

# 49 Ways to Increase U.S. Home Ownership, Household Wealth, and Economic Growth

- John Wake, August, 2024

*Below, "homes" refers to single-family homes and condos, and "landlords" refers to landlords of those homes.*

The government's goal should be to increase free-and-clear home ownership, not mortgage debt with the naive assumption that more debt will lead to more home ownership. That strategy has failed for more than half a century. More debt leads to more sales at first but then to higher home prices.

## **Stop ALL government incentives (taxes, laws, policies, etc.) to own homes that aren't incentives for owners who live in the homes**

The government should stop paying landlords to buy single-family homes and condos.

**The Transition.** Stop all landlord tax breaks on rental homes purchased after a cut-off date, and slowly phase out tax breaks on existing rentals over many years.

## **Stop Investor Tax Breaks on Single-Family Homes and Condos**

1. Stop the depreciation tax deduction.
2. Stop the bonus depreciation tax deduction.
3. Stop the mortgage interest tax deduction.
4. Stop the tax deduction for property taxes and state and local taxes.
5. Stop the 1031 Exchanges tax deferral.
6. Stop the tax-free profit-taking via cash-out refinancing.
7. Stop having a lower tax rate on landlord capital gains than on live-in owner ordinary income.
8. Stop the 20% pass-through business deduction on these rentals.
9. Stop landlord losses being treated much more favorably than when live-in owners sell at a loss.
10. Stop the stepped-up tax basis on these rentals.
11. Start making investors pay FICA taxes on their rental income like live-in owners do on their income.

## **Stop Other Government Incentives for Landlords**

**12. Stop Government Mortgages for Landlords.** Stop all government, and government-related, mortgage programs that help landlords buy single-family homes and condos.

**13. Stop LLCs.** States stop encouraging landlord home ownership by ending the Limited Liability Corporation form of ownership for single-family homes and condos purchased after a cutoff date (or prohibitively tax such ownership).

## **Remodel U.S. mortgages and the U.S. mortgage system to maximize the free-and-clear home ownership rate over the long term, not home sales over the short term**

### **Make Mortgages Safer**

**14. Maximum Foreclosure Rate.** The government sets a goal of having a maximum estimated foreclosure rate of 4% nationally and X% in the hardest-hit neighborhoods in the next inevitable mega-housing recession, and adjusts government mortgage policies accordingly.

**15. Lower-Foreclosure Mortgages.** Make mortgage lending regulations safer to reduce foreclosures in downturns and permanently increase U.S. home ownership.

**16. DTI.** Lower the maximum debt-service-to-income ratio for qualified mortgages.

**17. Debt vs. Debt Service.** Switch lending standards from using maximum debt-service-to-income ratios to maximum debt-to-income ratios, and/or maximum debt-to-rent ratios.

**18. Minimum Down.** Increase minimum down payment percentages to reduce future foreclosures and increase home ownership over time.

**19. Cashout Refis.** Tighten lending standards on cashout mortgage refinancings to reduce future foreclosures, for example, a minimum of 20% equity.

**20. 20-Year Mortgages.** Transition back to 20-year mortgages because they build equity about twice as fast and have far fewer foreclosures.

**21. Lower-Only Adjustable-Rate Mortgages (LO-ARMs).** Make all government-backed mortgages Lower-Only Adjustable-Rate Mortgages (LO-ARMs). This would greatly reduce future foreclosures AND would make all future U.S. recessions shorter and shallower because when the Fed lowers interest rates when the economy is soft, it would automatically lower the minimum monthly payments on all these mortgages.

**22. Portable Mortgages.** Make portable mortgages standard

**23. Ideal Mortgage.** 20-year, LO-ARM, portable mortgage. What if the Fed and all government-related agencies only bought those mortgages? How much lower would the interest rates be on these much safer mortgages?

**24. Loan Limits.** Reduce conventional loan limits to zero over several years

**25. Square Footage Loan Limits.** Switch to home square footage loan limits to better target lower-income and first-home buyers, and to stop reinforcing upward home price spirals.

