IOWA HOMEOWNERSHIP THROUGH HISTORY

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Polk County Housing Trust Fund

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HOMEOWNERSHIP IN IOWA THROUGH HISTORY

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An analysis of homeownership in Iowa and in Des Moines across time.

This report is part of a series of PCHTF reports committed to turning data into valuable, actionable insights and supporting our mission to provide strategic leadership, expertise, and resources to strengthen communities by expanding affordable housing choices to all residents of Polk County.

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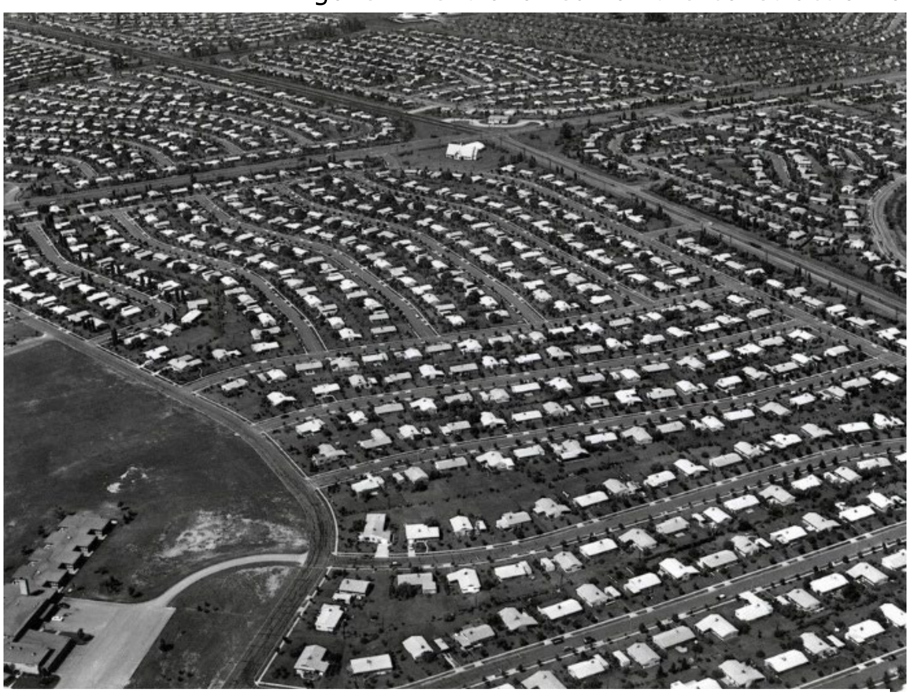
Living the American Dream: An Introduction to Homeownership

Homeownership is an indicator of success and the most common means of wealth creation in the United States. The main route of wealth creation in the US is homeownership. So much so that in 2019, the median net worth of homeowners was 40 times larger than that of renter households (Bhutta et al., 2020). Although it may seem homeownership as the ideal residence status has always been the case, it has only been this way for about 80 years. The national homeownership rate in 1940 was about 45% compared to 65% in 2020 (Layton, 2021). It took about 15 years to rise from the 1940 level to the persistent 65% homeownership rate seen for the past 50 years. For an in-depth discussion regarding historical to current homeownership rates, please see [The Homeownership Rate and Housing Finance Policy-Part 1: Learning from the Rate's History]() by Don Layton. Postwar America has been hailed as one of the most prosperous times in our history, with high earnings, increasing homeownership, rising educational attainment, and a period of global American dominance. Before WWII ended, economists feared a marked contraction of the economy because of the reduction in defense spending following WWI. (Layton, 2021) presented four reasons for the rise in homeownership rates across the country:



Aerial view of Levittown, Pennsylvania c. 1959; Source: Wikipedia; https://en.wikipedia.org/wiki/Levittown#/media/File:LevittownPA.jpg

The GI Bil had unprecedented success in expanding the middle class. The GI Bill provided access to lower-cost mortgages, loans to create a business, tuition payments, and unemployment for up to a year following the war's end for all WWII veterans. These benefits of the GI Bill increased the size of the middle class to an unprecedented two-thirds of the American population. Middle-class expansion led to a higher quality of life and increased homeownership.

Decreased economic inequality. Economic inequality lessened during this period of American history, and families experienced remarkable income growth. The Gini Index (a measure of inequality with higher numbers indicating greater inequality) in the 1920s was nearly 0.50 compared to the 0.35 seen in the 1950s. Corporations also paid much more taxes on their profits during this period, with income tax rates of approximately 50% to the 20% currently paid. The redistribution of corporate profits into the federal government allowed for the construction of vast infrastructure programs such as the national interstate system and local expansion and improvements of streets, highways, and bridges.

The creation of modern suburbs. Modern suburbs began to spread following the end of WWII with the infamous Levitt & Sons' Levittown in Long Island, who could reportedly build a home in 16 minutes. Although not a novel type of living, suburbs became synonymous with the freedom to own one's home and the land it was built on. Zoning restrictions limited multi-family rental units within single-family areas. The land was cheap, and the government invested heavily in infrastructure to support the newly commuting workers from their homes to their jobs in the nearby cities. During the 1950s, nearly one in ten of the American population moved from the urban core to nearby suburban regions. Concurrently, automobiles became more affordable to more people with the cost-cutting assembly line and very low-cost gasoline. Access to individual transportation options in the form of cars allowed greater flexibility for commuters who did not have to depend on public transportation or must reside within walking distance.

A new housing finance system. During the 1930s, the federal government created the Federal Housing Administration (FHA) and regional Federal Home Loan Banks to stem the tide of foreclosures from collapsing banks and decreasing homeownership rates due to job and wealth loss. The creation of fixed-rate and self-amortizing (loans that pay both interest and principal) loans that first took 15 years to maturity to the modern 30-year mortgage allowed greater access to the real estate market. Additionally, the GI Bill gave the Veterans Administration (VA) the authority to produce mortgages to eligible veterans.

Interior of Peoples Savings Bank, Cedar Rapids, Iowa Circa 1911; Source: Library of Congress; http://hdl.loc.gov/loc.pnp/cph.3c04115

Federally Backed Mortgages Transformed the Nation

Before the Great Depression, the purchase of homes was primarily considered an individual concern and outside the scope of government. During the First World War, the United States created the United States Housing Corporation, tasked to develop housing for migrating employees, supporting the war effort and marking the first time the federal government addressed housing needs outside local zoning restrictions (Jackson, 1987).

Under the Hoover Administration, the federal government passed the Federal Home Loan Bank Act (1932). It created the Federal Home Loan Bank system and its 12 regional Home Loan Banks to provide funds to help savings and loan and savings (thrifts) banks to help these small banks issue mortgages. Unfortunately, the legislation was not designed to address the mortgage crisis nationwide. The progressive Roosevelt administration made sweeping changes to the country's social support systems in response to unprecedented financial losses, record unemployment, and foreclosures.

Frederick Cromer House, 1053 Ninth Street, Des Moines, IA.
Source: Library of Congress Prints and Photographs Division Washington D.C.; http://hdl.loc.gov/loc.pnp/hhh.ia0112/photos.068474p

The Home Owners' Loan Act (1933) created the Home Owners' Loan Corporation (HOLC) to slow mounting foreclosures. The HOLC was formed to purchase and refinance mortgage loans in foreclosure. The resulting mortgages were historically unique as they were self-amortizing (loans that pay both interest and principal) and extended the repayment period to 15 years with uniform payments across the life of the loan. Within two years, the HOLC had spent over $3 billion to acquire and refinance delinquent over one million mortgages (Jackson, 1987).

The following year, the National Housing Act of 1934 established the Federal Housing Administration (FHA) to reduce unemployment by stimulating housing construction. The FHA introduced federally insured mortgages, which protected lenders from capital loss through foreclosure by paying the remainder of the balance. Lenders subsequently reduced interest rates and were able to offer more mortgages to finance home building and purchasing.

Growing Pains: The Great Depression, Dust Bowl, & Bonus Army

The period between WWI and WWII was very challenging for the United States, with unprecedented economic depression and devastating drought throughout the Great Plains region. Many government leaders resisted intervening as they believed in the ability of the capitalist market to right itself without intervention.

During the 1930s, the middle of the country experienced a drought highlighted by the incidence of massive dust storms and swarms of locusts, referred to as the Dust Bowl. The introduction of mechanized tractors allowed farmers in the 1920s to plow the topsoil deeply and displaced deep-rooted grasses that trapped soil and moisture during dryer periods. Vast dust storms stretching across the Great Plains from Canada to Texas occurred regularly.

In Iowa, crops withered in the fields from the hot and dry conditions. Swarms of locusts came and ate anything they could. In response, many families across the area started fleeing because of the persistent drought conditions. By 1940, about 3.5 million people moved out of the Plains states to other areas less affected by the drought, including many to California.

