.¹

Housing Cost Burden
Percentage of mortgaged owners and renter-occupied units spending 30% or more of household income on rent and utilities

Black and Latino Households Face an Ever-Growing Wealth Gap
This disproportionate level of financial stress on households of color impacts rates of homeownership in predictable ways. The homeownership rate for White families is just over 70%, while rates of ownership for Black and Hispanic households are less than 50%.²

A home is often the most valuable asset a person owns and can play an important role in building household wealth. The much lower rates of ownership among households of color contribute to a significant disparity in wealth between these families and their White counterparts. According to data from the most recent Survey of Consumer Finances from the Federal Reserve Bank, when durable goods, such as the family car, are removed, Black and Latino households have just a fraction of the wealth owned by White Households ($3,400 and $6,300, respectively, compared to $140,500).³

According to the Racial Wealth Audit™ - a tool designed by the Institute on Assets and Social Policy at Brandeis University and Demos – to measure the impact of a particular policy change on the racial wealth divide – equalizing homeownership rates would lead to a 31% reduction in the wealth gap for Black households and a 28% decrease for Latino families.⁴
Solutions: Reform the Tax Code to Help Alleviate Cost Burdens and Barriers to Access that Last a Lifetime

Through the tax code, the federal government spends billions of dollars annually helping households acquire assets like homes, retirement savings, and higher education. Unfortunately, most of these dollars end up in the pockets of the wealthiest families who need the least assistance building wealth.\(^5\) Inequitable housing related tax incentives include the mortgage interest (MID) and property tax (PTD) deductions. Year after year, these deductions cost the government tens of billions of dollars. We are proposing that MID and PTD be replaced with more progressive tax credits and matched savings programs that benefit those with greater financial burdens like households of color. A commitment to this type of reform would mitigate housing cost burdens, help these families become homeowners, and narrow the racial wealth divide.

The Housing Pathways Proposal does this in four parts, with each element addressing the cost of housing at different points, from renting to saving for homeownership, to making the purchase and maintaining a home after closing to help make the most of owning. It's a comprehensive approach to help working families meet their housing needs throughout the course of their life while also building wealth and increasing financial stability.

**Part 1: Low-Income Renters’ Credit:** A promising way to alleviate rental burdens is through the creation of a refundable renters’ tax credit that is available to low-income households during tax time. This credit would provide between $1000-$3000 to cost-burdened households, with those carrying the greatest burdens receiving the highest amounts. Cost-burdened families are those who spend more than 30% of their income on housing. Eligible recipients would also need to be low-income, which is defined as those making 80% or less of area median income (AMI).

**Part 2: Downpayment Builder Matched Savings Program:** To move from renting to owning a home, a person needs enough money for a downpayment, which is usually the greatest obstacle to homeownership that people face. To help low- and moderate-income households save for this significant prepayment cost, a matched savings program would be established for low- and moderate-income families. Under this, a family could save up to $2000, which the government would match dollar-for-dollar (1:1), resulting in savings of up to $4000 total. The match helps a household save up for a downpayment more quickly, fast tracking the path to homeownership.

**Part 3: First-Time Homeowners Credit:** The third piece of the housing pathways proposal is a tax credit for low-income, first-time homebuyers that would help decrease the cost burdens created by the purchase of a home by recouping some of the closing costs during tax time. A credit of this type was enacted after the financial crisis in 2008 and proved to be more equitable than MID and PTD, with most benefits going to low- and moderate-income (LMI) families. The credit would be refundable and would be for a maximum of $6000. It would only be available during the first tax filing period following the purchase of the property by the first-time homebuyer.

**Part 4: Homeowners Post-Purchase Tax Credit:** The final element of the proposal is a flat, refundable credit of $1200 available to all households every year to help defray the costs associated with long-term homeownership, like repairs and upgrades. Unlike the other three parts, this would not be limited to LMI households and could be taken every year during tax filing season. It would be for the same flat $1200 amount regardless of income level, allowing it to be both broad and equitable across the income spectrum.

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\(^1\) [https://scorecard.prosperitynow.org/data-by-issue#housing/outcome](https://scorecard.prosperitynow.org/data-by-issue#housing/outcome)


\(^3\) [https://prosperitynow.org/resources/running-in-place](https://prosperitynow.org/resources/running-in-place)

\(^4\) [https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/racial-wealth-gap/racial-wealth-audit.pdf](https://heller.brandeis.edu/iasp/pdfs/racial-wealth-equity/racial-wealth-gap/racial-wealth-audit.pdf)