**26. Skin in the Game.** Reduce FHA mortgage insurance coverage from 100% of losses to 25% of losses, like VA mortgages.

**27. Appraisals.** FHA should copy VA appraiser management systems to reduce buyers overpaying for homes.

**28. Safer Everywhere.** FHA should only do mortgages that will be safer in the next big recession even in lower-income neighborhoods.

### **Make The Banking System Safer**

**29. All-in-One Mortgage Banks.** Government mortgage programs SLOWLY shift to only supporting All-in-One Mortgage Banks where the same company originates, services, and holds the mortgage in their portfolio, like the “covered bond” mortgage systems common in Europe.

**30. Stop Lender Dumping.** Stop lenders from dumping their mistakes (foreclosures) on the market in downturns. (Discourage lenders from selling foreclosed homes below the original loan amount, or create an “FDIC” to help protect home values in recessions, especially to protect neighboring home owners in high foreclosure neighborhoods.)

**31. Include House Prices.** Update the Fed’s mandate to be “Stable Prices, Including House Prices,” and let the Fed figure out how to do it.

**32. Reverse QE.** The Fed uses QE and QT to stabilize home prices instead of to destabilize home prices

**33. QE.** The Fed and all government-related agencies, only buy MBS backed by sustainable, safer, lower-foreclosure mortgages

**34. Central Housing Bank.** Or, instead of changing the Fed’s mandate, create a Central Housing Bank to regulate the entire mortgage industry with a dual mandate, 1) stable U.S. house prices, and 2) maximum sustainable U.S. home ownership rate.

**35. Public Utility Regulation.** Shift to public utility style regulation - Regulate the mortgage industry similar to how the power industry is regulated.

## **Automatic Stabilizers**

**36. Lending Standards.** Automatically tighten (loosen) mortgage lending standards when home prices increase (decrease) a lot more than inflation

**37. Shorten Mortgages.** When interest rates fall, shorten mortgages instead of increasing the amount of money buyers can borrow. (Home prices increase more slowly and home equity and household wealth increase faster.)

**38. Two Appraisals.** Do 2 appraisals, the current value and the value 12 months earlier, and when home values increase a lot more than inflation, increase the minimum down payment, or otherwise tighten lending standards to slow real home price increases.

**39. Reduce Capital Gains Tax.** Automatically reduce (increase) capital gains tax on the sale of rental homes when home prices increase (decrease) a lot more than inflation.

## **Increase Supply**

**40. Social Housing.** The government incentivizes the development of non-profit, limited-profit, cooperative, and government-owned social housing, including community land trusts, instead of incentivizing for-profit single-family landlords.

**41. Stop Unfair Property Taxes.** States make land owners pay the same property tax rate on their land's fair market value as live-in owners pay on their home's fair market value to reduce landbanking and to encourage new housing supply.

**42. Zoning.** Reduce overly restrictive zoning to encourage higher-density development, especially near public transit.

**43. Short-Term Rentals.** Restrict short-term rentals and increase the supply of homes available to live-in owners.

## **More Solutions**

**44. Contract Flipping.** Outlaw contract flipping to reduce speculation and its impact on driving up home prices and driving down home ownership.

**45. Money Laundering.** Stop the use of homes as a vehicle to launder money and its impact on driving up home prices and driving down home ownership.

**46. Foreigner Purchases.** Stop encouraging home purchases by foreigners that won't be their primary residences.

**47. Cramdowns.** Stop treating owner-occupants worse than landlords in bankruptcy court regarding "cramdowns" to reduce foreclosures.

### **If Removing Landlord Incentives Isn't Enough, Add Disincentives**

**48. Homestead Exemption.** Introduce homestead exemptions to significantly lower property taxes on live-in owners and significantly raise property taxes for landlords, or otherwise increase property taxes on homes that aren't the owners' primary residence.

**49. Sales Tax.** Charge a sales tax on single-family homes and condos purchased by business entities and foreigners.