During the early Great Depression, a group of WWI veterans, desperate for assistance, began to organize and demand payment for their service to the country during the war. The American response to returning service members following the end of WWI was faulty, with veterans receiving only $60 upon discharge and limited additional support. The effect of the substandard response had been strongly felt in the period between the World Wars. In May 1932, thousands of unemployed and homeless WWI veterans organized a group called the Bonus Expeditionary Force (BEF) to set up a camp in view of the capitol dome in Washington D.C. at Anacostia Flats demanding the release of their hard-won bonus from the World War Adjusted Compensation Act (1926). The legislation (commonly called the Bonus Act) promised a bonus based on length of service to be paid out on each veteran's birthday in 1945. Veterans were permitted to borrow against the bonus, but during the Great Depression, banks often could not extend credit to them. By July, the number of people in the camp and their families had reached about 20,000. Congressman Wright Patman introduced legislation immediately providing $2.4 billion to WWI veterans, but the Senate voted the bill down in mid-June. Members of the BEF refused to leave Washington, D.C., and on July 28th, the Attorney General ordered the police to remove members of the BEF camp from government property. When the police arrived, BEF members fought back, and subsequently, police opened fire, killing two members.

Soon after the faulty initial police response, the Army was deployed to remove the BEF camp. General Douglas MacArthur led the Army response, with his aide, Major Dwight D. Eisenhower, to drive the BEF members back across the Anacostia River. President Hoover had ordered him twice not to cross the river but ignored this command, pursuing BEF members back to their camp. The BEF camp still had about 10,000 people residing, and the Army released tear gas, tanks and started fire to the small shacks. The immediate fallout was severe, with news reports framing the incident as heavy-handed and inappropriate. The image of war veterans and their families being dispatched by the Army with tear gas and tanks had substantial political fallout, particularly felt by Hoover, who lost his reelection bid the following November to Franklin Delano Roosevelt, America's longest-serving president.

Burning shacks put up by the Bonus Army on the Anacostia flats, Washington, DC, July 29, 1932. (National Archives Identifier 531102)

Taking Care of Our Boys: Post WWII Benefits

To prevent a repeat of the political folly of the federal response to the BEF camp, among other poor responses to the needs of veterans, the Servicemen's Readjustment Act (1944) or the GI Bill of Rights was crafted to assist returning service members readjust to civilian life. Additionally, the enormous growth in the wartime economy ended the most prolonged economic downturn in American history, and many feared that demobilization might lead to another disastrous crash of the economy. As such, the GI Bill was drafted to address potential massive unemployment and economic instability, with nearly 16 million men and women serving in the armed services returning to civilian life. The Bill provided medical care to injured veterans, assisted in purchasing homes and businesses, education (including vocational training). The Veterans Administration (VA) home loans were limited to 50% of a home's worth, not to exceed $2,000, with a maximum interest of four percent for no more than 20 years. Quickly, the prices of homes rose rapidly within the first year, and the 20-year maturity of the loans made the payments too high, so adjustments were made. In 1945, the maximum loan available was raised to $4,000, and the loan maturity was set at a maximum of 25 years for a home loan and 40 years for farm loans. Between the end of WWII and 1952, nearly 2.4 million veterans used VA loans, and within ten years, almost five million had purchased homes utilizing the program.

A house in Des Moines, IA
Source: Library of Congress Prints and Photographs Division Washington D.C.
http://hdl.loc.gov/loc.pnp/hhh.ia0063/photos.068431p

The largest of the numerous effects of the availability of housing credit, education, and other benefits was a swelling middle class unseen in the United States before this period. Second-generation immigrants from previously lower-class citizens such as Italian, Catholic, Jewish, and Irish suddenly had access to substantial educational benefits, leading to their inclusion in the burgeoning middle class. Massive infrastructure projects, including roads, schools, and utilities to support the growth of suburban living coupled with mass consumerism, led to the most robust American economy in its history.

The number of veterans taking advantage of the GI Bill's educational benefits altered the American workforce's structure, with veterans increasing overall enrollment in college students rising by 75% within three years of the war's end. Before the GI Bill, only children of wealthy families could afford to attend college. The new availability of higher education to a whole new group transformed the country into a more educated populace with higher earning potential as the middle class expanded and many were more prosperous.

Increased education attainment contributed to one of the most prosperous periods in

American history. Between 1940 and 1965, the average family income tripled. Homeownership rose faster than in any period, from about 45% to 65%. The novel government-sponsored housing financing opened the door to many households who would have previously been unable to afford their own homes.

As discussed below, Black households were generally excluded from using their GI Bill benefits to purchase homes. In 1970, the homeownership rate difference between whites and Blacks was 25%, the same as in the 1920s.

The Farm Crisis

The 1980s proved to be economically challenging for Iowa farmers. The previous decade had seen the American farmer's growth as the world's food producer. Unfavorable weather conditions abroad increased the demand for U.S. agricultural products. Grain and land prices rose, and farmers started to borrow money to purchase new machinery to increase yields and profits.

The 1970s were marked by the end of the Vietnam War, energy crises, and staggering inflation. In 1979, inflation reached over 15% after nearly a decade of unprecedented inflation. To slow inflation, the Federal Reserve began raising interest rates from about 7% in 1970 to 15% in 1981. Average annual 30-year fixed mortgage rates hit an all-time high in 1981 at over 16%.

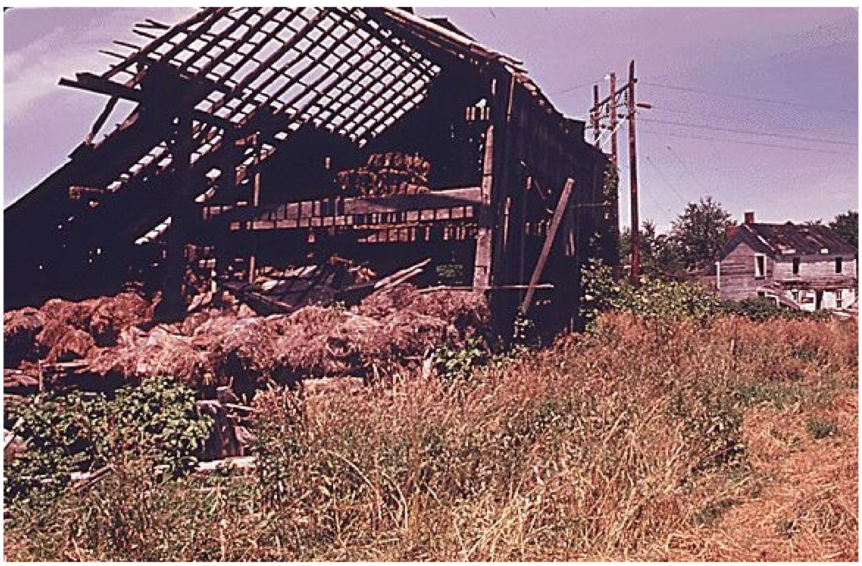
Internationally, the Soviet Union negotiated a contract for American grain in 1972. Increased demand led to higher profits for American farmers. At the beginning of 1971, wheat per bushel was $1.61; by 1974, the price had climbed 288% to $6.25. By the end of the decade, the Soviet Union had invaded Afghanistan, and the Carter administration had placed an embargo on selling U.S. grain shipments. The resulting surplus led to a drop in the price of agricultural products.

In the early 1980s, hot and dry conditions prevailed, and yields dropped. Iowa became the center of the worst American agricultural crisis since the Great Depression of the 1930s. Land prices began to fall, and family farmers saw their fortunes collapse into unsurmountable debt. In the first half of the 1980s, Iowa farmland lost two-thirds of its value. Nationally, 300,000 had defaulted on their loans, and many lost their homes and farms. Iowa suffered substantial financial damage, with employment losses on top of the loss of family farms and homes. In a piece about the Farm Crisis, Iowa PBS found that for every four foreclosed farms, one rural business closed and John Deer laid off an estimated 20,000 manufacturing workers. In fact, during the Farm Crisis, the

Rich farmland in Iowa
Source: Library of Congress Prints and Photographs Division Washington D.C.
http://hdl.loc.gov/loc.pnp/pp.print

population of Iowa fell 4.7 percent between 1980 and 1990 from 2,913,808 to 2,776,755, marking the first decline in population since 1910. Between 1985 and 1987, the state lost an estimated 91,609 individuals, with most losses coming from rural counties. The population decline led to the loss of a seat in Congress and millions of dollars in federal funds. At the beginning of the 1980s, about 40% of the Iowa population was estimated to be rural. Today, that share is about 36%.

The government response was very slow despite numerous calls for assistance from farmers to country music stars. Early protestors drove their tractors to Washington, D.C., in response to mounting farm foreclosures. They remained for less than a month when the Carter administration agreed to stop farm foreclosures. Unfortunately, as soon as the farmers went home with their tractors, the Farmers Home Administration began foreclosing on delinquent farm loans.



Abandoned Barn Succumbs to The Elements and an Adjoining House. (National Archives Catalog: 555612)

Various grassroots efforts attempted to alleviate the tremendous losses of family farms to foreclosure. The PrairieFire Rural Action Network organized "white cross" protests at farm auctions starting in Wayne County in 1984. Protesters placed white crosses around courthouses where foreclosure auctions were taking place. Iowa State University hosted the four-hour National Crisis Action Rally held in the Hilton Coliseum at the Hilton Coliseum. Nearly 15,000 people were designed to pressure the Reagan administration to address cascading farm losses. In September 1985, the first Farm Aid concert was held in Champaign, Illinois. The concert featured Willie Nelson, John Mellencamp, Neil Young, Bob Dylan, Billy Joel, Kris Kristofferson, B.B. King, Roy Orbison, The Beach Boys, and Johnny Cash. The concert raised over $7 million, and the organizers found the challenges faced by American farmers were not addressable by a single concert. Farm Aid continues to raise funds for farmers and has raised over $70 million to date.

