Millennials, Affordable Housing, and the Future of Homeownership

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Homeownership has been romanticized and subsidized in the United States for nearly a century. Since the Depression, U.S. housing policies have encouraged Americans to buy homes, and tax laws have subsidized home purchases because of the benefits homeownership is said to provide to individual owners and society.[1] The devastating losses owners suffered during the recent housing crash and recession painfully demonstrate, of course, that owning a home is not always better than renting, either for the owner or the neighborhood. Most major U.S. housing markets still

1. I discuss many of the themes raised in this paper in greater detail in MECHELE DICKERSON, HOMEOWNERSHIP AND AMERICA'S FINANCIAL UNDERCLASS: FLAWED PREMISES, BROKEN PROMISES, NEW PRESCRIPTIONS (2014).

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have not recovered from the 2007–2009 recession, and 2015 overall homeownership rates have now dropped to the lowest rates in almost fifty years.

Homeownership rates will continue to fall until young adults, who constitute the bulk of first-time homebuyers, start buying homes. The young adults who ordinarily would be buying homes now are in the generation commonly referred to as the millennials. The millennials, born between 1980 and the mid-2000s,[2] appear to value homeownership and repeatedly affirm their desire to own their own homes.[3] In fact, their views about homeownership do not differ substantially from the views held by earlier generations, including Baby Boomers (born between the years 1946 and 1964) and the Silent Generation (born between 1928 and 1945).[4]

Despite their professed desire to become homeowners, millennials are not buying homes. They are avoiding homeownership for a number of reasons, many of which relate to lifestyle choices. Specifically, millennials are delaying marriage, postponing having children, and returning home to live with their parents rather than forming their own households and buying (or renting) homes. In addition to personal lifestyle choices, young adults are choosing to remain at home with their parents instead of forming their own households because of financial insecurity. Indeed, even young adults with college degrees are having a harder time living independently because wages have been stagnant for most workers for almost thirty years, and millennials in particular face high levels of job insecurity.

This article discusses the future of homeownership in the United States given the financial constraints young adults, especially blacks and Latinos, face when they try to find affordable housing. In discussing the housing affordability problems confronting young adults, the article rejects the conventional wisdom that the only housing crisis the country is facing is low homeownership rates. Instead, the article argues that labor market changes, widening income and wealth inequality gaps, and rising student debt loads have created a housing affordability crisis both for people who want to buy homes (but cannot save for a down payment) and for young adults who are seeking but cannot find affordable rental housing.

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2. Council of Economic Advisers, *15 Economic Facts about Millennials* 16 (Oct. 2014), https://www.whitehouse.gov/sites/default/files/docs/millennials_report.pdf.

3. MacArthur Foundation, *How Housing Matters* (2015), https://www.macfound.org/media/files/E-11540_How_Housing_Matters_2015_FULL_REPORT.pdf.

4. *15 Economic Facts about Millennials* 16, *supra* note 2; Board of Governors of the Federal Reserve System, Report on the Economic Well-Being of U.S. Households in 2014 11–12 (2015) (indicating that most renters would prefer to be homeowners), www.federalreserve.gov/econresdata/2014-report-economic-well-being-us-households-201505.pdf.

Part I of this paper describes the somewhat traditional path to homeownership my baby boomer parents took in the 1960s. Although my parents bought homes during an era when housing market discrimination was fairly common, this part explains that their stable and predictable income helped them become homeowners despite the racism they faced in housing markets. This part also shows how the fortuity of death provided a modest inheritance and inherited wealth, coupled with access to low-cost lending, allowed them to make larger down payments and lower their overall borrowing costs. The article then suggests that the path my parents took to homeownership may no longer exist for millennials, especially if they are black or Latino, who want to buy homes.

Part II discusses the employment prospects young adults face in the "gig" economy. Generally speaking, workers in the "gig" economy earn unpredictable income from a series of jobs, many of which are not full-time. This income insecurity makes it harder for them to save for a down payment and, increasingly, to find affordable rental housing. Part III of the article describes the housing challenges that young adults, especially blacks and Latinos, are facing given this economic insecurity. The article ends by arguing that local and federal housing policies must support and subsidize a wider variety of housing choices to help alleviate the obstacles young adults now face in U.S. housing markets.

I. Buying a Home: The Old-Fashioned Way

My maternal grandparents, Tommie and Gertrude Leavell, owned a farm in Coweta County, Georgia. My mother, one of eight children, graduated from high school and wanted to go to college. She realized, though, that as the fourth child born to black farmers in the rural South, her parents could not (or would not) pay for her to attend college. Once she realized that she would need to pay all of her college expenses, my mother opted to do what many young black women of her generation did in the 1950s: she became a nanny for the daughter of a white family in Newnan, Georgia.

My mother worked for this family for a year-and-a-half and saved virtually all the wages and gifts the family gave her. Once she saved enough money, she left Georgia and moved to Nashville, Tennessee, to attend a for-profit secretarial trade school. Her savings from her nanny job were not enough, however, to pay for all of her college expenses. So she found a part-time job doing clerical work while she attended college. Her savings and earnings allowed her to pay for her education without taking out a loan. And, because she received valuable skills at the trade school she attended, she was able to get a full-time job as a secretary once she finished school.

My mother met my father while she worked and attended school in Nashville. My father attended Tennessee State University (TSU) full-time but also worked part-time in a boiler room at Fisk University. Soon after they met, my parents got married and a little less than two years later my brother was born. Not long after my brother was born, my mother became pregnant with me. By then, my father had graduated (debt-free) from TSU and was looking for a teaching job. With a toddler and an infant on the way, my parents decided that they would move to a city where they had family. Just before I was born, they moved to Memphis to live with my paternal grandparents. For a little over a year, seven people (my parents, my brother and me, my paternal grandparents, and my great-grandmother) co-existed in a three-bedroom, one-bathroom, 1,016 square foot home.

My grandparents' home was decidedly *not* a McMansion: it was considerably smaller than the average size (2,657 square feet) of new homes today.[5] Although their living quarters were cramped, my parents lived rent-free for two years while they saved money to buy their own home. Because my father was a public high school teacher, my parents could make plans to buy a house since they could assume that he would remain employed and his salary would increase each year. Still, after almost two years, they had not saved enough money to make a down payment on a home.

Their homeownership trajectory changed, dramatically, because of a low-cost, $1,500,[6] loan my father received from his sister, Eva Mae Miller. My Aunt Eva, a maid her entire life, would never have been able to save enough money to help my parents buy a home just from her earnings. But, her husband recently died and she was named the beneficiary in my Uncle David's life insurance policy. As a result, she had the financial capacity to loan my father enough money for my parents to make a down payment on their own home. With this interest-free loan and the confidence of reasonably stable and predictable future income, my parents decided to buy their first home.

My parents bought a three-bedroom, one-bathroom, 1,364 square foot home that was only slightly bigger than my grandparents' home. They bought this home in 1963, during an era when racism was rampant in housing and real estate markets in the United States.[7] Realtors throughout the country routinely steered black renters to all-black neighborhoods or to racially mixed neighborhoods that were clearly transitioning from white to black.[8] Memphis was no different: the white realtor who sold

5. U.S. Census Bureau, *Square Feet of Floor Area in New Single-Family Houses Completed*, https://www.census.gov/construction/chars/pdf/squarefeet.pdf.

6. Approximately $11,657 in 2015 dollars.

7. The Fair Housing Act, enacted by the Civil Rights Act of 1968, 42 U.S.C. §§ 3601–3631, makes it unlawful to discriminate against blacks in the sale, rental, and financing of dwellings and private home sellers. Before that law was passed, lenders, homebuilders, realtors, and even the U.S. government regularly discriminated against blacks who attempted to buy homes. See Dickerson, *supra* note 1, at 145–58.

8. Dickerson, *supra* note 1, at 150–51.

my parents their first home attempted to steer them to all-black neighborhoods. My father refused to be steered to any all-black neighborhood, and my parents ultimately bought a home in a racially integrated neighborhood.[9] Almost immediately after they moved into their home, however, my parents realized that the schools zoned for our neighborhood were low performing.

Although my father was a public school teacher, my parents briefly considered sending their children to one of the white private elementary schools that had developed outreach efforts to the black community and were offering scholarships to black children to enhance their racial diversity. Ultimately, my parents decided to transfer us to Idlewild Elementary School, which at that time was a high-performing, predominately white public elementary school located miles away from our now all-black neighborhood.[10] After I started elementary school, my mother returned to college to receive a bachelor's degree. This event opened a new educational avenue for my brother and me. Because my mother was a student at Memphis State (now the University of Memphis), we were eligible to attend the University's selective and high performing elementary school, Campus School.[11] After Memphis State admitted us to Campus School, my brother and I completed our primary education there.

While Campus School solved the problem of our primary school education, my parents were facing yet another educational dilemma because it was time for my brother to attend junior high school. My parents were concerned about the quality of the junior high school zoned for our neighborhood. In addition, they also realized that my brother and I would be bussed across town to a white junior high school because of the school integration plan then in place in the City of Memphis. My parents reluctantly sent my brother to the zoned junior high school for one year, but almost immediately decided that it was time for us to move to another neighborhood.

