

June 21, 2008

Rise in Renters Erasing Gains for Ownership

By [RACHEL L. SWARNS](#)

WASHINGTON — Driven largely by the surge in foreclosures and an unsettled housing market, Americans are renting apartments and houses at the highest level since President Bush started a campaign to expand homeownership in 2002.

The percentage of households headed by homeowners, which soared to a record 69.1 percent in 2005, fell to 67.8 percent this year, the sharpest decline in 20 years, according to census data through the end of March. By extension, the percentage of households headed by renters increased to 32.2 percent, from 30.9 percent.

The figures, while seemingly modest, reflect a significant shift in national housing trends, housing analysts say, with the notable gains in homeownership achieved under Mr. Bush all but vanishing over the last two years.

Many of the new renters, meanwhile, are struggling to get into decent apartments as vacancies decline, rents rise and other renters increasingly stay put. Some renters who want to buy homes are unable to get mortgages as banks impose stricter standards. Others remain reluctant to buy, anxious that housing prices will continue to fall.

The confluence of factors has largely derailed what Mr. Bush called “the ownership society,” his campaign to give millions of people — particularly minority and lower-income families — a shot at homeownership by encouraging lenders to finance more home purchases.

“We’re not going to see homeownership rates like that for a generation,” said Mark Zandi, the chief economist at Moody’s [Economy.com](#), a research company.

For many minority and lower-income families who viewed homeownership as a stepping stone to building wealth and

passing it on to their children, the transition from owning to renting has been the unraveling of a dream. Burdened now by debt and bad credit, some of these families are worse off than they were before they bought.

“The bloom is off of homeownership,” said William C. Apgar, a senior scholar at the Joint Center for Housing Studies at [Harvard University](#) who ran the [Federal Housing Administration](#) from 1997 to 2001. “We’re seeing more dramatic growth in renters and a decline in the number of owners. People are beginning to understand that homeownership can be a very risky venture.”

Mr. Apgar said the Joint Center had predicted an increase of 1.8 million renters from 2005 to 2015, given expected population trends. Instead, they saw a surge of 1.5 million renters from 2005 to 2007 alone. In the first quarter of this year, 35.7 million people were renting homes or apartments, census data show.

“Even though we’re only looking at a short period, these trends are pretty powerful,” Mr. Apgar said.

Mr. Zandi said he believed that minority and lower-income homeowners had been hardest hit. Nearly three million minority families took out mortgages from 2002 to the first quarter of this year, housing officials say. Since minority families were more likely to receive subprime loans, economists believe these families account for a disproportionate share of foreclosures.

Tony Fratto, a White House spokesman, said that officials had hoped the homeownership gains would stick. “We’re disappointed that conditions in the housing market didn’t allow those gains to be sustained,” he said. “But we’re optimistic that they can return.”

The new renters include people like Tina Williams, a 43-year-old medical assistant who lost her three-bedroom colonial in Cleveland to foreclosure in March after her adjustable rate mortgage spiked and she struggled to find work.

Ms. Williams slept at a homeless shelter and at the homes of friends after five apartment complexes rejected her, citing her bad credit and history of foreclosure.

Finally, someone offered to rent her the third floor of their house. Her new \$300-a-month rental has a bedroom, a living room and a bathroom, but no kitchen.

“People say, ‘Tina, how are you living?’ ” said Ms. Williams, who has cobbled together the semblance of a kitchen with a microwave, a minirefrigerator and an electric frying pan.

“I say, ‘I’m living on God’s grace and mercy,’ ” said Ms. Williams, who had dreamed of passing on her first home, bought in 2001, to her two grown daughters.

“My daughter says I’m living in a hole in the wall,” she said. “But I can eat every day. I have a roof over my head. When I found this place, I started shouting for joy.”

Nationally, rents have increased about 11 percent since 2005, when homeownership rates started to decline, though that growth is slowing, according to the [Bureau of Labor Statistics](#). In 2005, vacancy rates for rental properties in Cleveland hovered around 10 percent, according to the Northeast Ohio Apartment Association, which represents landlords in the Cleveland area. Today, the rate stands at 5.2 percent.

Christopher E. Smythe, the association’s president, said the collapse of the housing market had improved the economic climate.

“Our apartment traffic is up, people are renting again and occupancies are up,” he said in a letter to members this year.

In other places, like Los Angeles, the slump in the housing market has begun to push up vacancies as condominiums are converted into rentals, according to Raphael Bostic, the associate director at the Lusk Center for Real Estate at the [University of Southern California](#).

But those new apartments are often out of reach of struggling families. And since many owners of rental properties are also going into default, the foreclosure wave has resulted in fierce competition for affordable apartments in some cities.

In Rhode Island, 41 percent of the state’s foreclosed properties are multifamily dwellings, which would most likely have housed tenants, a recent study by the National Low Income Housing Coalition concluded.

“We’re seeing the displacement of tenants at the same time that we’re seeing former homeowners enter the rental market,” said Raymond Neirinckx, a coordinator at the Rhode Island Housing Resources Commission, which handles

housing policy.

Meanwhile, some people who have lost their homes find that landlords view them with suspicion.

Steve Allen, 51, a Vietnam veteran in Seattle, was repeatedly rejected when he and his wife, Lesa, started searching for an apartment this month. Some apartment managers said no because they had lost their home to foreclosure. Others said their credit scores were too low.

Debbie Suber, 46, who lost her home in Cleveland last year, said she and her husband were lucky to find a landlord who was willing to consider their income, not their credit scores. "By the grace of God, that's why I have a place," she said.

Times are also tough for renters hoping to buy. Banks have tightened mortgage standards, insisting on good credit scores, proof of income and sizable down payments. Lez Trujillo, the national field director for Acorn Housing, a nonprofit group that helps lower-income families get mortgages, said a third of their applicants ended up with houses just a few years ago. Now, it is one in 10, she said.

Barbara O'Leary-Hatfield-Liberace, a 68-year-old retiree and an Acorn member, encountered such difficulties when she and some friends decided to buy a \$340,000 house in Seattle.

The mortgage company they consulted said they needed to clean up their credit and come up with a \$45,000 down payment, money they do not have.

So on most nights, when Ms. O'Leary-Hatfield-Liberace thinks about her dream house, she reaches for the rosary that she keeps under her pillow.

"I pray a lot and hope to heck we'll win the Lotto," she said.

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