Rural banks closed from farm foreclosures, and communities saw substantial business closures. It has been estimated that for every four farms that were lost, one rural business closed.

By the mid-1980s, the federal government started to take the Farm Crisis seriously and passed the Food Security Act of 1985 or, as it is commonly known, the Farm Bill. The bill allowed lower commodity prices and income supports and created several conservation programs. The following year, Chapter 12 bankruptcy was designed for farmers to reorganize their debts over three years. Finally, the Agricultural Credit Act of 1987 was passed to bail out financially vulnerable institutions. Unfortunately, substantial damage had already occurred, and American farming bears the scars of this turbulent period of history.

The Farm Crisis accelerated farmland consolidation and reduced the number of farms in the state. In 1980, there were 119,000 farms in the state, 111,000 in 1985, and 104,000 in 1990, marking a 13% drop in the number of farms in the state.

Savings and Loan Crisis

In addition to the Farm Crisis, the Savings and Loan Crisis was the largest banking crisis since the Great Depression. Fortunately, the bank collapses did not affect homeowners directly but contributed to slowing housing starts. Savings and Loans (S&Ls) were created with the Federal Home Loan Bank Act of 1932, discussed earlier. S&Ls were small community banks designed to provide checking, savings, and mortgage accounts. Several restrictions were placed on these institutions, such as caps on interest rates on deposits and loans. The caps made it difficult for S&Ls to compete with other lenders when the economy slowed, and the staggering interest rates of the 1970s and 1980s began to take their toll. With dwindling portfolios, Congress passed the Garn-St. Germain Depository Institutions Act eliminating loan-to-value ratios (a measure comparing the amount of a mortgage with the appraised value of the property) and interest rate caps. Freed from these regulations, insolvent S&Ls, or zombie thrifts as they came to be known, began investing in risky commercial real estate and junk bonds to reap the returns.

Farmers Savings Bank, Chestnut Street, Atlantic, Iowa
Source: Library of Congress Prints and Photographs Division Washington D.C.
http://hdl.loc.gov/loc.pnp/mrg.00828

Deregulating S&Ls did increase their assets, but the industry was taking increasingly greater risks. Despite the increase in assets, about 20% remained unprofitable. The Federal Savings and Loan Insurance Corporation (FSLC) provides insurance on mortgages issued by S&L institutions like the Federal Deposit Insurance Corporation (FDIC). Taxpayer dollars funded the FSLS, and by 1987, it was insolvent from the number of S&Ls that had failed. The federal government injected funds to address insolvency, and the S&Ls industry continued to invest in risky investments with limited to no consequences. In 1989, the situation became untenable, and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) was passed. The FIRREA rewrote the rules governing the S&L banking system and the real estate appraisal industry and revised the federal government agency structure overseeing S&L institutions. The FSLC was dismantled, and the Federal Deposit Insurance Corporation (FDIC) oversees and insures deposits at all S&L institutions. The crisis continued until the early 1990s, when all the insolvent banks had been closed.

Subprime Mortgages, Bank Deregulation, and The Great Recession

In 1999, the Government Sponsored Enterprise (GSE) Fannie Mae altered the credit requirements it would purchase to encourage banks to provide mortgages to people who could not meet the standard credit restrictions (Holmes, 1999). These mortgages, referred to as subprime, disproportionately targeted racial and ethnic minorities who had not previously had access to mortgage products that would assist them in purchasing their homes. Subprime mortgage availability to households with below-average credit scores created a new market for mortgages backed by the Federal Housing Administration (FHA). At the same time, the US Congress deregulated the banking, securities, insurance, and financial services industry. These two factors have been primarily blamed for the housing market bubble, subsequent popping, and the greatest downturn in the American and global economies. First, subprime mortgages will be discussed, followed by bank deregulation.

Subprime Mortgages Come to Town

The Consumer Financial Protection Bureau defines a subprime credit score as between 580 and 619. Experian estimated approximately a third of Americans have subprime credit scores. High-density areas tend to have higher concentrations of households with subprime credit scores. These areas exhibit signs of economic adversity and may indicate substantial racial segregation. Subprime mortgages are referred to as exotic loans and offer access to credit to those with less than prime credit scores. Prime mortgages are provided to borrowers with credit scores of 660 and above. Near-prime are those with scores between 620 and 660 are considered near-prime. The classification indicates the risk of default and directly affects the available interest rate on the loan.

Subprime loans have been used for some time, but primarily for refinancing existing loans and often were leveraged by wealthy homeowners to purchase additional real estate. When Fannie Mae allowed federally backed mortgages to be offered to borrowers who did not meet the requirements of

Subprime Loan Types

- *Adjustable-rate mortgages*: loans offer a low rate for a period and adjusting to market rate for the remainder of the loan. The most common form was the 2/28 mortgage where the rate was reduced for the first two years and then rising for the remainder of the life of the loan.
- *Interest only loans:* borrowers only pay interest for a specified period of the life of a loan.
- *Balloon mortgages:* a short-term loan where borrowers pay interest only and then the entire balance is due at the end of the mortgage term.
- *Payment option mortgages:* borrowers can pay less than the required monthly payments with the remainder being added to the principal.
- *Stated income loans:* borrowers are not required to fully document their income, debts, assets.

traditional loans, allowing borrowers to access mortgages, many may have faced substantial challenges in paying back the balance. Many subprime mortgages were processed by mortgage banks and brokers rather than traditional banks or savings institutions.

Subprime mortgages were first processed and then sold to the secondary mortgage market, where they were pooled and used for mortgage-backed securities or securitization. The securitization process starts with a mortgage originator or an organization that offers and closes a mortgage to a borrower. Originators pool these assets into a reference portfolio and sell them to what is referred to as an issuer. Issuers fund the purchase of the reference portfolio by issuing debt securities to capital market investors. Securities include stocks, bonds, mutual funds, exchange-traded funds, and other readily traded investments. Mortgage-backed securities have been considered safer than some other investments because they rely on the holding of real estate as collateral. The assumption regarding the safety of the investment depends on the quality of the

Table 1. A Sample of Predatory Lending Practices and Loan Terms

Type of Predatory Behavior	**Examples**
Sales and marketing	• High-pressure telephone and door-to-door sales • Targeting vulnerable populations (e.g., those with health debts, elderly, less educated) • Steering to higher-cost loans despite borrower qualifying for lower-cost credit, often rewarded by "yield spread" premiums paid to brokers • Flipping—excessive refinancing, with additional fees extracted at each refinancing • Home improvement scams, in which contractors act as loan brokers and receive kickbacks • Targeted marketing based on "vulnerability targeting;" searching for those in financial distress (e.g., hospital bills), in foreclosure, age, race, etc.
Excessive fees	• "Packing" loans with unnecessary fees, including credit life or disability insurance • Padded closing costs or third-party fees • Excessively high points or origination fees • High broker fees and yield spread premiums
Terms that trap borrowers into unaffordable financing or lead to difficulty in repayment	• Balloon payments, which conceal the true cost of financing and may force repeated refinancing or foreclosure • Negative amortization, in which payments are less than interest, resulting in an increasing principal balance and decreasing owner equity • Prepayment penalties, especially those equaling more than 1-2 percent of the loan amount • "Asset-based" lending, where the repayment amount is more than 40-50 percent of income of the borrower's income
Other fraudulent, deceptive, or abusive practices	Reporting inflated income figures Forgeries Insufficient or improperly timed disclosures Inflated appraisals Mandatory arbitration provisions, limiting borrowers' access to the courts

Source: (Immergluck, 2004)

original mortgage. Before subprime mortgages were allowed to be federally backed, traditional mortgages provided the collateral for securities that enjoyed substantial stability. Foreclosure rates typically were less than 0.5%. At the height of the foreclosure crisis, approximately 2.25% of all mortgages were in foreclosure.

Predatory Loan Practices & Loan Terms

Although not new practices, mortgage banks, and brokers often engaged in predatory lending. These practices have become more known by policymakers and the public. Fannie Mae allowed the practice to become more aggressive and widespread by allowing subprime loans to be federally backed. With limited oversight, mortgage banks and brokers began targeting urban Black communities for subprime loans. Some organizations had units that targeted black churches because they believed church leaders could convince churchgoers to apply for and receive subprime loans (Powell, 2009). Moreover, some households that qualified for prime mortgages were encouraged by employees to take subprime loans for the economic rewards employees received by processing a subprime loan. In a summary of their budget for 2010, HUD stated, "*From 2005-2007, 49 percent of all loans made to African American borrowers and 37 percent of all loans made to Latino borrowers were subprime as compared to 20 percent of loans to non-Latino white borrowers* (HUD, 2010)." In fact, non-white borrowers were 30% more likely to receive higher-cost loans in comparison to their similarly qualified white peers.

