

# HINTS FOR HOMEBUYERS

## Achieving The American Dream Of Homeownership

(NAPSA)—More Americans are becoming homeowners—and that's good news not only for the homeowners but it's even better news for America's neighborhoods.

Study after study finds neighborhoods in which people own homes are more stable—homeowners remain in a home an average of nine years longer than renters.

Homeowners are also more engaged in the community they live in. Research at Harvard's Joint Center for Housing Studies has discovered that owners are 28 percent more likely to improve their home and 10 percent more likely to be civic minded. For many people, owning a home provides a one-of-a-kind opportunity to better themselves.

Home equity is the single greatest form of saving for most homeowners, which is a comfort in a time when many are concerned for the future of social security.

Today, more people can afford to buy their own homes than ever before in history. One of the contributing factors is new forms of financing, such as the nonprime loan. Many people may be surprised to discover that up to 50 percent of all people who apply for a mortgage don't qualify for a prime loan rate.

Nonprime mortgage lending offers credit to borrowers that previously would have been denied—giving them a chance to get a step closer to the American dream.

Generally, young people, individuals with damaged credit, and minority populations have lower credit scores and might thus be denied mortgages.

Another factor that contributed



**Nonprime loans help many Americans realize the dream of owning a home.**

to the growth of homeownership was the economic boom of the 1990s. This boom fueled a rapid appreciation in home values, but now experts are urging caution as we move closer to bursting what many are calling a real estate bubble.

"The lower interest rates of the recent past aided in creating an economy ripe for new homeowners," said Bruce Hahn, of the American Homeowners Grassroots Alliance. However, warns Hahn, rising government debt can mean there is less money available for consumer investment. Less money available means higher interest rates for borrowers.

Another critical component that could cripple homeownership is the proposed overregulation of federally chartered lenders Fannie Mae and Freddie Mac. These important institutions make sure there is a stable supply of mortgage money available to lenders in order to make the loans new homebuyers need.

Overregulation in an attempt to

reform lending could keep potential homebuyers from being able to enter the housing market.

Yet another threat to homeownership is regulation that would reduce the availability of nonprime loans to those who need them and can afford them. There are abuses by some in the industry, and existing laws need to be enforced and loopholes closed to stop unsavory lending practices. But at the same time, qualified and educated borrowers deserve to have all options available.

"Nonprime lending works and has a place in the marketplace," said Alphonse Jackson, Secretary of Housing and Urban Development.

"What is needed is enforcement of existing laws, better consumer education and narrow, carefully targeted policy action where necessary to deal selectively with the remaining exploitive practices," said Hahn.

If regulations are so restrictive that financial institutions reduce the availability of nonprime loans, many people will no longer be able to buy a home.

Because of low interest rates, new financing options like nonprime loans, and the role of the government sponsored enterprises such as Fannie Mae and Freddie Mac, not only is homeownership soaring but minority homeownership is at an all-time high.

"Homeownership has long been the key to achieving the American Dream," said Hahn. "With homeownership at record levels, we urge caution, as eliminating options and opportunities is not the way to continue encouraging homeownership."