My father, no longer a high school teacher, continued to have stable income because he had become a professor at a community college. In addition, my mother had earned her bachelor's degree from Memphis State and was employed as a substitute public school teacher. Assuming my father received tenure, my parents knew that both of their jobs were secure and that their income was reasonably predictable and would increase over time. With this knowledge my parents decided to buy a bigger home in a suburban (white) neighborhood. While they continued to save

9. By the time they bought the home, a majority of the residents in that neighborhood were black.

10. Idlewild Elementary School, http://www.scsk12.org/schools/idlewild.es/site/index.shtml.

11. University of Memphis, Campus School, http://www.campusschool.org/Campus_School/Faculty_and_Staff.html.

money and they had accumulated some equity in their home, they had been in the home for less than ten years and it had not appreciated much in value.[12] Despite their savings and reasonably stable income, they had not been able to accumulate enough money to make a down payment on a home in any of the suburban neighborhoods that had high-performing schools. Another death in our family again changed their homeownership trajectory.

My mother's parents both died in the early 1970s and my mother and her seven siblings decided to sell the family farm in Georgia. By 1974, my mother received an inheritance of approximately $40,000.[13] This inheritance let my parents make a bigger down payment for a more expensive home and their ability to make a sizeable down payment reduced the amount of their monthly mortgage loan payment. By the time they bought their second home, Congress had passed the 1968 Fair Housing Act, which made racial steering illegal. Nonetheless, the white realtor again attempted to steer my parents away from all-white neighborhoods when they attempted to buy their second home.

Because he was a more experienced homebuyer and was involved with the NAACP,[14] my father actively fought the white realtor's effort to steer them to one of the up and coming all-black neighborhood (ironically, named Whitehaven). His refusal to be steered away from all-white neighborhoods and his determination to buy a home in a white neighborhood was based on his knowledge as a former school teacher that the best public schools were located in those neighborhoods and on his suspicion that the value of the homes in those neighborhoods had higher rates of appreciation.[15] Ultimately, my parents bought a four-bedroom, two-bathroom, 2,067 square foot home in a community called Parkway Village. Just after as we moved in, one of our next-door neighbors put a "For Sale"

12. Studies repeatedly show that homes in non-white neighborhoods or in neighborhoods that are transitioning from all-white to racially mixed have slower rates of appreciation than comparable homes in white neighborhoods. Dickerson, *supra* note 1, at 187–90.

13. Approximately $190,443 in 2015 dollars.

14. My father has been involved with the Memphis branch, NAACP, since the 1970s. He served as the president of this branch for eleven years and is the longest serving president in the branch's almost 100-year history. *Dickerson bids farewell as NAACP President*, Real Times Media, Jan. 2013, http://www.realtimesmedia.com/index.php/memphis/852-dickerson-bids-farewell-as-naacp-president. He currently serves as vice-president of the Tennessee State Conference NAACP.

15. Although public schools are no longer legally segregated, they nonetheless remain racially and economically segregated. Studies repeatedly find that the quality of schools affects students' short- and long-term educational outcomes. Jennifer L. Jennings et al., *Do Differences in School Quality Matter More Than We Thought? New Evidence on Educational Opportunity in the Twenty-First Century*, 88 Soc. of Educ. 56 (2015).

sign in their front yard to signal that we were not wanted in the neighborhood.[16] Fortunately, we did not encounter any other subtle or overt hints to move back to an all-black neighborhood, and my brother and I attended and graduated from Wooddale Junior and Senior High School.[17]

Despite the racism my parents encountered when they bought homes, their path to homeownership was a fairly common one for young adults in the 1960s and 1970s. My parents met, got married, had children, and decided it was time for them to buy their own home. Because they were a married couple in their mid- to late-twenties, they were then (and now) the typical first-time homebuyers.[18] They were also model first-time homebuyers because they had stable income, savings, and access to money to use for a down payment. These factors, and the fact that they had no student loan debt, made it possible for them to qualify for a low-cost mortgage loan, make monthly payments on their loans (both to my Aunt Eva and to the banks), and pay for routine maintenance to preserve the value of their homes.

While my parents were fairly stereotypical young homebuyers when they bought their homes in the 1960s and 1970s, the rest of this article will show why the path they took to homeownership has become harder for young adults in this country. The next section explores the labor market challenges young adults are facing and shows why a combination of stagnant wages and student loan debt makes it much harder for young college graduates to buy homes or even find affordable rental housing.

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16. Up until the 1980s, black residents in predominately white neighborhoods often received subtle or overt signals from the existing white neighbors that they were not wanted in the white neighborhood. A. Mechele Dickerson, *Sorting the Neighborhood*, 93 TEX. L. REV. 2, 4–5 (2014). While our next-door neighbors eventually concluded that we were acceptable neighbors and they (particularly the wife) became friendly with my mother, my father's relationship with them remained glacial the entire time we lived in that house.

17. Parkway Village, like most neighborhoods in Memphis, is now overwhelming black. But when my brother and I attended those schools, we were the only children of black homeowners who lived in the Wooddale zoned district. Ironically, my brother and I would have been bussed to Wooddale Junior High had we remained in the first house my parents bought.

18. 2014 NATIONAL ASSOCIATION OF REALTORS® HOMEBUYER AND SELLER GENERATIONAL TRENDS, Ex. 1-3 (2014), http://www.realtor.org/sites/default/files/reports/2014/2014-home-buyer-and-seller-generational-trends-report-full.pdf; JOINT CTR. FOR HOUS. STUDIES, HARVARD UNIV., THE STATE OF THE NATION'S HOUSING 2015, Ch. 4, at 21 (2015). While the age for the typical first-time homebuyer has now increased to thirty-three, until the 1970s the average age for homebuyers was thirty-one. Press Release, Zillow, *Today's First-Time Homebuyers Older, More Often Single,* Aug. 17, 2015, http://zillow.mediaroom.com/2015-08-17-Todays-First-Time-Homebuyers-Older-More-Often-Single.

II. Buying a Home: 21st Century Obstacles

Although the recession ended in 2009, the U.S. economy has not fully recovered. One reason the economy remains sluggish is because of housing. That is, while housing prices have soared in many areas of the country, the overall economy still has not fully recovered from the recession due to low homeownership rates, particularly for young adults. Homeownership rates for adults between the ages of 25 and 34 dropped by more than 9 percent in the last ten years and their homeownership rates are lower than they have been in more than twenty years.[19] Until the recent recession, more than half of all first-time homebuyers were between the ages of 25 and 34, and until recently approximately 40 percent of all homebuyers have been first-time homebuyers.[20] Because many young adults are now avoiding homeownership, the share of total home sales that are made to first-time buyers in 2014 dropped to 33 percent.[21] In fact, the share of first-time buyers of single-family home sales in 2015 has now dropped to the lowest level since 1987.[22]

The drop in the number of home sales to young adults does not appear to be because they have lost interest in becoming homeowners. Recent survey results indicate that most millennials value homeownership and view owning a home as a high priority.[23] Although young adults continue to embrace the concept of homeownership, approximately 80 percent of them report that that it is hard for them to find affordable housing to purchase.[24] As the next sections show, young adults will work in a drastically different type of labor market from the one my parents entered when they started working and saving to buy their first home. Because young adults increasingly lack the income and wealth to purchase a home and are burdened with student loan debt, many are choosing to either live at home with their parents or to continue to rent housing.[25]

A. Young Workers and Income Insecurity

My parents could buy their first home in the 1960s because they were employed in the "old" economy. Both of them spent their entire working

19. The State of the Nation's Housing 2015, *supra* note 18, Ch. 4, at 21.

20. *Id.*

21. *Id.* at Ch. 4, 16.

22. John Gittelsohn & Prashant Gopal, *Boomers Seen Boosting New-Home Sales as Millennials Wait*, Bloomberg News (Dec. 17, 2014), http://www.bloomberg.com/news/articles/2014-12-17/boomers-seen-boosting-new-home-sales-as-millennials-wait.

23. *How Housing Matters*, *supra* note 3; Nat'l Ass'n of Hispanic Real Estate Prof'ls, *State of Hispanic Homeownership* 9 (2014).

24. *How Housing Matters*, *supra* note 3.

25. Richard Fry, *More Millennials Living with Family Despite Improved Job Market*, Pew Research Ctr., http://www.pewsocialtrends.org/files/2015/07/2015-07-29_young-adult-living_FINAL.pdf.

lives as full-time employees either of K-12 public schools, community colleges, or state or local governments. This stable and predictable employment let them plan, save, and make long-term housing decisions. Many of the old economy jobs that were plentiful when my parents were young adults, however, no longer exist. Technology has reduced the need for some full-time, middle-skilled jobs that existed when boomers entered the workforce in the 1960s and 1970s.[26] For example, as the result of laptops, online banking, websites like orbitz.com, and increasingly more sophisticated digital cameras and cellphones, there is not as great a need for jobs like secretaries, bank tellers, travel agents, and photographers. Robots and other computerized machines now perform many of the low-skilled but high-wage manufacturing jobs that existed in the 1970s, and fewer of those jobs are protected by unions.[27] Finally, online shopping and, in particular, amazon.com, have radically changed the nature of retail sales jobs in this country.