The buildup of securities backed with higher shares of subprime mortgages in the markets started losing value in 2007 when two Bear Stearns subprime funds lost nearly all their value (CoreLogic, 2017). The collapse of these funds was connected to the other piece of the puzzle: Bank deregulation.

Bank Deregulation: Too Big to Fail

Near the turn of the 21st century, the Gramm-Leach-Bililey Act (Financial Services Modernization Act) was passed, which allowed one institution to be a combination of an insurance company, securities company, and investment bank. Three government-sponsored enterprises (GSEs), Fannie Mae, Freddie Mac, and Ginnie Mae, controlled the secondary or securities market at this time. Still, with the deregulation of banking organizations, there were growing investment firms selling private-label mortgage-backed securities. In 2003, these private-label securities accounted for only 20% of issued securities, which increased to 42% in 2004 and more than 50% the following year (Schwartz, 2021).

The entire system of mortgage-backed securities assumed that housing prices would continue to rise indefinitely. Any downturn would be localized, and large securities would easily absorb losses, their underwriting quality, and geographic variability. Unfortunately, the faulty assumption of an ever-growing market started to show problems when the national foreclosure rate began climbing in 2007 from less than 1% to a high of 3.6% in 2011 (Boesel, 2017). Some areas had much higher foreclosure rates, like Florida, which had a peak rate of 12.5% with 960,000 foreclosures (2007-2016), while Iowa had a peak rate of 7.3% in the fourth quarter of 2009 and 46,000 foreclosures during this period (Anthony, 2014; CoreLogic, 2017).

The core assumptions of mortgage-backed securities, that housing prices would continue to rise and through underwriting standards would protect the risk of these investments, started to crack in 2007. Subprime mortgages and poorly underwritten mortgages had overtaken the mortgage market. The performance of subprime mortgages did not have the historical data to analyze its performance at the level of involvement with the securities market. Underwriting quality fell because the originator organizations had no interest in whether the mortgage issued would perform well because they sold it as quickly as possible.

As the crisis continued to expand, Lehman Brothers, an American global financial services firm, collapsed in September of 2008, signaling the depth and breadth of the problems in the American banking system. Both Freddie Mac and Fannie Mae entered conservatorship or a federal government takeover to prevent the failure of these organizations.

In October 2008, the U.S. Department of the Treasury established the Troubled Assets Relief Program (TARP) on the authority of Congress. TARP funds were provided to firms considered too big to fail by purchasing large amounts of shares and guaranteed assets. During congressional hearings about the housing market collapse, Chairman Ben Bernanke defined a firm too big to fail as *"one whose size, complexity, interconnectedness, and critical functions are*

TARP Programs

Auto Industry TARP helped prevent the collapse of the American auto industry, saving more than a million American jobs.	Bank Investment Programs TARP helped stabilize America's banking system during the financial crisis.
Credit Market Programs TARP helped restart the secondary credit markets, which is essential to keeping credit flowing to households and businesses.	Executive Compensation Treasury issued standards governing executive compensation at financial institutions that received assistance under TARP. These standards are implemented and are overseen by the Office of the Special Master.
Housing TARP helped prevent avoidable foreclosures and kept families in their homes.	Investment in AIG The Federal Reserve and Treasury took action to stabilize AIG because its failure during the financial crisis would have had a devastating impact on our financial system and the economy.

Source: https://home.treasury.gov/data/troubled-assets-relief-program *such that, should the firm go unexpectedly into liquidation, the rest of the financial system and the economy would face severe adverse consequences* (Bernanke, 2012)."

The TARP program was first authorized to offer $700 billion for bailouts but was reduced to $475 billion by the subsequent passage of the Dodd-Frank Act

Unequal Access to the American Dream

Although there were considerable gains in homeownership among certain types of households between 1940 and 1960, others were not allowed to take part in the government-funded expansion of homeownership. Non-white individuals and families were excluded from the local, state, and federal housing programs. Although the discriminatory federal housing programs were prominent in homeownership rules in the 1930s, discrimination towards Black people has its roots in slavery and white supremacy.

A Legacy of Slavery, Racial Inequality, and White Supremacy

Since enslaved people were freed by the Emancipation Proclamation in 1863, Black Americans have faced considerable resistance to their equality with white Americans. During the Reconstruction Era (1865-1877), many Black people across the country began living like the freed people they were. More than 600 Black men were elected to state legislatures, 16 to the U.S. Congress, and hundreds more to local offices. Many states and locales passed Black Codes limiting freedoms from what type of property Black citizens could own, what kind of employment they could pursue, and a host of other limitations. To ensure a constant stream of Black low-cost labor, freed Blacks were forced to sign annual labor contracts or face fines, arrest, and forced labor. When federal troops left the South, Black Americans faced increasing violence for exerting their constitutionally guaranteed rights, including voting, attending school, owning businesses, and many other activities. In the latter quarter of the 19th century, the rise of the postwar terrorist group, the Ku Klux Klan, violently targeted freed Blacks and their white allies by burning schools, flogging teachers, and murdering Blacks for any perceived slight to a white person, among others.

Soon, white supremacists seized control of local and state governments and began passing restrictions on Black citizens. White supremacists in power started with every tactic to prevent Black men from voting, including poll taxes, literacy tests, and changes around the ballot box. Blacks were a numerical majority in several southern states and a large share of the population in

White Supremacy

White supremacy is a term used to characterize various belief systems central to which are one or more of the following key tenets: 1) whites should have dominance over people of other backgrounds, especially where they may co-exist; 2) whites should live by themselves in a whites-only society; 3) white people have their own "culture" that is superior to other cultures; 4) white people are genetically superior to other people. As a full-fledged ideology, white supremacy is far more encompassing than simple racism or bigotry. Most white supremacists today further believe that the white race is in danger of extinction due to a rising "flood" of non-whites, who are controlled and manipulated by Jews, and that imminent action is needed to "save" the white race.

Source: The Anti-Defamation League Glossary of Extremism several others, so they represented a considerable political threat to white supremacists.

Concurrently, segregation forced Black citizens to use separate facilities and often were not allowed in some establishments that were for "Whites Only." These laws have become known as Jim Crow legislation, and punishments for breaking one of these laws included imprisonment with hard labor (chain gangs) or, at its extreme, lynching. Any Black person who attempted to work in a field outside of menial work often faced considerable retaliation from whites in the community.

In about 1910, southern Black families began to leave the South in response to the racialized violence and lack of opportunities for economic advancement. By 1950, over 2.5 million Blacks had migrated to larger cities in the Northeast, Midwest, and West. Common destinations included New York, Philadelphia, Chicago, Los Angeles, Washington D.C., and other larger cities. Most migrants used the railroads to move from the Jim Crow South to the North to move to the less restrictive Northern states.

Iowa did not have a direct route to the South, so fewer Black families relocated to the state. The Chicago Central Railroad route started in Chicago and went through Dubuque, Waterloo, and Fort Dodge, where the line split, with one spur going to Sioux City and the other ending in Omaha. In 1911, Waterloo rail workers walked out on a strike because of low maintenance and repair terminal wages. The railroad responded by going to southern states and recruiting Blacks as strikebreakers. The new employees were unaware they were leaving the South as strikebreakers, so they were not welcome in Waterloo. The city was nearly entirely white, with only 22 Blacks, but this number rose to 395 by the end of the year.

Black residents were not welcomed with open arms by white Waterloo residents. New Black Iowans experienced segregation and discrimination across all aspects of life. In the 1920s, Waterloo city planners placed the local vice district into the area where Black families were allowed to live. The area, referred to as "Smokey Row," is an area in east Waterloo boarded by the Illinois Central railroad lines on the south and west, Douglas Street on the south, Sumner Street on the north, and Mobile Street on the east. White residents of Waterloo used the illicit nature of the activities occurring within the area as a justification for maintaining strict segregation.

In response to discrimination and exclusion from many services, Black people from Waterloo created their own social institutions, including churches, clubs, and political organizations, to protect the

Members of Antioch Baptist Church in Waterloo pose for a picture in 1914. Source: Des Moines Register; 2/14/1999 community from outside threats from white discriminatory practices.

In 1917, the Supreme Court issued the *Buchanan v. Warley* decision, which stated that government-instituted segregation was prohibited under the 14th Amendment. Before this decision, governments could create zoning rules to prevent Blacks from moving into white-majority areas and vice versa. In response, real estate professionals and homeowners turned to three strategies to maintain racial segregation: parcel, subdivision, and petition restrictions. Parcel restrictions were attached to individual property deeds, which prevented the sale of the property to non-white people. Similarly, subdivisions substantially restricted land use, building designs, and bans on Black homeowning. Petition restrictions occurred when white homeowners in a neighborhood collected signatures to prevent racial and ethnic integration. Racial and ethnic restrictions peaked in the late 1930s through the 1940s in response to the Great Migration.

