

Why Kamala Harris' \$25,000 down payment program is just like the electric vehicle boondoggle

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Kamala Harris' \$25,000 down payment plan for first-time homebuyers should remind people that we don't want government to try to solve free-market problems. Because it can't.

In 2021, the Biden-Harris administration passed the *Infrastructure Investment and Jobs Act*, which included \$7.5 billion to **build 500,000 public charging stations for electric vehicles** across the country to boost clean energy. And the functional charging stations have reached **an eye-popping number of eight**. Yes. Eight! Now Kamala wants you to believe the government can help build 3 million affordable housing units over the next four years?

We don't even know **who will qualify for this \$25,000 down payment assistance** in terms of income levels. But certainly for those staring down the barrel of the median \$425,000 home price in America, this sum of money is a far cry from getting them out of private mortgage insurance and getting into an affordable monthly mortgage payment. Instead, we should be looking at the groundbreaking ideas germinating in the free market that may shed some light on how we can fix the affordable housing crisis in America.

Here are **three interesting and growing solutions** that could help us get a lot more Americans on the right path to affordable home ownership. The property ladder has always been considered one of the greatest ways to grow and preserve wealth in the U.K.

- With the **shared equity program**, if you're a first-time buyer, you may be able to buy a new home, built by a developer or through an estate agent, which someone else bought before through England's First Home program.
Typically, here's how it works:
 - The buyer purchases a percentage of the home
 - A loan is provided by a private organization or the government. The loan is typically interest-free for the first five years. Starting in year six, the homeowner begins paying a low-interest rate on the loan.
This loan acts as equity, meaning you don't pay monthly interest immediately, but must repay it when you sell or remortgage the property.
- Is it medieval that we still call people landlords and tenants? Is there a way both the landlord and the tenant can win by becoming partners? One company, the real estate fund Roots, may have found the way that allows renters to earn equity, teaches them how to live in a property like they own it, and jettisons them on the path to home ownership. In this model, tenants can earn equity by doing three simple things:
 - Pay their rent on time (you need to do this anyway if you own a home)
 - Have no police activity at your property (be a good citizen)
 - Take a video of your property every quarter (allowing the landlord's team to perform preventative maintenance and teaching the tenant how to spot problems in the home)

The homes are all considered "affordable housing" and anyone with \$100 can invest in a portfolio of properties. This is considered a Regulation A REIT (Real Estate Investment Trust), so the tenants and the investors have the same share class and renters can buy their property down the road. The tenants have their security deposit invested in the REIT, earning dividends and growing, while they occupy the apartment or home. This could possibly be the answer to holding large institutions that buy big blocks of properties accountable and allowing all Americans to get on a path to home ownership. If you aren't ready for a mortgage, but you still want a crack at getting your dream home now, Divvy Homes offers an interesting program that is designed to help renters become mortgage-eligible in three years.

- Get pre-qualified for free.
 - Get your home-shopping budget, then work with their team to choose from the inventory of move-in-ready properties.
 - Make an initial payment of 1-2% of the home price, which goes straight to saving toward the future down payment, and get a guaranteed move-in date.
 - Move in and make it home. The monthly payment includes built-in savings that grow into a down payment over time.
 - When the time is right, the home can be purchased at a pre-determined price that the buyer will always know.

How effective has the government been with affordable housing? From **1987 to 2021**, fewer than **4 million** housing units were placed through the Low-Income Housing Tax Credit program. As of 2012, the LIHTC accounted for approximately 90% of all newly created affordable rental housing in the United States.

And Harris is going to build and place **3 million affordable homes in the next four years**? Not by a long shot. The market needs to make this change happen, not the government.