In addition to the disappearance of many middle-income jobs, wages have been sluggish for all earners except the highest paid workers in STEM (science, technology, engineering, and mathematics), managerial, and health care professions for almost thirty years and have been largely stagnant for the last fifteen years.[28] One reason wages have been stagnant or declining for almost three decades is because many of the jobs that were eliminated in the 1980s and during the 2007–2009 recession were replaced with low-wage and low-skilled jobs. For example, while 79 percent of the jobs losses during the recession were in mid- or high-wage occupations, only 42 percent of the jobs created since the recession pay mid- to high-wages.[29] The remaining 58 percent are in the low-wage retail, food services, or home health care sectors.[30]

Because many of the jobs millennials have pay lower wages than the jobs boomer workers had in the 1960s and 1970s, it is harder for them to save to buy homes.[31] The Federal Reserve recently issued a report that shows that most U.S. families failed to receive wage increases between 2010 and 2013 even though the recession officially ended in

26. Philip Oreopoulos & Uros Petronijevic, *Making College Worth It: A Review of Research on the Returns to Higher Education* 14, Nat'l Bureau of Econ. Research, Working Paper Series, http://www.nber.org/papers/w19053.

27. DICKERSON, *supra* note 1, at 69–70.

28. Carmen DeNavas-Walt & Bernadette D. Proctor, *Income and Poverty in the United States: 2013*, U.S. CENSUS (2014), http://www.census.gov/content/dam/Census/library/publications/2014/demo/p60-249.pdf.

29. *Id.*

30. *Id.*

31. National Employment Law Project, *The Low-Wage Recovery and Growing Inequality* (2012), http://www.nelp.org/content/uploads/2015/03/LowWageRecovery2012.pdf.

2009.[32] While retail giants like McDonald's and Wal-Mart have recently agreed to increase the minimum wage of their workers,[33] it is virtually impossible for low-wage renters to save enough money to make a down payment on a home in most areas in this country.[34] Indeed, as discussed in greater detail in Part III, it is now becoming hard for anyone who earns the minimum wage to find safe, affordable housing (whether rental or owned) since housing costs in most areas continue to rise faster than wages.

B. Young Workers and Un- and Under-Employment

Not long after my parents graduated from college, they found jobs in their field of study (education) and were never involuntarily unemployed. In addition to receiving lower wages than boomers received when they started working, young adults are less likely to find full-time jobs, especially jobs that match their experience and training. This was particularly true for millennials who graduated from college during the recession.

The U.S. unemployment rate in 2008, the recession's midpoint, was 5.8 percent and rose to as high as 9.6 percent in 2010—a year after the recession ended.[35] The overall unemployment rate started to fall in 2011, dropped to 6.2 percent by 2014, and fell to 5.3 percent by mid-2015.[36] Although young college graduates have higher unemployment and underemployment rates than prior generations did at their age, unemployment rates have fallen, and more young adults are now finding jobs.[37] However, they are not finding the same types of jobs young college graduates like my boomer parents found at their age. The old economy that consisted of largely full-time jobs that employed boomers in the 1960s and 1970s has been radically transformed and many old economy jobs have

32. Jesse Bricker et al., *Changes in U.S. Family Finances from 2010 to 2013: Evidence from the Survey of Consumer Finances* 10, FED. RESERVE BULL. (2014), http://www.federalreserve.gov/pubs/bulletin/2014/articles/scf/scf.htm.

33. *McDonald's Minimum Wage*, N.Y. TIMES, Apr. 2, 2015, http://www.nytimes.com/2015/04/04/opinion/mcdonalds-minimum-raise.html.

34. ECONOMIC WELL-BEING OF U.S. HOUSEHOLDS, *supra* note 4, at 13 (survey results indicating that 50 percent of renters who earn $100,000 or less cannot afford the down payment to buy a home).

35. Bureau of Labor Statistics, *Labor Force Statistics from the Current Population Survey* (Feb. 2016), http://data.bls.gov/timeseries/LNU04000000?years_option=all_years&periods_option=specific_periods&periods=Annual+Data.

36. Overall unemployment figures mask the significant racial disparities in employment rates. Blacks and Latinos consistently have higher unemployment rates than whites. For example, while the overall unemployment rate in June 2015 was 5.3 percent, the unemployment rate for blacks (9.5 percent) was more than twice the rate for whites (4.6 percent). The Latino unemployment rate (6.5 percent) is also consistently higher than overall or white rates. *Id.*

37. Jaison R. Abel, Richard Deitz &Yaqin Su, *Are Recent College Graduates Finding Good Jobs?* CURRENT ISSUES IN ECON. & FIN. (2014), http://www.ny.frb.org/research/current_issues/ci20-1.pdf.

been replaced by temporary, part-time jobs in a new economy often referred to as the "gig" economy.[38]

Because of the types of jobs that exist in the gig economy, an increasing number of college graduates are under-employed. Generally speaking, workers are categorized as under-employed if (1) their education level or knowledge, skill, and abilities exceed the education level that is required for their job; (2) they prefer full-time jobs but are only offered part-time jobs; or (3) their desired occupation or field of employment does not match the occupation or field of employment of their current job.[39] A recent Federal Reserve survey indicates that almost 50 percent of part-time workers would prefer to work more hours at their current wage but are unable to do so.[40] While the gig economy is providing jobs, it provides little employment security and the people who work in the gig economy are often contractors, vendors, and temporary workers who often have more than one part-time job.[41]

Unlike many young adults today, my parents had secure employment and never had a need (or interest) to sell their house to move to another location for a job. Even millennials workers who earn enough to save for a down payment on a home have reason to avoid buying a home if they have unsecure employment. The cost to buy a home, including closing costs, realtor fees, etc., generally equals about six percent of the home's value and, depending on the size of the down payment, it may take homeowners three-and-one-half years to build equity in their homes. If potential homebuyers are not confident that their jobs are reasonably stable, they run the risk of buying a home and then being forced to sell it potentially at a loss. Research consistently confirms that homeowners are reluctant to move if they must sell their homes at a loss.[42]

Boomers with secure employment in the 1960s and 1970s were less likely to move, especially if they owned homes, so buying a home for them posed few risks that they would need to quickly sell to move or that they would face the prospect of having mortgages on two primary

38. *Id.*

39. Katina W. Thompson et al., *Rethinking Underemployment and Overqualification in Organizations: The Not So Ugly Truth*, 56 BUS. HORIZONS 113 (2013).

40. ECONOMIC WELL-BEING OF U.S. HOUSEHOLDS, *supra* note 4.

41. Nick Hanauer & David Rolf, *Shared Security, Shared Growth*, 37 DEMOCRACY (2015).

42. *Geographic Labor Mobility in the United States: Recent Findings*, SOC. SEC. BULL. 14, 18 (Mar. 1967), http://www.ssa.gov/policy/docs/ssb/v30n3/v30n3p14.pdf (noting that homeownership makes workers reluctant to move, especially if they encounter difficulties selling their homes); Shannon Van Zandt & William M. Rohe, *The Sustainability of Low-Income Homeownership: The Incidence of Unexpected Costs and Needed Repairs Among Low-Income Homebuyers*, 21 HOUS. POL'Y DEBATE (2011).

residences.[43] Because the number of young adults who are underemployed has increased since the recession, buying homes poses substantially more risks for them.[44] Unlike workers in the old economy, young adults who work in the gig economy need to be mobile. Their reluctance to buy homes is reasonable, as they need the flexibility to move—quickly—if they lose their part-time, contract jobs, if they are offered a full-time job in another city, or if their full-time jobs are relocated to another city (or country).

C. Income Inequality

My middle-class parents could afford to buy homes because they were relatively certain that they would have steadily increasing income for the rest of their lives. Young adults can no longer assume that the income they earn, even from full-time jobs in their field of study, will predictably increase over time. The income inequality gap in the 1960s and 1970s was significantly smaller than it is now and the earnings gap between the highest and lowest paid workers has reached record levels.[45] Household income inequality has been rising since the 1980s and recent research indicates that the increase in income inequality may be permanent.[46]

Most workers have not had significant pay raises for almost thirty years. Wages for workers with college degrees have experienced some income growth since 1980, and their earnings consistently exceed the earnings of high school graduates.[47] However, the highest-paid workers in the country have captured most of the income growth since the 1970s and the

43. *Geographic Labor Mobility in the United States*, *supra* note 42, at 16 ("In the early 1960's family heads with unemployment experience may have been as much as twice as likely to move as family heads with steady employment, and as many as one-fourth of all moves may have been related to unemployment.").

44. Thompson, *supra* note 39, at 119.

45. While median household income for black and Latino families has always lagged white median income, the racial inequality gap has also reached record levels. Dickerson, *supra* note 1, at 240–41. White median household income exceeded income for Latino households by almost $18,000 and exceeded black household income by almost $24,000 in 2014. Carmen DeNavas-Walt & Bernadette D. Proctor, *Income and Poverty in the United States: 2014 Current Population Reports* 7, U.S. Census (2015), https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-252.pdf

46. Jason Debacker et al., *Rising Inequality: Transitory or Persistent? New Evidence from a Panel of U.S. Tax Returns*, Brookings Papers on Econ. Activity (2013), http://www.brookings.edu/~/media/Projects/BPEA/Spring%202013/2013a_panousi.pdf. *See generally* Thomas Piketty, *About Capital in the Twenty-First Century*, 105 Am. Econ. Rev. 48 (2015); Joseph Stiglitz, The Price of Inequality: How Today's Divided Society Endangers Our Future (2012).

47. Ray Boshara, William R. Emmons & Bryan J. Noeth, *The Demographics of Wealth: How Age, Education and Race Separate Thrivers from Strugglers in Today's*

concentration of income and wealth in the top 3 percent of U.S. families has now hit historically high levels.[48] Research shows that the income share for the top 3 percent has increased at the same time there has been a declining income share for the bottom 90 percent of households.[49] While millennial households that are in the highest income brackets can reasonably predict rising future earnings, other millennial renters are rationally avoiding homeownership because of their inability to assume that they will be employed or will have jobs that pay them enough to repay a fifteen- or thirty-year mortgage loan.