Des Moines Civil Rights

In 1948, Edna Griffin, a WWII veteran, entered the Katz Drug Store at 7th and Locust Streets with two men and her infant daughter. She and her party sat at the ice cream counter and was refused service because they were Black. When they were asked to leave because they were not allowed to serve non-white patrons, they took the drugstore to court, and eventually, there was a decision enforcing the Iowa 1884 Civil Rights Act. What ultimately changed the segregationist policy was the pickets, boycotts, and sit-ins coordinated by Griffin. The events inspired the later Greensboro sit-ins during the early 1960s. Griffin was active in the civil rights movement in Des Moines throughout her life. The Flynn Building, where the Katz Drug Store was once located, was renamed the Edna Griffin Building.

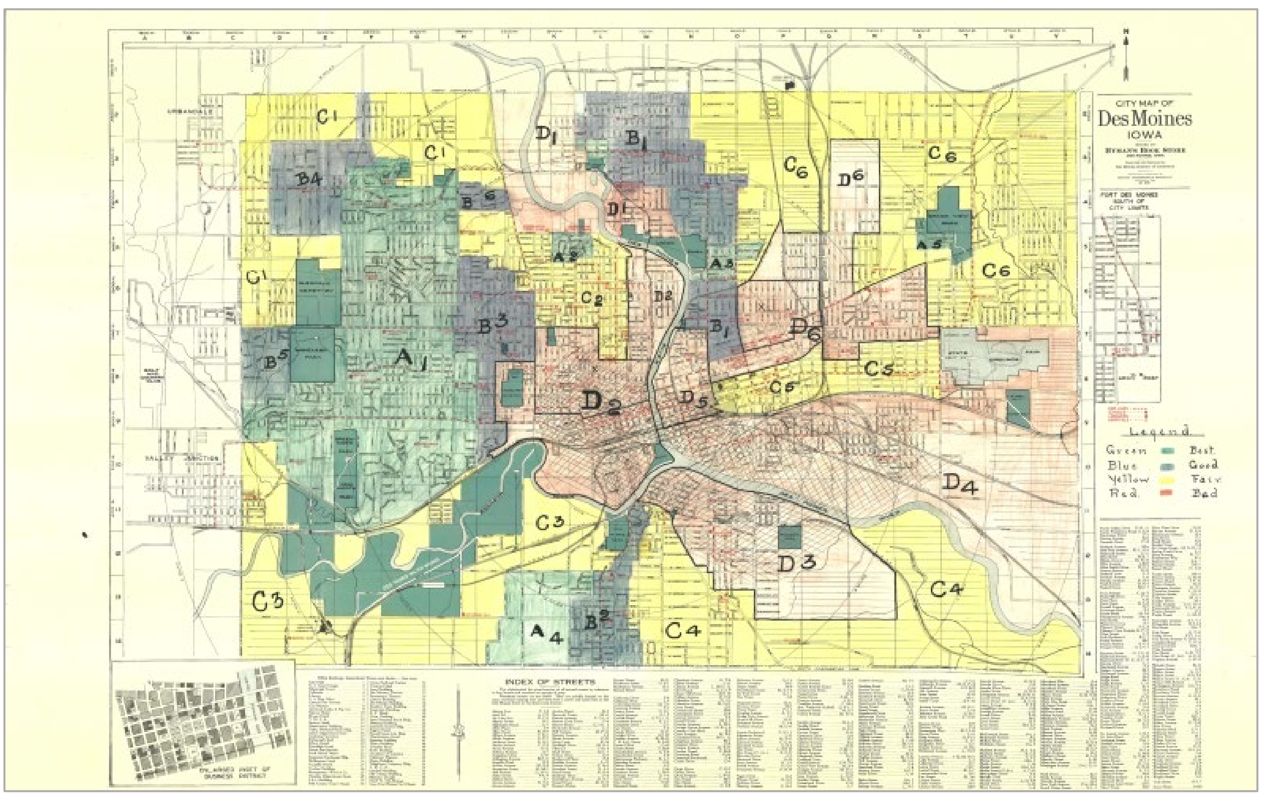
Edna Griffin in her Women's Army Corps uniform at Fort Des Moines during WWII. *Source: Fort Des Moines Museum and Education Center*

Following years of discrimination and police violence towards the Black community, tensions boiled over on July 4th, 1966, after excessive police violence towards two Black youths who refused to leave the Good Park swimming pool at closing time on the previous day. Approximately 200 people gathered in the park for Independence Day activities, where fireworks were set off, disturbing a neighbor. Police responded but were prevented from entering the park because the entrances were blocked with barrels and benches. Groups of people upset with police violence directed towards the Black community jumped on responding police cars, rocking them. When police attempted to remove the barriers to the park, people in the park responded by throwing rocks and bottles. Police appealed to Black community leaders who convinced people in the park to leave peacefully without arrests. Unfortunately, the discontent of young Blacks had not been addressed, so the next night, another large group of young

Black people caused another disturbance, leading to the arrests of seven people, all under the age of 20. Often referred to as the Good Park Riots, these events marked a change in the approach to discrimination in the Des Moines area. The Des Moines Black Panther Party was founded in February 1968 by Mary Rhem and Charles Knox. In conjunction with other groups, the Black Panther Party fought to change discriminatory policies and practices throughout the city. These groups fought unsuccessfully the urban renewal efforts to displace residents of the Center Street neighborhood, as discussed below.

Racially Based Housing Discrimination in the US and Iowa

Despite the rapid increase of the homeownership rate across the aggregate population, large swaths of the population were left out of the opportunities offered to White families. Specifically, African American families were legally prohibited from taking advantage of the boom of suburbanization of the country due to discriminatory loan rules prohibiting these families from taking out federally insured mortgages. For an in-depth examination of the Redlining process and its lasting impact, please see *The Color of Law: A Forgotten History of How Our Government Segregated America* by Richard Rothstein. In the mid-1930s, during Jim Crow segregation, the Federal Home Loan Bank Board (FHLBB) requested assistance from HOLC to analyze 239 cities to create residential security maps, known as the Redlining maps. These maps graded certain areas for the security of mortgages in the areas with grades: (A) Green, indicating the lowest risk with the highest property values and a completely White racial population. (B) Blue with low risk, a White population, often considered a buffer between the most desirable



Des Moines Redline Map; Source: Redlining in DSM.
https://www.redliningindsm.com/the-map?pgid=l8nn1ahf-302b963a-f6a1-4c0e-b69c-48637cf33c10

neighborhoods and higher risk areas. (C) Yellow is a high-risk, mixed-race population with a lower investment. (D) Red has the highest risk, with a high Black population. Figure 1 shows the Des Moines map produced by the HOLC. Urban areas with mixed Black and White populations graded red were not eligible for federally backed mortgages. Redlined areas included higher shares of residents who were Black, Jewish, Hispanic, Asian, or any other non-White groups. Many neighborhoods prevented what they considered undesirable residents from purchasing homes in the area through discriminatory covenants restricting who owners could sell their properties to and who could purchase residences. Shelley v. Kraemer, 334 U.S. 1 (1948) found these racially restrictive covenants unenforceable by the state. Despite the Shelley Supreme Court decision, many of these racially discriminatory covenants persist in certain communities but are no longer enforceable.

As shown above, Des Moines had a part in the redline process. One neighborhood in Des Moines guarded their investments by placing a restrictive covenant restricting Blacks or Jews from purchasing within the Chautauqua Park Neighborhood (the A2 neighborhood surrounded by less desirable neighborhoods on the north side of the city).

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DES MOINES, IOWA, WEDNESDAY, JUNE 20, 1956.—28 PAGES

A Penetrating Look at Negro Housing Here; Segregation Nearly 100% Effective

(This is the first of a series on Negro housing in Des Moines.)

By Robert H. Spiegel

Des Moines has segregated Negro housing that is nearly 100 per cent effective.

This is segregation by unwritten agreement. It has no force by law but is rigidly policed. The basis for this enforced isolation is what most people call "public opinion."

The chief agents in holding the line are the real estate brokers, the lending agencies and the builders. There have been no major breaks in this invisible border. Once in a long, long while a Negro family moves into a white neighborhood. Usually the neighborhood changes.

SEGREGATION IN DES MOINES

The presence of just one Negro family in a block transforms that particular group of houses overnight into what the real estate broker labels "a mixed neighborhood."

"I guess you could call it dark magic," said one Negro. He didn't smile when he said it.

Many Mixed Areas in City

There are many of these mixed areas. The type of housing in general varies from very poor to pretty good.

On the fringes, there are some very solid and well-kept clusters of homes where white and colored people live side by side.

In perhaps three or four or five instances, Negro families have moved successfully into all-white neighborhoods that are well removed from the colored communities that ring downtown Des Moines.

These solitary successes are markers for the future.

The Negro families who do live in mostly white neighborhoods don't like to call attention to themselves. They live quietly, if possible, and wish deeply and sincerely to be accepted as individuals.

This is Des Moines today—all black and all white, with just a little touch of gray here and there.

There are three facts about segregation in Des Moines that are of major importance:

1. The relatively few prosperous Negroes in the city can't buy the quality home they want and can afford in areas where they are available.

2. The mass of colored families have no choice of location in buying homes.

3. Prices are inflated for homes in the restricted Negro areas, resulting from an unsatisfied demand for housing.

Housing is a very personal thing. It is a round-the-clock proposition.

