

## A PILOT PROGRAM TO PROMOTE HOME OWNERSHIP AMONG SLUM RESIDENTS

The desire to own a home is a basic part of our tradition. Today 62% of American families have achieved that desire. Yet there are still millions of families who would like to own their own homes, but cannot. They are too poor to do so under present financing arrangements. At least half a million such households now rent substandard housing in our metropolitan areas. A chance to own a decent home of their own might have a profound effect upon their attitudes toward society. Instead of feeling like frustrated and helpless transients floating along in the poverty and filth of the slums, they could begin developing a sense of control over their own destiny. They could gradually build a stake in their communities, and would learn how to use and benefit from legal and political institutions they now regard with hostility.

Furthermore, providing these low-income households with home-ownership assistance would merely be giving them the same advantage we already extend to millions of middle-income and upper-income households. These households now receive a large subsidy in the form of federal income tax deductions for the interest and property taxes paid on their homes. This subsidy amounts to at least \$1.7 billion per year for just the wealthiest 20% of our families. This is double the housing subsidy we extend to the poorest 20% in the form of all public housing payments, welfare payments, and tax deductions combined. Clearly, tax deductions aren't much help to families with little or no taxable income. So simple justice demands that we encourage home ownership for them in some other way more suited to their needs.

Therefore, we recommend enactment of a pilot program of aid to low-income families to help them achieve home ownership. This program should concentrate upon slum dwellers because they now have the least opportunity to own decent homes, and because it would help improve slum living conditions in general. The program should assist slum residents either to move out of slums by buying homes elsewhere, or to acquire ownership of newly rehabilitated units in neighborhoods which are being up-graded through a wide variety of other programs too -- as in the Model Cities Program. This home-ownership program would help low-income families buy single family houses, individual units in multi-family condominiums, or apartment buildings which they operated as resident landlords -- replacing absentee landlords who had neglected their properties.

Several types of aid would be involved in this program. First, the slum housing units involved would be substandard ones rehabilitated by a public agency or a non-profit group before being sold to new owners. Second, below-market-rate loans should be used to finance owners on a no-downpayment basis. Third, potential owners should receive advanced training in the skills of minor maintenance, financing, and other responsibilities of ownership. Fourth, new owners from the lowest-income groups would need a monthly housing supplement similar to the rent supplement, but applicable to ownership payments. Fifth, some tenants in resident-landlord buildings would receive rent supplements. Sixth, owners should receive follow-on counseling about financing and repairs. Seventh, the public agency running the program would agree to buy back the housing involved during a fixed period in case the owners could not carry the required burdens.

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A pilot program incorporating these devices could be undertaken for 10,000 units at an annual cost of about \$5.1 million for rent and ownership subsidies, plus a reservation of \$125 million in below-market-rate (3%) loan funds, plus administrative costs. These figures assume that ownership opportunities would be extended to even the lowest-income families.

This program would improve the life of slum residents in several ways besides allowing them to become home-owners. Many would take much better care of their properties and develop a stronger interest in good neighborhoods. Even landlord-tenant relations might improve because resident landlords would replace absentees. Hence conditions in slums might be significantly improved even for people not involved in the program.

In our opinion, this is a program solidly in the American tradition, and well worth trying.