D. Wealth

1. Savings

My parents used savings to pay for their college expenses and buy their first and second homes. When they bought their first home, the overall household savings rate generally exceeded 10 percent; by the time they bought their second home in 1974, the savings rate exceeded 12 percent.[50] Although my middle-income parents were savers, there has always been a savings rate disparity between economic groups in this country because wealthier households have always saved more than middle-class households. Since the 1970s, only the wealthiest 10 percent of households have consistently saved more than 10 percent of their income although, at least until the early 1980s, the saving rate for middle-class households ranged between 5 percent and 10 percent.[51]

For the most part, middle- and lower-income households no longer save. Indeed, from approximately 1998 to 2008, the savings rate for all but the top 10 percent of households was negative. Overall household savings rates plummeted just before the 2007–2009 recession, and many middle-income households stopped saving during the mid-2000s housing boom because they had increased their mortgage debt in order to buy and remain in their homes. The overall household savings rate increased slightly during the recession (to approximately 2 percent) and the richest

Economy, FED. RESERVE BANK OF ST. LOUIS (2015), https://www.stlouisfed.org/~/media/Files/PDFs/HFS/essays/HFS-Essay-2-2015-Education-and-Wealth.pdf.

48. YiLi Chen & Maria A. Arias, *Lagging Long-Term Wage Growth*, FED. RESERVE BANK OF ST. LOUIS (2015), https://research.stlouisfed.org/publications/es/15/ES_14_2015-06-24.pdf.

49. Jesse Bricker et al., *Changes in U.S. Family Finances from 2010 to 2013: Evidence from the Survey of Consumer Finances* 10, FED. RESERVE BULL. (2014), http://www.federalreserve.gov/pubs/bulletin/2014/pdf/scf14.pdf. Likewise, the share of total wealth for rich families is at historically high levels, while the real net worth for families in the bottom 10 percent declined substantially between 2010 and 2013.

50. Federal Reserve Bank of St. Louis, *Personal Savings Rate* (2015), https://research.stlouisfed.org/fred2/series/PSAVERT.

51. *Id.*

top 1 percent of households continued to save at double digit rates. The savings rate then increased after the recession and, by December 2012, the overall rate finally exceeded 10 percent.[52]

Household savings increased after the recession mostly because tighter credit restrictions made it harder for households to borrow on credit. Despite this recent increase in the household savings rate, however, the overall rate has now started to drop and is approaching pre-recession levels. Since 2013, rates have been approximately 5 percent, in part because of rising automobile and student loan debt.[53] Indeed, one reason my parents were able to save money for a down payment and to make their monthly mortgage payments is because they graduated from college with no student loan debt. Young adults are avoiding homeownership (and the housing market remains sluggish) because so many millennials cannot save as the result of their student loan debt burdens. With no savings, it is virtually impossible for them to make a down payment on a home.[54]

2. Inheritances

It is possible that my parents would have been able to buy their first home using only their accumulated savings. However, the interest-free loan they received from my Aunt Eva let them buy their home earlier and also helped reduce their overall home buying costs because they took out a smaller mortgage loan. Similarly, while they may have been able to buy a second home using only their savings and the equity they built up in their first home, they were able to reduce their home buying costs and make a bigger down payment on a home in the suburbs because of the inheritance my mother received after her parents died.

There is a strong link among savings, inheritances, and homeownership, and young adults who inherit or can borrow money from friends or family to make a down payment on a home typically become homeowners earlier than other renters.[55] Research shows that receiving even a small inheritance increases the likelihood that a renter will become a

52. *Id.*

53. *Consumer Borrowing Hits a Record $3.4 Trillion*, N.Y. Times (July 8, 2015), http://nyti.ms/1RqQyTD.

54. In a realtor survey, 56 percent of millennials reported that their student loan debt made it hard for them to save and another 38 percent reported that car loans prevented them from saving to buy a home. Homebuyer and Seller Generational Trends, *supra* note 18, at Ex. 5-4.

55. While my parents' path to homeownership was fairly typical for young adults who have access to low-cost borrowing or who receive inheritances, they were atypical *black*, first-time homebuyers because blacks have always been significantly less likely than whites to have relatives and friends who can loan them money; blacks and Latinos are less likely to receive an inheritance than whites. Dickerson, *supra* note 1 at 249.

homeowner.[56] At least 25 percent of first-time homebuyers receive money from a friend or relative to make the down payment.[57] Having inherited wealth and access to low-cost loans from friends or family reduces homebuyers' overall home buying costs because it allows them to take out a smaller mortgage loan. Lower home buying costs helps homeowners accumulate equity in their homes faster. Similarly, homeowners with lower monthly mortgage payments are at a reduced risk of losing their homes to foreclosure if they lose their jobs or have unexpected expenses in the future that make it harder for them to pay their mortgage loans. Finally, renters who can make larger down payments may also be able to avoid purchasing private mortgage insurance, and they will accumulate equity faster in their homes than borrowers who buy homes with smaller down payments.[58]

It is unclear whether young adults will continue to have access to low-cost loans from friends and family and whether they will receive larger inheritances once the boomers transfer their wealth to their beneficiaries or heirs. The number of U.S. households that are still struggling to recover from the recession, combined with growing income and wealth gaps, makes it unlikely, however, that lower- and middle-income young adults can reasonably depend on inherited wealth to help them buy homes any time soon.

3. Inequality Gaps

In the 1960s, household net worth, including savings and inherited wealth, for middle-income families was not substantially smaller than the net worth of higher-income families. Now, however, there is a large and a growing gap between the household net worth, including home equity and retirement and other savings, of middle-income families (like my parents) and upper-income families. As is true with the income inequality gap, since the 1980s the wealth held by the top 1 percent of households has increased and now significantly exceeds the wealth held by middle-class households.[59] The wealth inequity gap significantly expanded both during and after the 2007–2009 recession; this growing wealth inequality may now be permanent.

56. *Id.*

57. HOMEBUYER AND SELLER GENERATIONAL TRENDS, *supra* note 18, at Ex. 5-3. According to these survey results, 26 percent of first-time buyers in 2013 received gifts from a friend or relative to help make a down payment, 7 percent received a loan from a relative or friend, and 3 percent used an inheritance to make a down payment.

58. *Id.*

59. Emmanuel Saez & Gabriel Zucman, *Wealth Inequality in the United States Since 1913: Evidence from Capitalized Income Tax Data*, 1 Q.J. OF ECON. 131 (forthcoming 2016), http://gabriel-zucman.eu/files/SaezZucman2014.pdf.

Wealth is concentrated in the top 1 percent, largely because, as noted earlier, families in that group have received a disproportionate share of wage increases for the last thirty years. The top 1 percent of households, alone, now own more wealth than the entire bottom 90 percent of households do.[60] Middle-income families lost wealth both during and after the recession: upper-income families had 13.6 times the wealth of middle-income families in 2003, 26 times the wealth of middle-income families at the end of the recession, and 24.2 times the wealth of middle-income families in 2013.[61] Wealth for upper-income families continues to increase while wealth for middle- and lower-income families has essentially remained stagnant.[62]

Recent research shows that wealth inequality has now grown to levels rivaling the gap that existed in the Gilded Age in the late 1920s and that the bottom 90 percent of families in the United States have lost a disproportionate share of wealth to the top 1 percent of U.S. households. For example, the bottom 90 percent of all households held 36 percent of total wealth in the 1980s, but owned only 23 percent of total U.S. wealth by 2012. The amount of wealth that the bottom 90 percent of U.S. households now has is about the same now as it was in the 1940s, while the top 1 percent has now essentially regained the wealth it lost during the recession.[63]

The racial wealth gap shares similar characteristics with the wealth inequality gap between middle-income and upper-income households. While the median wealth for white household was $111,146 in 2011, median wealth for black households was just over $7,113 and Latino median household wealth was $8,348.[64] Like the overall wealth inequality gap, the racial wealth gap expanded during, and especially after, the 2007–2009 recession. Between 2005 and 2009, white household wealth dropped 16 percent while black household wealth declined by 52 percent and Latino wealth plummeted by 66 percent.[65] Then, from 2007 to 2011, average

60. Fabian T. Pheffer, Shelden Danziger & Robert F. Schoemi, *Wealth Levels, Wealth Inequality, and the Great Recession*, Russell Sage Found. (2014), http://web.stanford.edu/group/scspi/_media/working_papers/pfeffer-danziger-schoeni_wealth-levels.pdf. *See also* Annie Lowrey, *What Comes After Rich Baby Boomers? Kids with a Big Inheritance*, N.Y. Times Mag. (Mar. 11, 2014).

61. Pheffer et al., *supra* note 60.

62. Richard Fry & Rakesh Kochhar, *America's Wealth Gap Between Middle-Income and Upper-Income Families Is Widest on Record,* FactTank (Pew Research Ctr.), http://www.pewresearch.org/fact-tank/2014/12/17/wealth-gap-upper-middle-income/.

63. Saez & Zucman, *supra* note 59.

64. Laura Sullivan et al., *The Racial Wealth Gap: Why Policy Matters*, Demos (2015), https://iasp.brandeis.edu/pdfs/2015/RWA.pdf.