Some Negro leaders call it the "worst" problem facing the nearly 9,000 Negroes in Des Moines. Others consider discrimination in employment as "the most important."

Archie M. Greenlee,

Housing—

Continued on Page Four

Source: Kendyl Landeck. https://kendyl66.github.io/LA458-558/Final-Project/history.html

Those who attempted to purchase or sell their homes to people who were considered undesirable often faced considerable pressure and violence, preventing these people from moving to or remaining in the neighborhood. FHA policy refused mortgages to Black families or White property owners who may sell their properties to Blacks.

A wide variety of other tactics to prevent racial integration were used by local authorities, neighborhoods, and many others. Some locations used racial zoning, requiring the segregation between White and Black residences. Realtors contributed to the process by excluding non-White households from neighborhoods. White housing developments were protected from industrial and toxic waste zoning, and these very same sites were in predominately Black and other minority neighborhoods. One of the most potent means of enforcement for preventing integration was neighborhood association covenants prohibiting the sale of any homes in the development to what they often referred to as undesirable neighbors. Neighborhoods with these restrictive covenants lowered the cost of their mortgages because they were considered less risky. Several court decisions prohibited racially based covenants, including *Brown v. Board of Education. Yet,* the FHA, state courts and other governmental organizations refused to follow the federal legal precedence.

After many years of disinvestment in Black neighborhoods and white flight to the suburbs, some urban areas may have been in disrepair and were referred to as the 'slums.' With the goal of urban renewal, municipalities began planning to construct interstate highways, with the route often placed into Black neighborhoods.

In Des Moines, the Center Street area and portions of Sherman Hill were included in plans for demolition to make way for the new interstate I-235. Appendix A highlights the changes to downtown Des Moines and the Center Street neighborhood in 1950 and 1970. During the 1950s and 1960s, the Center Street neighborhood was considered the heart of Black culture in the city and had been experiencing substantial civil unrest. Clashes with police became more common as the area was heavily patrolled, and Black youth presented as an easy target for arrests (Fehn & Jefferson, 2010). With the thinly veiled urban renewal, vast swaths of this thriving neighborhood were erased to place the new interstate in the city center, with construction starting in the late 1950s and continuing through 1968. Thousands of families lost their homes and received little compensation for the loss of their homes. For a thorough discussion regarding the struggles faced by Black families from Des Moines, please see North Side Revolutionaries in the Civil Rights Struggle: The African American Community in Des Moines and the Black Panther Party for Self-Defense, 1948-1970 by Fehn and Jefferson.

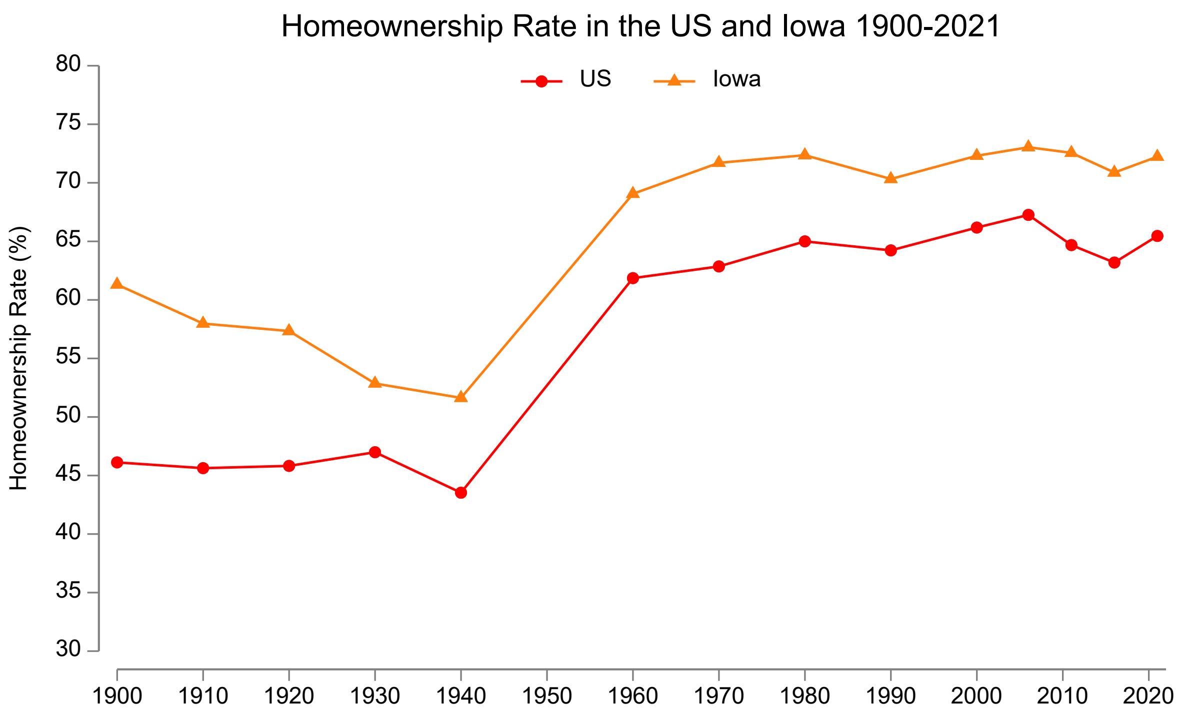
The practice of racial exclusion through a host of tactics continued openly until the Fair Housing Act of 1968, which prohibited discrimination in housing based on race or national origin. Despite the prohibition, discriminatory practices persist throughout the real estate market even to this day. For example, some Black homeowners receiving a much lower appraisal if the appraiser realizes a Black family resides there. To counteract depressed appraisals, some homeowners engage in the practice of 'whitewashing' their homes by removing all evidence of their race from their homes and replacing it with a White friend's belongings. A 2021 report by Freddie Mac found that Black and Hispanic households were nearly twice as likely as Whites to have a lower appraisal.

Dorsey's Cafe, with thin stone siding. Edge of DePatten's Launderette #1102 on the left on 1100 block of Center Street with cars parked along the sidewalk, including a 1940's Plymouth, Des Moines, 1940-1960 (A2003.010.P1), African American Museum of Iowa, Cedar Rapids, Iowa

Homeownership in Iowa

As shown below, Iowa has enjoyed higher homeownership rates than the national average for as long as data has been available. Pre-Depression rates were markedly higher in Iowa compared to the nation but were declining before WWII. Following the war, the above-discussed postwar programs encouraged and made homeownership more accessible to more households. Between 1940 and 1960, the rate increased from about 20% to 65% nationally and 70% in Iowa. These rates have persisted for the past 60 years, with periods of increased and decreased rates. As discussed earlier, many family farms were lost in Iowa during the Farm Crisis in the 1980s, where many families lost their homes in rural areas due to the decreased value of their agricultural land, the resulting foreclosures, and associated bank failures. Homeownership in Iowa peaked earlier at 76.6% in 2001 compared to 69.2% nationally in 2004 (U.S. Census Bureau, 2023a, 2023b). Another period of decline was during and directly following the Great Recession, when there were unprecedented foreclosures. Despite fluctuations in the homeowner rates, Iowa has enjoyed about 10 points higher than the rest of the nation.

Increased homeownership has been due to low-cost housing across the state, yet as we will discuss later, these rates vary quite widely within the state. Areas with higher populations have higher housing costs than areas with lower population densities, resulting in lower homeownership. Iowa and the rest of the nation face growing housing costs, which may lead to increased evictions and foreclosures.

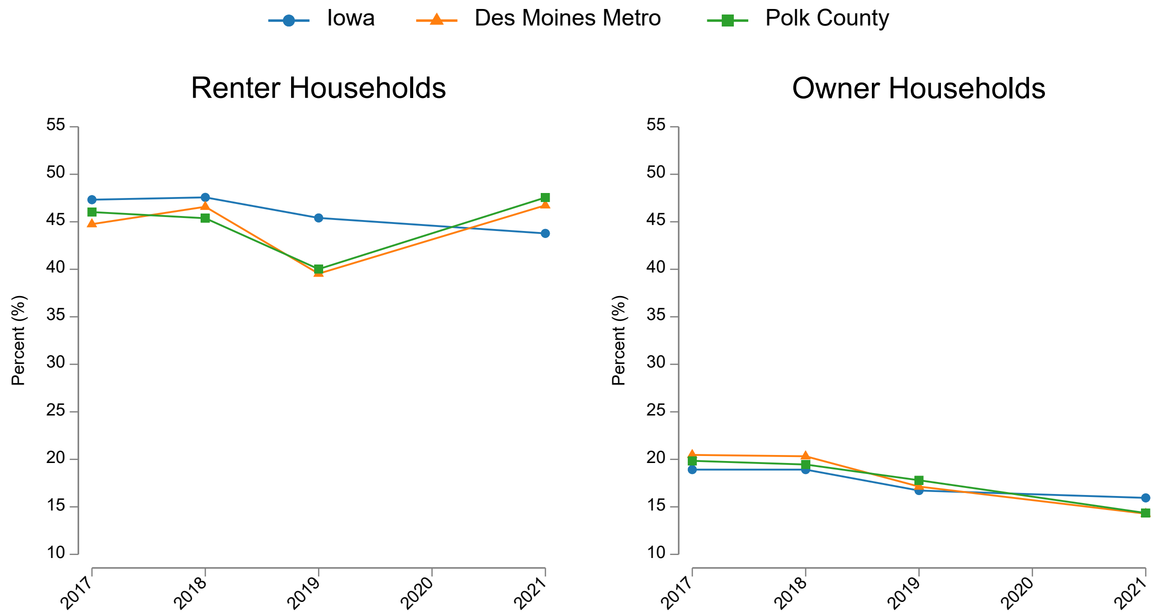


Source: Steven Ruggles, Sarah Flood, Matthew Sobek, Danika Brockman, Grace Cooper, Stephanie Richards, and Megan Schouweiler. IPUMS USA:Version 13.0 American Community Survey. Minneapolis, MN: IPUMS, 2023.
Note: Data are not available for 1950.

