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A Survey of Policies that may Increase Access to Home Ownership for Low-Income Households

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Abstract

This review article presents a systematic overview of strategies that may make home ownership affordable to more low-income households. Home ownership has been regarded as the preferred choice of tenure by most OECD countries for many decades and has often been supported with a wide range of methods that make ownership economically attractive. There are four distinct time periods of a typical “housing career”: (1) down payment accumulation stage, (2) transaction stage, (3) ownership stage and (4) selling stage. Although home ownership rates have been on the increase globally since the Second World War, recent signs indicate that this trend has been halted. However, it is argued that little is known on the actual effectiveness of most of the described policies and that a set of policies, focusing on at least the first three stages above, is needed should a government wish to encourage home ownership.

Moreover, direct subsidies and grants are probably not very interesting considering the weak financial situation of most governments. Thus, selected policies would probably focus on the ability of the households to signal their characteristics and on strengthening various insurance markets so that they become open to more households at a reasonable price.

Keywords:

Home ownership

Low-income housing

Government policies

Mortgages

Home equity

Notes

1. Atterhög ([2006](#)) developed a model to describe what factors determine the home ownership rate in a specific country. Moreover, using data from 13 industrialized countries from the period 1970–2000, Atterhög also found that government policies do actually have an impact on home ownership rates.
2. Several studies show the impact of income and wealth constraints on individual home ownership propensities. Linneman & Wachter ([1989](#)) and Zorn ([1989](#)) found that both income and wealth (down-payment) constraints reduce home ownership propensities. Jones ([1989](#)) provides evidence that wealth or down-payment constraint plays a prominent, and perhaps the critical role in determining the tenure transition to first-time home ownership (see also Boehm [1993](#), Engelhardt [1994](#), Haurin, Hendershott & Wachter [1997](#), Jones [1995](#)).
3. This figure and the figure in the next paragraph are based on conditions for 1999.
4. “Frequently asked questions” about the HEP program can be downloaded from <http://www.nw.org/network/communityDev/homeEquity/fAQ.html>.
5. In general, a futures contract is an agreement to buy or sell an asset at a certain time in the future at a predetermined price. Option on futures gives the buyer the right (but not the obligation) to buy or sell a futures contract at a later date at a price agreed upon today.

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[Many routes to homeownership: A four-site ethnographic study of minority and immigrant experiences](#)

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