65. Rakesh Kochhar, Richard Fry & Paul Taylor, *Wealth Gaps Rise to Record Highs Between Whites, Blacks, Hispanics*, Pew Research Ctr. (2011), http://www.pewsocialtrends.org/2011/07/26/wealth-gaps-rise-to-record-highs-between-whites-blacks-hispanics/.

black household wealth dropped 33 percent while white household wealth declined by only 12 percent.[66]

As a set of essays recently published by the Federal Reserve Bank of St. Louis show, wealth patterns for blacks, whites, and Latinos have changed little for the last twenty-five years and may now be permanent. Between 1989 and 2013, white families consistently held the greatest amount of wealth, followed by Latino and finally black families.[67] The racial wealth gap continued to spread even after the recession ended as whites continued to recoup the wealth they lost during the recession, but blacks and Latinos did not. Thus, white overall wealth stopped declining between 2010 and 2013 and their non-housing wealth, which includes retirement accounts and savings, actually started to increase during the economic recovery period that followed the recession.[68]

In contrast, black and Latino wealth continued to drop during the post-recession recovery period. As a result, whites now hold $13 of wealth for each $1 that blacks hold and $10 of wealth for each $1 that Latinos hold.[69] The racial wealth gap is especially startling for college graduates: the average wealth for white college-educated families in 2013 was $359,000 while wealth for Latino households of college graduates was $49,000 and $32,000 for black families.[70] In fact, white families who did not graduate from college had higher household wealth ($80,000) than the wealth held by Latino and black college-educated households.

The growing income inequality gaps make it harder for young adults to find affordable housing or to buy homes. Young adults who want to buy homes likely will need to rely on savings and wealth, which appears unlikely given the growing wealth inequality gaps. It might be possible, however, for young adults to save for a down payment if they have few ongoing debts and can devote most of their income to their housing expenses. As the next section shows, however, a college degree is now a prerequisite to a middle class life style, including being a homeowner, and rising college costs make it harder for young adults to graduate from college debt-free.

66. Sarah Burd-Sharps & Rebecca Rasch, *Impact of the US Housing Crisis on the Racial Wealth Gap Across Generations*, Soc. Sci. Research Council (2015), https://www.aclu.org/sites/default/files/field_document/discrimlend_final.pdf.

67. Boshara et al., *supra* note 47.

68. Burd-Sharps & Rasch, *supra* note 60.

69. Rakesh Kochhar & Richard Fry, *Wealth Inequality Has Widened Along Racial, Ethnic Lines Since End of Great Recession*, Pew Research Ctr. (2014), http://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/.

70. William R. Emmons & Bryan J. Noeth, *Why Didn't Higher Education Protect Hispanic and Black Wealth?* 12 Perspectives on Household Balance Sheets (2015).

E. College and Student Loan Debt

In the 1960s, it was possible for a family to maintain a middle-class lifestyle even if neither parent had a college degree. Young boomer workers could choose to bypass college because of the strong likelihood that they would be able to support themselves and their families. This is no longer realistic. A bachelor's degree from a four-year college has now become almost essential for people who aspire to be in the middle-class and it is virtually impossible for a worker to have reasonably predictable and stable lifetime earnings without at least a bachelor's degree. In addition, workers who do not have a bachelor's degree should assume that they will have longer periods of unemployment because U.S. labor statistics consistently show that college graduates have unemployment rates that are about 50 percent lower than the rates for workers who lack a bachelor's degree.[71] Young workers also should assume that, without a college degree, their wages will be lower.

For the last three decades, there has been a steady increase in the demand for high-skilled workers, especially in certain science and technology fields. Indeed, more than half of the jobs in the United States now require additional college or vocational training, and the percentage of jobs that are available to workers who do not have college degrees has been steadily declining since the 1970s.[72] As noted in Part II.A, there are now significantly fewer high-wage, low-skilled jobs than there were until the 1980s. Moreover, many employers require prospective employees to have college degrees even for lower-skilled jobs that high school graduates would have qualified for in the old economy.[73]

The increased demand for (but limited supply of) workers who have the technological skills that employers in certain industries covet has created what is now viewed as a college earnings "premium."[74] The college earnings premium has steadily increased and has almost doubled since 1980.[75] Workers with college degrees have higher wages and higher average lifetime earnings than workers who have only a high school degree. Specifically, workers with a bachelor's degree earn approximately 74 percent more than people who have a high school diploma and earn more than 31 percent more than people who have an associate's degree from

71. Bureau of Labor Statistics, Economic News Release Table A-4 (Aug. 2015), http://www.bls.gov/news.release/empsit.t04.htm. Given this, young adults who lack a bachelor's degree generally will have lower lifetime earnings because they will have longer periods of unemployment.

72. *Id.*

73. DICKERSON, *supra* note 1, at 234.

74. Oreopoulos & Petronijevic, *supra* note 26, at 14.

75. Christopher Avery & Sarah E. Turner, *Student Loans: Do College Students Borrow Too Much Or—Not Enough?* 26 J. OF ECON. PERSPECTIVES 165, 166 (2012).

a community or other two-year college.[76] Anticipated lifetime earnings for workers who graduate from four-year colleges is $570,000 more than earnings for workers who have only a high school degree. Similarly, workers with a two-year degree earn $170,000 more over their lifetimes than high school graduates.[77]

To increase the likelihood of being employed in a higher-wage job, workers now need a college degree: this may explain why overall undergraduate college enrollment numbers have increased substantially since 1980. Students who attend college now, however, are paying relatively more to get a college degree than students paid in the 1980s. The cost to attend college has been increasing, in part because state support for public colleges has fallen and also because colleges are now more likely to award merit rather than need-based financial aid.[78] Because costs have increased but financial support, including federal Pell grants for low-income students, has not kept pace, the total volume of student loans and the percentage of undergraduate students who took out student loans has increased dramatically since 1980.[79]

Another reason student loan debt is soaring involves for-profit colleges. While my mother attended a for-profit secretarial school, students who attended for-profit colleges have historically been a small percentage of the number of overall college attendees. The number of students who attend for-profit colleges has dramatically increased over the last two decades. A General Accountability Office recent report found that the number of for-profit colleges (especially two-year colleges) has grown dramatically since 2002 while the number of public and nonprofit colleges has

76. Anthony P. Carnevale, Stephen J. Rose & Ban Cheah, *The College Payoff* 4, Georgetown Univ. (2013), https://cew.georgetown.edu/wp-content/uploads/2014/11/collegepayoff-complete.pdf.

77. *15 Economic Facts about Millennials*, *supra* note 2, at 16. *See also* Avery & Turner, *supra* note 75, at 173–74. While earnings have increased for workers who have professional, technical, and managerial occupations, employment opportunities and wages have also increased for workers in the lower-wage food service, personal care, and protective service jobs. Wages for workers with middle-skill, clerical, administrative, production, and sales jobs have decreased. Oreopoulos & Petronijevic, *supra* note 26, at 15.

78. *Higher Education: State Funding Trends and Policies on Affordability* 7–13, Gov't Accountability Office Rep. No. 15-151 (2014), http://www.gao.gov/assets/670/667557.pdf.

79. For example, the number of federal student loans dramatically increased (from 2.3 million to 10.9 million loans) between 1980 and 2009. Avery & Turner, *supra* note 75, at 167. *See also* Andrew Delbanco, College: What It Was, Is, and Should Be 115 (2012) ("While funding of grants for low-income students has failed to keep up with the rising cost of college, there has been robust growth in the amount of unsubsidized federal loans that go mainly to students from middle-income families.").

dropped.[80] Similarly, a U.S. Senate report found that, between 1998 and 2008, enrollments at for-profit colleges increased 225 percent while enrollments in college generally increased by only 31 percent.[81] While relatively few students attended for-profit colleges in the 1960s, data show that between 10 percent and 13 percent of all college students now attend for-profit colleges.[82]

Tuition at for-profit colleges is almost always higher than tuition at public or nonprofit private colleges and is certainly higher than the cost to attend a public community college.[83] Since almost all (over 96 percent) students who attend for-profit colleges take out loans,[84] private for-profit colleges receive virtually all of their revenue from federal student loan aid.[85] A U.S. Senate investigation found that, while approximately 95 percent of students who attend for-profit schools finance their education with student loans, 60 percent of students who attend private not-for-profit colleges, 50 percent of students who attend public colleges, and 13 percent of students who enroll at two-year community colleges borrow to attend college.[86] In addition, although students at for-profit schools are only 11 percent of students in college, they receive a disproportionate share (approximately 25 percent) of student loan disbursements.[87]

While boomers, like my mother, could attend for-profit trade schools at fairly low cost, young adults who attend for-profit colleges are substantially more likely to have student loan debt than students who attend

80. *Higher Education State Funding Trends*, *supra* note 78, at 4.

81. U.S. Senate Health, Educ., Labor & Pensions Comm., *For-Profit Higher Education: The Failure to Safeguard the Federal Investment and Ensure Student Success* 15 (2012), http://www.help.senate.gov/imo/media/for_profit_report/PartI-PartIII-SelectedAppendixes.pdf [hereinafter *For-Profit Higher Education]*.

82. *Id.* Blacks and Latinos attend for-profit colleges at significantly higher rates than white students. Economic Well-Being of U.S. Households, *supra* note 4, at 32 (noting that students who attend for-profit institutions are disproportionately likely to be minority students, are less likely to complete their degree, and have higher student loan default rates).

83. Stephanie Riegg Cellini & Latika Chaudhary, *The Labor Market Returns to a For-Profit College Education,* 43 Econ. of Educ. Rev. 125, 128 (2014).