Housing Cost Burden

High homeownership rates may indicate an area with lower-cost housing options than areas with higher homeownership rates. Areas with lower-than-average housing costs

Cost Burden among Renter & Owner Households in Iowa, Des Moines Metro, and Polk County



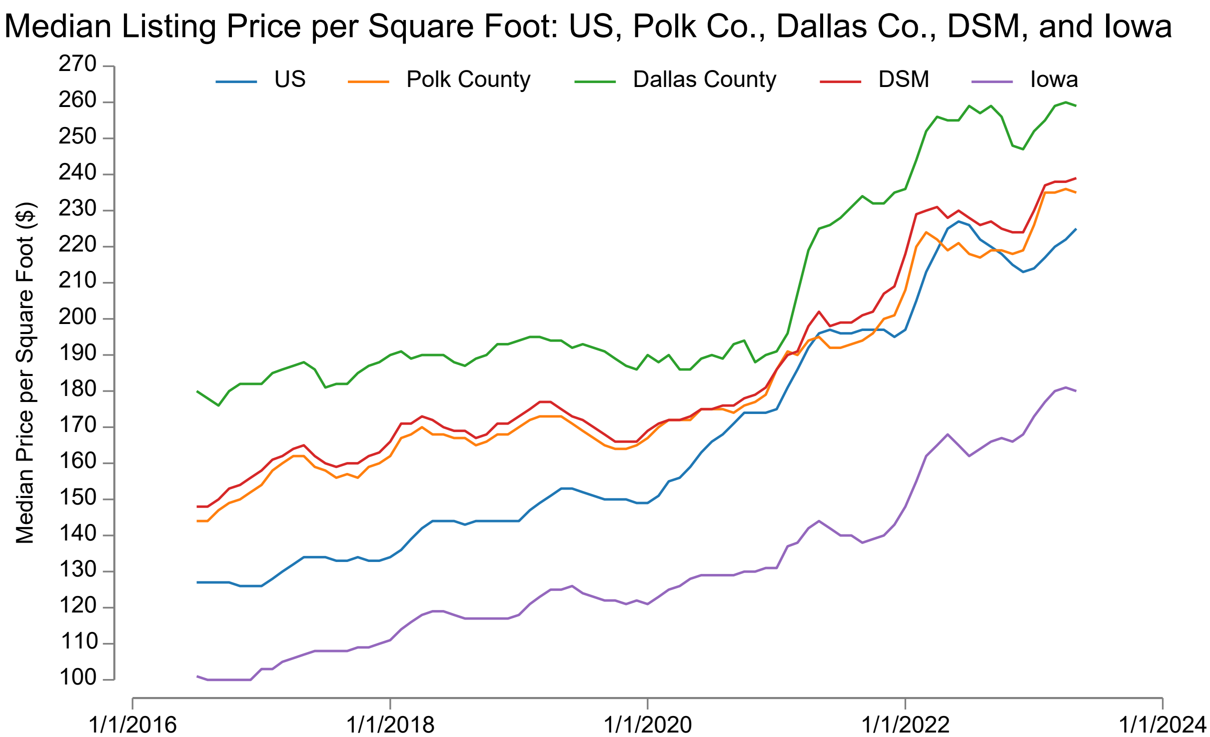
Note (1): The Des Moines Metro includes Polk, Dallas, Warren, Jasper, Madison, and Guthrie Counties
Note (2): 2020 data was deemed to be unreliable due to COVID-19 collection challenges.
Source: PCHTF Calculations of PUMS-ACS 2017-2021

may still have many households experiencing a housing cost burden. The United States Department of Housing and Urban Development defines a household as cost-burdened if it spends more than a third of its income on housing. Additionally, a household is considered severely cost-burdened if it spends more than half its income on housing costs.

A larger share of renter households experience a housing cost burden than owner households. Between 2017 and 2021, the share of renter households experiencing cost burden declined across the state. During the same period, the share experiencing cost burden rose sharply following a steep decline in the Des Moines Metro and Polk County. A smaller percentage of owner households do not experience a housing cost burden than renter households. In fact, between 2017, the share of owner households spending more than 30% of household income on housing fell from 20 % to about 15%. Disparities between these two groups cross many aspects of measures, including cost burden, median income, and racial and ethnic homeownership rates, among others.

Increasing Real Estate Costs

Most places across the United States have seen a marked increase in the median listing price per square foot, according to Realtor.com. Between July 2016 and April 2023, this measure rose nationally from $127 to $222, representing a 42.8% difference with an acceleration starting in January 2020. Iowa has long been known for having a lower cost of living than many other states, but it can be shown that not all the states enjoy lower-cost real estate. Dallas County started higher than the US and accelerated faster than other areas. From January 2019 to July 2022, the median listing price per square foot rose from $191 to $263, representing a 27% increase in 18 months. The abrupt increase in the listing price is starkly contrasted with the previous three years, when there was only a 5.8% increase. Polk County has also seen a marked increase in the median listing price in six years, from $144 to $236 (39%). Post-pandemic rises in home prices sharply affected the median listing price in Polk County but only 24.7%, unlike Dallas County's rapidly increasing listing prices. The Des Moines Metro also increased considerably, but its median listing price increases were closer to Polk County. Iowa, on average, has much lower housing costs but increased housing costs by 44% between 2016 and 2023, reflecting growing affordability challenges. Increases in housing costs reflect an increasing cost of living and make more households unable to achieve the American Dream of owning their own home or may face increased risk of cost burdens. Local and state leaders should implement every effort to address housing affordability issues to prevent associated food and residential instability.



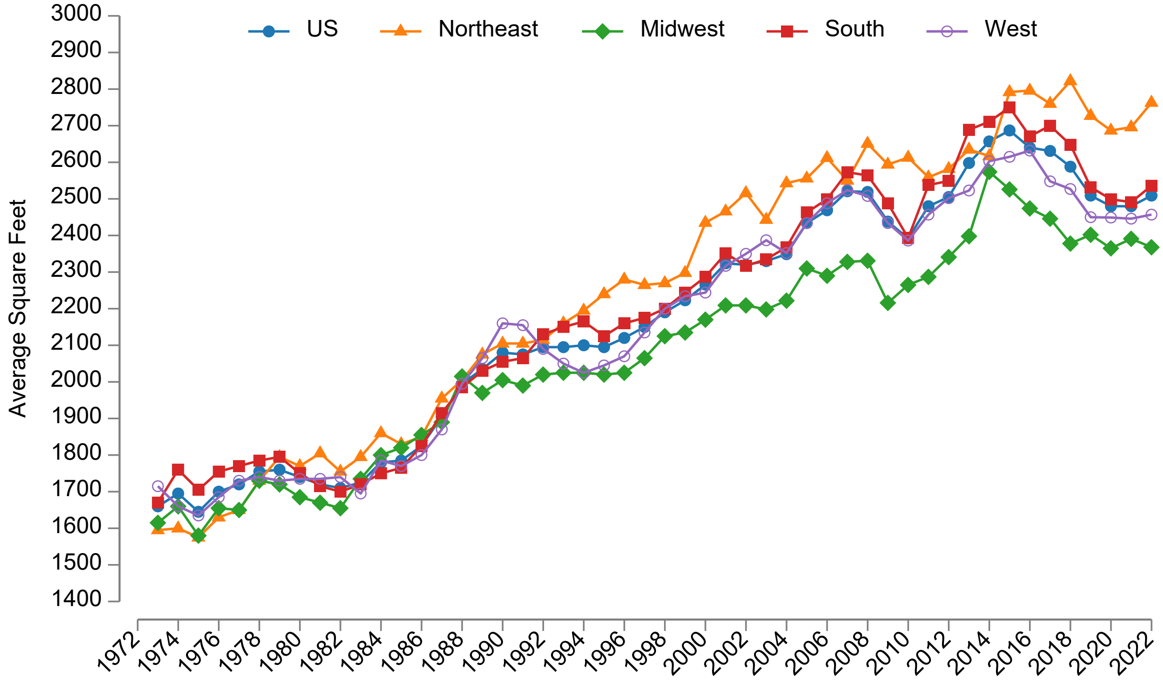
Source: Realtor.com, retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org, June 18, 2023

Growth in the Average Size of Homes

Houses across the country have been growing in size since the early 1970s. Houses averaged about 1,600 to 1,700 square feet during this period, with some regional variation. Between 1973 and 2022, the national average size of homes grew 849 square feet or 34%. All regions had substantial growth, but the Northeast nearly doubled its average size by 1,168 or a 42% growth. The Midwest increased its average size by 753 or 32%.

