



IS AMERICA'S OBSESSION WITH HOMEOWNERSHIP A GOOD THING? - THE MORTGAGE NOTE

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As Americans remain determined to climb the homeownership ladder despite affordability challenges and a lack of inventory, the link between buying a house and success is strengthening, but that may not be benefitting society or the people who have to sacrifice to compete in the current market.

[Roger Valdez](#), director at the Center for Housing Economics, told The Mortgage Note that life in the United States has been profoundly shaped by the 30-year mortgage, and as a result, mobility and entrepreneurship have likely suffered.

"There's been a sort of desperation to get into a home and a mortgage over the last three years. The pandemic shifted people's work and life habits in such a way that, for some, owning a home seemed to make sense," Valdez said. "And not just owning a home — but owning it anywhere."

Generally speaking, rural or suburban counties with easier permitting and less demand have reasonable pricing so people felt compelled during the pandemic to move to those places, Valdez said. But the idea that paying a mortgage is always better than paying rent is only true if a person is committed to living in the same place for a long period of time, often during their prime earning years.

"The lines don't cross in a mortgage for years, maybe decades unless there is inflation in the housing market," Valdez said.

How did homeownership become linked with success?

[Daniel McGinn](#), author of "House Lust," says the idea that homeownership is an essential part of the American dream has been carefully cultivated by the homebuilding industry, the mortgage industry, and the government for decades.

"Do a little Googling and you'll find ads that are examples of this. So, it's important to understand that there's propaganda involved in this idea," McGinn told The Mortgage Note.

However, at the same time, he added, "there's also research on how homeownership helps families build wealth and promotes stability. So, the feelings we have about the desirability of owning a home are based on both facts and some amount of mythology around this as an ideal."

[Jamie Battmer](#), chief investment officer at Lockton Retirement Services, agreed that the American dream of homeownership is burned into the average person's psyche.



"I believe America's homeowner obsession you mention is typically a healthy one but not in the ways many people often think," Battmer said.

Battmer said the forced saving component of homeownership is often misconstrued as a great investment choice when in reality people who profit from home sales typically happen to buy and then sell at times that worked out in their favor.

And although it may be nice to walk away from apartment-style living, buying a home may not be the best long-term option for many people, Battmer said.

The U.S. [homeownership rate](#) in 2022 was at 65.8%, so clearly it is working for a majority of the population to some extent.

[Matt Christopherson](#), director of business and consumer research at the National Association of Realtors, explained that "homeownership and the desire to own a home builds communities, households and personal wealth, which makes it a positive investment."

He said people purchase homes for a variety of reasons, including a general desire to own, to be closer to family and friends, a need for a larger home, or a change in family situation such as marriage or birth of a child.

Christopherson added that for many individuals, it is a way to grow personal wealth, which has helped fuel demand.

"The reason that so many individuals wish to enter homeownership is because it is one of the surest paths to growing personal wealth. Over the past decade, the typical American home has gained \$200,000 in value, bringing direct equity benefits to homeowners, and making the typical homeowner 40 times wealthier than if they rented," Christopherson said.

Americans who choose to chase the American dream in today's market better be prepared to pay for it.

With home values rising as much as Christopherson pointed out, people need to earn more and have money set aside if they are going to succeed in today's market.

Families must earn \$114,627 to afford the median-priced U.S. home, [\\$40,000 more](#) than the average household earns and the highest necessary income ever recorded.

To get money for a down payment, some people are asking friends and family for help. A new analysis conducted by Zillow Home Loans and The Knot shows that more couples than ever who are planning to marry are [registering for home funds to help them buy a house](#).

Nearly 20% of all couples registered on The Knot are asking their guests to help them with the down payment on their first home.

It is also estimated that 43% of first-time buyers used gift funds from friends and family as a source of at least part of their down payment, according to Zillow's 2023 Consumer Housing Trends Report.