84. *For-Profit Higher Education*, *supra* note 81, at 112. Another study found that students who attend for-profit colleges are substantially (88 percent) more likely to borrow than students who attend public four-year (41 percent), private four-year (54 percent), or public two-year (10 percent) nonprofit colleges. Avery & Turner, *supra* note 75, at 171.

85. David Deming, Claudia Goldin & Lawrence Katz, *For-Profit Colleges*, 23 Future of Children 137,138 (2013); Richard Pérez-Peña, *Federal Lawsuit Accuses For-Profit Schools of Fraud,* N.Y. Times (Feb. 19, 2014).

86. Cellini & Chaudhary, *supra* note 83, at 138; Joel Best & Eric Best, The Student Loan Mess; How Good Intentions Created a Trillion-Dollar Problem 109 (2014).

87. Best & Best, *supra* note 86, at 115.

community college (13 percent), public four-year colleges (48 percent), or private nonprofit four-year colleges (57 percent).[88] In addition, while my mother received valuable training at the secretarial school she attended, many of these schools provide useless or inadequate training that gives the students few marketable skills.[89]

College attendance rates for young boomers in the 1960s and 1970s were lower than college attendance rates for millennials; in addition, my parents and other boomers were substantially less likely to take out student loans to attend college, in part because college tuition was lower (relative to household income) and also because many worked part-time jobs when they were in college. Even boomers who borrowed to attend college graduated with significantly less student loan debt and could be reasonably confident in assuming that they would be able to repay that debt because they would graduate from college and find jobs in their fields that would give them raises. Attending college and amassing higher levels of student loan debt may be worth it to young adults who desire to have higher-paying jobs, and millennials are more likely to have college degrees than boomers. While millennials ostensibly should have more income they can save to make a down payment on a home, it is harder for them to save enough to buy a home or, increasingly, to even find affordable rental housing because of student loan debt and jobs that pay relatively low wages.[90]

F. Household Formation

In addition to the income and job instability that young adults are facing, millennials are not forming households as early or in the same way that boomers did. While the average age for first-time homebuyers had been about thirty years old since the 1980s, that number has increased as millennials have delayed forming their own households.[91] In the 1950s, when my parents formed their household, the average age for marriage was 22.8 years for men and 20.3 for women; 77 percent of young adults were married in 1960 (the year after my parents got married).[92]

88. *For-Profit Higher Education*, *supra* note 81, at 18.

89. *Id.* at 17. For-profit colleges have lower graduation rates than nonprofit colleges and graduates of some for-profits receive training that equips them for jobs that pay less than wages high school dropouts earn. *Id. See also* Alia Wong, *The Downfall of For-Profit Colleges*, The Atlantic (Feb. 23, 2015).

90. *15 Economic Facts about Millennials*, *supra* note 2, at 16; Homebuyer and Seller Generational Trends, *supra* note 18, at Ex. 5-4. In the National Association of Realtors survey, 56 percent of millennials reported that student loan expenses caused them to delay saving for a down payment or saving for a home purchase. Thirty percent of millennials reported that credit card debt prevented them from saving and 38 percent cited car loans as the reason they could not save to buy a home.

91. Press Release, *supra* note 18.

92. *15 Economic Facts about Millennials*, *supra* note 2, at 34.

The average age of marriage for both genders increased by more than six years by 2013 and only 30 percent of twenty- to thirty-four-year-olds were married that year.[93] Relative to boomers, millennials are not getting married: while only 28 percent of millennials were married in 2014, 48 percent of boomers were married at that same age.[94]

Millennials are postponing marriage and childrearing for a number of reasons. Because more young adults (especially women) are attending college, remaining in school longer delays their household formation. In addition, young adults are not marrying and are remaining at home with their parents because of stagnant wages and their relatively higher un- and under-employment rates.[95] Because of these factors, overall homeownership rates are at a historic lows despite high homeownership rates for boomers. That is, while homeownership rates for older baby boomers rose by 2.5 percent over the last decade, the 63.4 percent overall homeownership rate in the second quarter of 2015 was the lowest overall homeownership since 1967.[96]

Homeownership rates are particularly low for younger adults. Homeownership rates for the generation just older than the millennials (i.e., Americans between the ages of thirty-five to forty-four) dropped by 9.5 percent over the last decade.[97] While many millennials are in college and not in the demographic that is likely to buy homes, homeownership rates for millennials also dropped by 7.3 percent. Given the labor market prospects young adults are facing and their higher student loan debt burdens, overall homeownership rates likely will remain low unless this country's leaders are willing to admit that the nation is facing a housing affordability crisis that affects both potential homeowners as well as struggling renters. Likewise, until the United States adopts housing policies that make housing, whether owned or rented, more affordable, the future of homeownership will remain bleak.

III. Tackling Housing Unaffordability

A. The Crisis

Although unemployment rates are low, wage instability and sluggish and stagnant income make it harder for young adults to find affordable housing. Housing unaffordability is a problem for both renters and potential homeowners, and skyrocketing rents and housing prices are making it harder for young adults to become homeowners. The number of renters in

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93. *Id.*

94. *Comparing Millennials to Other Generations*, Pew Research Ctr., http://www.pewsocialtrends.org/2015/03/19/comparing-millennials-to-other-generations/#!1.

95. *15 Economic Facts about Millennials*, *supra* note 2, at 37.

96. Press Release, U.S. Census Bureau, Residential Vacancies and Homeownership in the Second Quarter 2015, July 28, 2015, http://www.census.gov/housing/hvs/files/qtr215/currenthvspress.pdf. U.S. Census, *Housing Vacancies and Home Ownership*, at Tbl. 14, http://www.census.gov/housing/hvs/data/histtabs.html.

97. The State of the Nation's Housing 2015, *supra* note 18.

the United States has increased by double digits since the recession, and recently released survey results show that renters are now the majority in nine of the eleven largest U.S. metropolitan areas.[98] Affordable rental units are not being built at a rate that is keeping pace with the heightened demand.

The scarcity of affordable housing units is now causing an increasing number of Americans to make tradeoffs and sacrifices to pay for their monthly housing expenses.[99] One-fifth of all Americans now find that, even if they have a full-time job, they must also hold a second job or otherwise supplement their income to make ends meet. Another 17 percent of workers report that they can no longer save for retirement, and 14 percent have increased their credit card debt in order to pay for their monthly expenses.[100] More than 25 percent of households now pay more than 50 percent of their income on housing.[101] Just as housing unaffordability affects both renters and homeowners, the crisis is no longer just limited to the poor.

My middle-income parents could afford to buy homes in the 1960s and 1970s. Now, however, 20 percent of households who earn between $45,000 and $75,000 and 45 percent of renters who earn between $30,000 and $45,000 have disproportionately high housing costs, especially if they live in large cities.[102] Households in the highest earning groups, which accounted for almost 20 percent of new renters between 2004 and 2014, are also struggling.[103] While the housing unaffordability crisis is not just limited to lower-income families, the crisis disproportionately harms middle- and lower-income families. Recent data show that approximately 75 percent of renters who earn between $30,000 and $45,000 and almost 50 percent of renters who earn between $45,000 and $75,000 pay more than 30 percent of their income on housing.[104]

The crisis is affecting all young adults, but is having a profound effect on blacks and Latinos. My parents became homeowners when America was a predominately white nation and when banks and realtors regularly discriminated against black homebuyers. Housing laws now prevent realtors from legally engaging in the types of discriminatory acts my parents encountered when they bought homes. Nonetheless, real estate agents continue to steer black and Latino homebuyers to predominately non-

98. Sean Capperis, Ingrid Gould Ellen & Brian Karfunkel, *Renting in America's Largest Cities*, NYU Furman Ctr. (2015), http://furmancenter.org/files/CapOneNYUFurmanCenter__NationalRentalLandscape_MAY2015.pdf.

99. *How Housing Matters*, *supra* note 3; Economic Well-Being of U.S. Households in 2014 *supra* note 4.

100. *How Housing Matters*, *supra* note 3.

101. The State of the Nation's Housing 2015, *supra* note 18.

102. *Id.*

103. *Id.*

104. *Id.* at 4, fig. 7.

white neighborhoods and many U.S. neighborhoods remain segregated by race.[105] In addition, despite fair housing laws, blacks and Latinos are still receiving less favorable treatment than whites when they attempt to purchase homes.[106]

Although young black and Latino renters face less discrimination than my parents did, the housing crisis has a particularly harsh effect on them; this does not bode well for the health of the U.S. housing market given the size and racial makeup of the millennial generation. Realtors could afford to discriminate against my parents in the 1960s and 1970s because of the larger supply of potential white homebuyers. That is no longer true. Millennials are now the largest generation in the United States and comprise approximately a third of the total population in the country.[107] Millennials are also the most racially diverse generation, dramatically more diverse than the boomer generation. For example, while approximately 75 percent of boomers are white, only 56 percent of millennials are white.[108] The majority of babies born in this country are non-white, and Latinos in particular will comprise increasingly larger shares of the U.S. population.[109] In fact, Latino millennials now outnumber Latino baby boomers by more than two to one.[110]

While the housing crisis is not limited to blacks and Latinos, the country will not solve the housing crisis and homeownership rates will remain low if housing policies continue to ignore the financial challenges blacks and Latinos face. Blacks and Latinos have always had lower homeownership rates than whites. For example, while the overall homeownership rate in 2014 was approximately 64 percent, the white homeownership rate (72 percent) vastly exceeded homeownership rates for blacks (42 percent) and

105. Dickerson, *supra* note 1, at 150. *See also* Margery Austin Turner et al., U.S. Dep't of Hous. & Urban Dev., Housing Discrimination Against Racial and Ethnic Minorities 2012, at 39 (2013), http://www.huduser.org/portal/Publications/pdf/HUD-514_HDS2012.pdf (concluding that minorities are shown fewer rental units than whites and blacks and Latinos are given higher rental rates than whites).

106. Ingrid Gould Ellen, *Continuing Isolation: Segregation in America Today*, *in* Segregation: The Rising Costs for America 261, 265–66, 273 (James H. Carr & Nandinee K. Kutty eds., 2008) (surveying empirical evidence on discrimination by real estate agents against blacks and Latinos).

107. *15 Economic Facts about Millennials*, *supra* note 2, at 5.

108. *Millennial Generation Is Bigger, More Diverse Than Boomers*, CNN Money, http://money.cnn.com/interactive/economy/diversity-millennials-boomers/; Press Release, U.S. Census Bureau, Most Children Younger Than Age 1 Are Minorities, Census Bureau Reports (May 17, 2012), http://www.census.gov/newsroom/releases/archives/population/cb12-90.html (2012).

109. Press Release, *supra* note 108.

110. The State of the Nation's Housing 2015, *supra* note 18, at 14.

Latinos (44 percent).[111] Lower homeownership rates for blacks and Latinos have not, until recently, significantly impacted home sales because the population in the United States has been predominantly white. However, minorities are projected to be 76 percent of net household growth in the next decade and approximately 85 percent of new households in the next twenty years.[112] Latino households accounted for half of the net growth in overall homeownership gains from 2000 to 2014 and are projected to account for almost 56 percent of all new homeowners by 2030.[113]

Housing unaffordability does not just affect young blacks and Latinos. But, given the likely changes in the racial makeup of new households in the United States, if black and especially Latino homeownership rates continue to lag, the housing market may never recover. It is hard to imagine that homeownership rates will ever return to the 2004 high of 69.4 percent, and it is more likely that overall rates will continue to decline if blacks and Latinos cannot afford to buy homes.

B. Solutions

As noted in earlier sections, the homeownership and rental affordability crisis exists for a number of reasons. Young adults cannot find affordable rental properties or buy homes because of stagnant or low wages, lack of savings, and high student loan debt. Because there is no single cause, no one solution will solve the housing unaffordability challenges young adults are facing. At a minimum, however, politicians and the housing industry must acknowledge the housing affordability problem, understand the reasons why young adults cannot find affordable housing, and take bold actions to respond to this problem.

1. Touching the Third Rail: Modifying the Mortgage Interest Deduction

One of the most expensive housing subsidies the United States provides is the mortgage interest deduction (MID). U.S. taxpayers who own and occupy their homes are allowed to claim a deduction on their federal income tax returns for the interest they pay on mortgage loans for their primary or second home up to a maximum of $1 million of mortgage debt.[114] Homeowners also can deduct interest they pay on home equity loans or lines of credit up to a maximum of $100,000, even though those loans obviously do not help renters become homeowners.[115] While the MID is designed to encourage renters to buy homes, there is

111. U.S. Census Bureau, *Residential Vacancies and Homeownership in the Fourth Quarter 2014*, Tbl. 7 (2015), http://www.census.gov/housing/hvs/files/currenthvspress.pdf.

112. The State of the Nation's Housing 2015, *supra* note 18, at 14.

113. *State of Hispanic Homeownership*, *supra* note 23, at 37 (2014).

114. 28 U.S.C. § 163(h)(3)(C).

115. *Id.*

no proof that this extraordinarily expensive interest deduction[116] actually encourages lower- and middle-income renters to become homeowners or does much more than subsidize housing costs for upper-income Americans.

At a cost of upwards of $70 billion annually,[117] the MID is one of the most expensive tax expenditures and one of the most politically popular and fiercely protected tax breaks. While the MID may have been useful to middle-income homeowners during the 1960s and 1970s and surveys indicate that most renters support the MID,[118] most taxpayers do not receive benefits from this deduction. Nearly two-thirds of all U.S. households take the standard deduction and only a quarter of all taxpayers deduct mortgage interest.[119] Most middle- and lower-income homeowners take the standard deduction because it is generally bigger than the amount of interest they pay on their mortgage loans.[120] While the MID is largely useless to ordinary Americans, it is extraordinarily beneficial to the more than 70 percent of higher-income taxpayers who itemize their deductions.

According to a 2013 Joint Committee on Taxation report, homeownership rates rise with household income and higher-income households are more likely to itemize deductions, in part, because they are more likely to own expensive or vacation homes that have large mortgages.[121] The MID gives higher-income taxpayers an incentive to buy expensive homes, but is of little use to lower- or middle-income renters who are struggling to find and purchase a moderately priced home. The anti-tax sentiment in Congress makes it unlikely that legislators will raise taxes or divert funds from non-housing tax expenditures to pay for solutions to the problem of housing unaffordability. Thus, the best way to generate additional revenue to tackle the current housing affordability crisis would be to modify or repeal the MID. However, given the public support for the deduction and the aggressive lobbying by politically influential home builders, realtors, and lenders that occurs whenever there are attempts to modify the MID, Congress has been unwilling to seriously consider any proposal to reduce this expensive tax subsidy.[122]

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116. Until tax laws were revised in 1986, taxpayers were allowed to deduct interest on other forms on consumer debt, including credit cards. DICKERSON, *supra* note 1, at 50.

117. Joint Comm. on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2012–2017* (2013).

118. *Id.* at 53.

119. Joint Comm. on Taxation, *Present Law and Background Relating to the Federal Tax Treatment of Charitable Contributions* (2013).

120. *Id.*

121. Joint Comm. on Taxation, *Present Law, Data, and Analysis Relating to Tax Incentives for Residential Real Estate* (2013).

122. Will Fischer & Chye-Ching Huang, *Mortgage Interest Deduction Is Ripe for Reform*, CTR. ON BUDGET & POL'Y PRIORITIES (2013), http://www.cbpp.org/research/mortgage-interest-deduction-is-ripe-for-reform.

2. Shared Equity Housing

When my parents purchased homes in the 1960s and 1970s, "homeownership" meant that one person or family was the sole owner of a detached home. While support for shared equity housing has never been fully embraced by the government or homeowners, given the housing unaffordability challenges young adults are facing, U.S. housing policies need to abandon the narrow view that individually owned homes should be the norm. Community land trusts (CLTs) or Community Development Corporations (CDCs) may be one way to make housing more affordable for young adults.

CDCs enter into long-term residential property leases with low-income residents in neighborhoods that are at risk of gentrifying and pricing out existing residents.[123] CLTs create permanently affordable homes by allowing low- to moderate-income households to purchase homes in neighborhoods that they otherwise could not afford. While homeowners generally remain in homes held in a CLT indefinitely and they can build equity in those homes, they cannot rent them out. Moreover, if they decide to sell their homes, they can only sell the home to another lower-income household at an affordable price. By limiting the owner's property rights, CLTs ensure that the home remains affordable to lower-income families.[124]

CLTs and CDCs can increase the number of affordable houses for young adults, but they cannot provide affordable housing on a larger scale unless they receive outside financial support. Both groups have high operating costs, in part because they must purchase and potentially upgrade or refurbish homes before selling or leasing them to owners. While some CLTs are already receiving financial support from financial institutions (like Wells Fargo),[125] these entities cannot solve the housing crisis without financial support from lenders or tax subsidies from federal, state, or local governments.

3. Scaling Home Sizes to Household Needs

My parents fit the profile of the typical first-time homebuyer because they were a married couple with young children who wanted to buy a single-family detached home.[126] Because fewer young college graduates are married and have children, they are not as likely to be interested in buying a home, even if they have reasonably stable income. Those who

123. For an example of a CDC, see *CDC Spotlight: Fending Off Gentrification One Block at a Time in Blackland*, http://texashousers.net/2015/11/30/cdc-spotlight-fending-off-gentrification-one-block-at-a-time-in-blackland/.

124. James J. Kelly, Jr., *Sustaining Neighborhoods of Choice: From Land Bank(ing) to Land Trust(ing)*, 54 WASHBURN L.J. 613 (2015).

125. *See Wells Fargo Helps with Affordable Housing* (letter), LAKE TAHOE NEWS, July 18, 2015, http://www.laketahoenews.net/2015/07/letter-wells-fargo-helps-with-affordable-housing/?utm_source=dlvr.it&utm_medium=twitter.

126. HOMEBUYER AND SELLER GENERATIONAL TRENDS, *supra* note 18.

might be interested in buying homes find it harder to find suitable housing because of the mismatch between their housing needs and the size of existing housing.

It is hard for single young adults to find moderately sized new homes because of the average size of newly constructed homes. The average size of a newly constructed single-family home in 1973 was 1,660 sq. ft. and increased to 1,740 sq. ft. by 1980. However, average home size increased to 2,080 sq. ft. by 1990, to 2,366 sq. ft. by 2000, and to 2,521 sq. ft. by the time the recession started in 2007. Although homeownership rates have been dropping since the recession, home sizes have continued to grow. The average size of new homes built in 2014 (at 2,657 sq. ft.) was even larger than the homes that were built during the housing boom during the early 2000s.[127]

While home sizes are getting bigger, households are getting smaller. Census data show that the average U.S. household size started shrinking in the 1960s.[128] When my parents became first-time homeowners in the 1960s, the average household size was approximately 3.29.[129] By 2000, average household size dropped to 2.59 and that number has continued to decrease.[130] Household size is dropping because there are fewer married households with children. While more than 70 percent of U.S. households in the 1960s consisted of married couples, less than 50 percent of all households now consist of married couples.[131] In contrast, the number of households consisting of only one person is increasing. Less than 10 percent of all households in the 1960s consisted of one person. By 2014, however, more than 25 percent of all U.S. households consisted of single adults, mostly because millennials are delaying both marriage and child rearing.[132]

Micro-homes (also referred to as mini, minim, or tiny houses) or micro-apartments could be a way to provide more affordable housing and to match housing size with young adults' housing wants, especially their desire to live alone.[133] These units, typically less than 500 square feet, minimize the size of the occupants' ecological footprint. Because of this, the tiny house movement was originally embraced by anti-materialistic

127. *Square Feet of Floor Area in New Single-Family Houses Completed*, *supra* note 5.

128. U.S. Census Bureau, *Changes in Household Size*, https://www.census.gov/hhes/families/files/graphics/HH-6.pdf.

129. U.S. Census Bureau, *Households and Families: 2010*, at 5 (2012), https://www.census.gov/prod/cen2010/briefs/c2010br-14.pdf.

130. *Id.*

131. U.S. Census Bureau, *Trends in the Prevalence of Households,* www.census.gov/hhes/families/files/graphics/HH-1.pdf.

132. *Id.*

133. Ronda Kaysen, *Leasing Begins for New York's First Micro-Apartments*, N.Y. Times, Nov. 20, 2015, http://mobile.nytimes.com/2015/11/22/realestate/leasing-begins-for-new-yorks-first-micro-apartments.html?referer&_r=0.

consumer groups and environmental movements that sought ways to reduce sprawl and create energy efficient housing.[134] While micro-units generally are built in urban areas with good mass transit, small housing units should be explored and embraced in all regions as a way to provide more affordable housing for the growing number of Americans who are increasingly spending more than half of their income on rent.

Micro-housing alone will not solve the housing affordability problem. But smaller, affordable, rental dwellings would make it easier for millennials to become homeowners by letting them pay less for rental housing.[135] Lowering rental costs for young adults would then help them save money for a down payment to buy a home. In addition, micro-housing can solve the housing needs of young adults who already can afford to buy a home, but not one of the large square foot homes that are being built. Likewise, micro-housing can respond to the housing desires of young professionals who, more than any other age group, prefer to live close to their jobs and entertainment and leisure activities.[136]

4. Revising Zoning Laws

It will be impossible to solve the affordable housing crisis unless cities and states enact zoning laws that encourage and give developers an incentive to build affordable housing. For example, micro-housing cannot solve the housing crisis for young renters because of existing land use laws. Micro-housing units are typically less than 500 square feet, which is smaller than the housing units allowed by most municipal land use laws.[137] Most zoning ordinances and building codes make it virtually impossible for developers to place micro-units in high-density residential neighborhoods because of minimum lot or dwelling size and parking

134. Dawn Withers, *Looking for a Home: How Micro-Housing Can Help California*, 6 GOLDEN GATE UNIV. ENVTL. L.J. 125, 137 (2012). For example, Kasita is a recently launched venture in Austin that is targeting millennials who move frequently. Kasita will design, build, and lease mobile high-tech tiny houses in urban industrial areas. *See Could a Tiny Mobile Studio Solve Your Housing Crisis?*, NPR, http://www.npr.org/sections/alltechconsidered/2015/11/02/453975501/could-a-tiny-mobile-studio-solve-your-housing-crisis; http://www.kasita.com/kasita.

135. Leasing recent began for a nine-story, micro-unit development in New York. The modular building consists of fifty-five studios ranging from 260 to 360 square feet and includes fourteen units that have been designated as affordable. Kaysen, *supra* note 133.

136. Tim Iglesias, *The Promises and Pitfalls of Micro-Housing,* 37 ZONING & PLANNING LAW REP. (Nov. 2014); HOMEBUYER AND SELLER GENERATIONAL TRENDS, *supra* note 18, at Ex. 2-7. Micro-housing can also respond to the housing needs of retired boomers parents/grandparents who may be looking to live in smaller quarters or to live in a tiny housing unit that occupies the same lot as their adult children. Withers, *Looking for a Home, supra* note 134, at 138.

137. Iglesias, *supra* note 136.

requirements.[138] Finally, homeowners who live in single-family detached homes usually rely on zoning laws to prevent developers from placing micro-housing units anywhere in their neighborhoods, especially if the unit shares a lot with another unit, because of concerns that this additional population density will exacerbate traffic, parking, or congestion problems and may decrease the value of their homes.[139]

To give developers an incentive to build micro-housing and signal the importance of affordable housing, cities should adopt inclusionary zoning programs like those that exist in localities like Montgomery County, Maryland;[140] Cambridge, Massachusetts;[141] Highland Park, Illinois;[142] Boulder, Colorado;[143] Seattle;[144] and other cities in Washington State;[145] and the District of Columbia.[146] In general, inclusionary zoning ordinances require developers to set-aside a minimum percentage (typically 10 percent to 25 percent) of units in their new residential housing projects to low and moderate income residents.[147] Some inclusionary zoning laws

138. Withers, *supra* note 134, at 150.

139. *Id.* at 136, 146; Iglesias, *supra* note 136. *See also* Amy Smith, *Then There's This: Split Views on ADUs*, AUSTIN CHRON., June 20, 2014, http://www.austinchronicle.com/news/2014-06-20/then-theres-this-split-views-on-adus/.

140. *See* Montgomery County, Maryland, Summary of the MPDU Program and Its Requirement, http://montgomerycountymd.gov/DHCA/housing/singlefamily/mpdu/program_summary.html.

141. *See* Cambridge, Massachusetts: Inclusionary Housing Program for Developers, https://www.cambridgema.gov/CDD/housing/fordevelopersandpropmanagers/inclusionarydevelopers.

142. *See* Chicago Metro. Agency for Planning, Current Inclusionary Policies in the Chicago Region, http://www.cmap.illinois.gov/about/2040/supporting-materials/process-archive/strategy-papers/inclusionary-zoning/policies.

143. *See* City of Boulder (Colorado), Inclusionary Housing, https://bouldercolorado.gov/housing/inclusionary-housing.

144. Seattle passed a law in November 2015 that is designed to add 6,000 housing units for low-income residents over the next decade. Jason Redmond, *Seattle Law Requires Developers to Pay for Affordable Housing*, REUTERS, Nov. 17, 2015, http://www.reuters.com/article/2015/11/18/us-seattle-housing-idUSKCN0T707820151118#PDBRB6OM1kAGdJXC.97.

145. *See* Puget Sound Regional Council, Tool: Inclusionary Zoning, http://www.psrc.org/growth/housing/hip/alltools/inclus-zoning.

146. *See* District of Columbia, Inclusionary Zoning Affordable Housing Program, http://dhcd.dc.gov/service/inclusionary-zoning-affordable-housing-program.

147. Robert W. Burchell & Catherine C. Galley, *Inclusionary Zoning: Pros and Cons in Inclusionary Zoning: A Viable Solution to the Affordable Housing Crisis? in* AFFORDABLE HOUS. READER (J. Rosie Tighe & Elizabeth J. Mueller, eds. 2000). The California Supreme Court recently upheld an inclusionary zoning ordinance that requires developers to set aside housing for moderate-income households, pay a fee in lieu of providing the housing, or provide equivalent substitute housing. *See* Calif. Bldg. Indus. Ass'n v. City of San Jose, 61 Cal. 4th 435 (Cal. 2015), *cert.*

require developers to set aside a certain percentage of the total units in their new housing developments for affordable housing, while others ordinances give builders financial incentives (including tax abatements; fee waivers; or waivers of zoning requirements involving density, area, height, open space, or use) to provide affordable housing.[148] Inclusionary zoning is an especially useful way to help alleviate housing affordability problems in desirable urban housing markets because builders have a financial incentive to build there and young adults are likely to be attracted to those areas.

Conclusion

When my boomer parents decided to form their household and buy a home, they had savings, stable employment, secure income, and little student loan debt. In contrast, young adults now are avoiding marriage and having children, have low savings rates, and can no longer reasonably expect to have stable and increasing income. Because young adults also have larger student loan debt than their counterparts in the 1960s and 1970s, they are not buying homes and are finding it hard to find affordable places to rent. Simply making it easier for people to buy homes will not solve the housing affordability crisis. This is short-sighted and, as evidenced by the recent housing crash, will not solve the housing affordability problem in the long term.

The housing market will not recover and homeownership rates will not increase until young adults can reasonably assume that they will have full-time jobs that provide stable income. Until this occurs, young adults wisely avoid buying homes that they may need to sell quickly if a full-time or higher paying job opens up. Millennials need more economic security. Once they become more economically secure, they will be able to afford to rent, many will be able to buy homes, and homeownership will again have a promising future.

denied, 84 U.S.L.W. 3133 (No. 15-330) (Feb. 29, 2016). At a bare minimum, if politicians are committed to providing affordable housing for their constituents, they should avoid enacting laws (as the Texas legislature did in 2005) that ban inclusionary zoning.

148. Burchell & Galley, *supra* note 147, at 3.