Since the 1980s, the Northeast and South average sizes started to depart from those in the Midwest and West regions. The average size of single-family homes in the Midwest in 2014 was 2,574 and has been declining since. Conversely, the Northeast continues to grow despite a slight drop during the COVID-19 pandemic, where housing starts were historically low. The Southern region peaked in 2017 and generally has declined in average size. Similarly, the Western region peaked in 2015 and has been declining or flat since this period. The Northeast persists as an outlier in the size of single family homes in comparison to other regions across the country.

Average Square Feet of Floor Area in New Single-Family Houses Completed 1973-2022



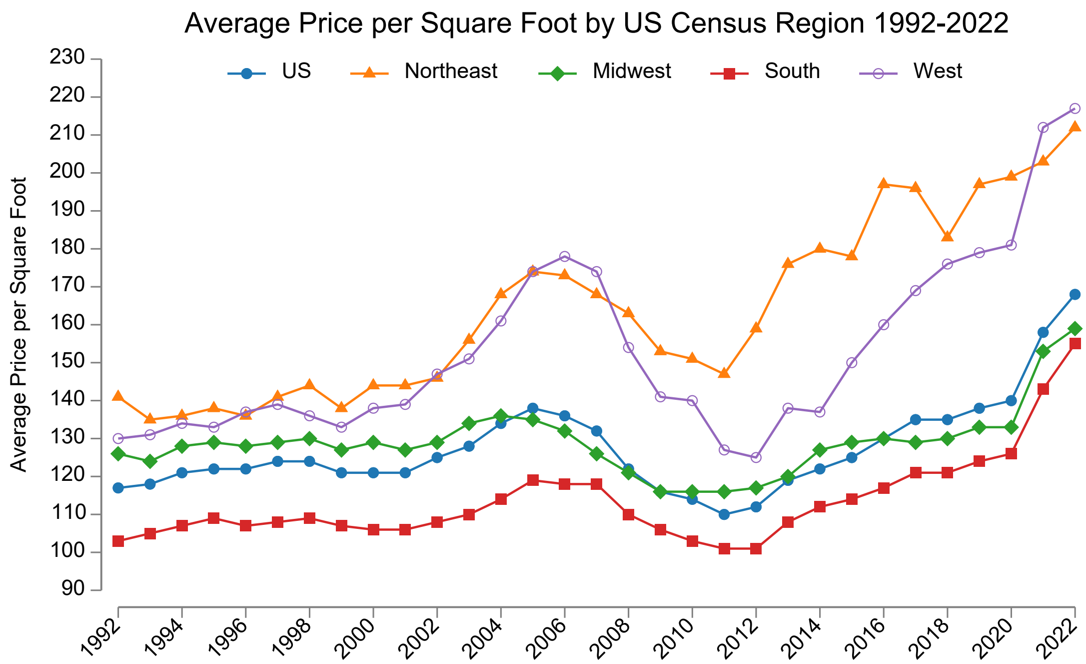
Source: US Census Bureau: Characteristics of New Housing:https://www.census.gov/construction/chars/current.html

Average Price per Square Foot by US Census Region

The Midwest continues to have a lower price per square foot than all other regions except the South. In fact, the prices of homes in the Midwest have been relatively stable for the past 20 years. In 1992, the average price per square foot was 126, and 15 years later it was $129. After this, the price rose by $30, representing a 20 percent increase in five years. The Midwest region's stable pricing contrasts the Northeast and West region boom and bust periods from the mid-2000s through the 2010s. These two regions fueled the housing price bubble that occurred with the Great Recession and inflated the average national price. The Midwest had considerable protection from the increasing prices seen in other regions.

Between 2017 and 2022, there have been marked average price increases per square foot across the country. The Midwest, South, and West regions have all had about a 20 percent increase, whereas the Northeast had a more moderate increase at about 10 percent. Of course, the Northeast has had consistently higher prices than the rest of the country, apart from the West region periodically surpassing the average price.

The marked price increase coupled with increasing sizes of new homes is of particular concern as homeownership is increasingly out of the means of larger and larger sections of the population. Substantial increases in the price of houses are unsustainable and may lead to a crash in the value of homes. Of course, the market has never had increasing corporate ownership of single-family homes and homes explicitly built for rentals. The effects of corporate ownership have not yet been realized as their involvement in the rental market is relatively new. For further information about corporate single-family rentals, please see "8 Facts About Investor Activity in The Single-Family Rental Market".



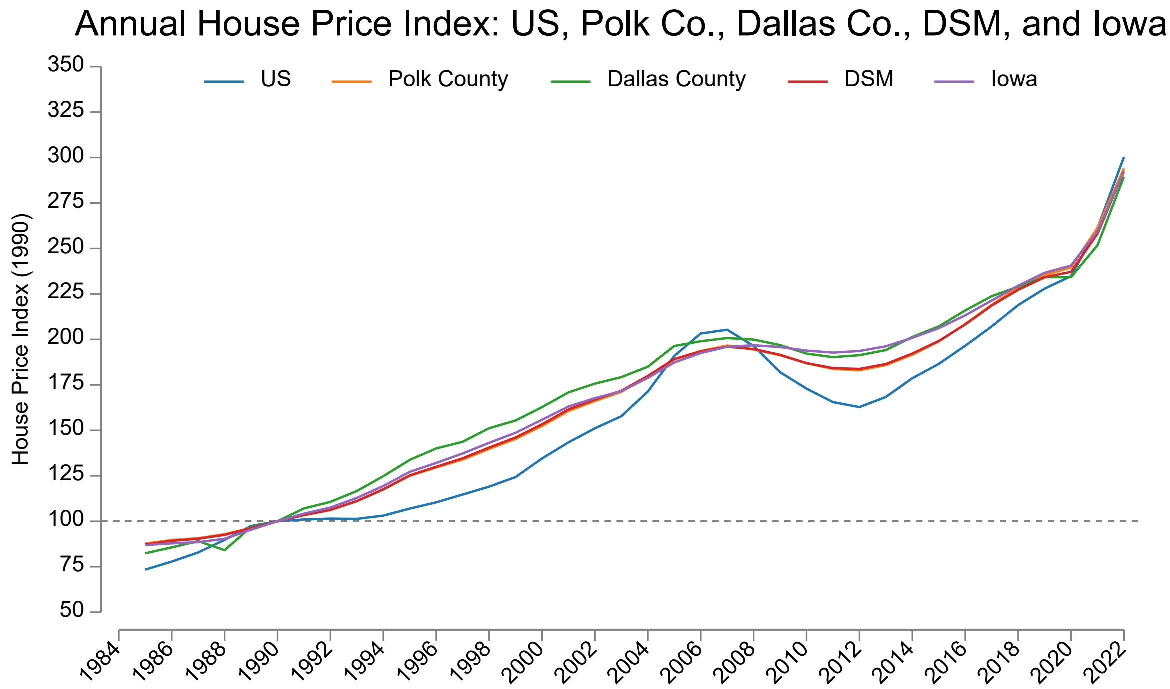
Source: US Census Bureau: Characteristics of New Housing:https://www.census.gov/construction/chars/current.html
Note: Adjusted for Inflation to 2022 Dollars

Historical Housing Price Index

The Federal Housing Finance Agency (FHFA) provides the house price index (HPI) that measures the movement of single-family homes. The FHFA HPI is "a weighted, repeat-sales index, meaning that it measures average price changes in repeat sales or refinancing on the same properties (FHFA, 2023)." The FHFA HPI data is based on reviews of mortgage transactions on single-family properties whose mortgages have been serviced by Fannie Mae or Freddie Mac since 1974.

Both the national and local HPI values have been growing rapidly following the Great Recession of 2007-2008 and the subsequent dip in the HPI. Iowa locales were sheltered somewhat from the housing bubble that popped as part of the Great Recession. This may be due to Iowa having fewer citizens targeted for subprime mortgages that fueled the housing crisis of the 2000sThe HPI shows growing house prices, particularly between 2021 and 2022. Across many geographies, the HPI grew the fastest in 2022 at approximately 15%. Before 2022, the HPI rose about 3% per year, indicating the rapid increase in the HPI was unprecedented. The Dallas County HPI fell 0.01% during 2020 and rose in Polk County by 1.8%. Dallas County has had the most robust rise in the HPI in the region, yet Polk County, the Des Moines Metro, and the state of Iowa have had similar growth in their HPI. All the places in Iowa were less than the national HPI. Iowans are usually more insulated from housing shocks than other parts of the country may experience.

The Covid-19 pandemic caused many disruptions across different market sectors, and real estate was no exception. Very few homes were sold as households stayed in place during the uncertain period of the early pandemic. When infections began to slow in 2021, people started buying homes, and prices rose rapidly. All regions shown below have seen unprecedented growth in prices.



Source: Federal Housing Finance Agency (www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index-Datasets.aspx#qat)
Note: Data are Indexed to the Year 1990.

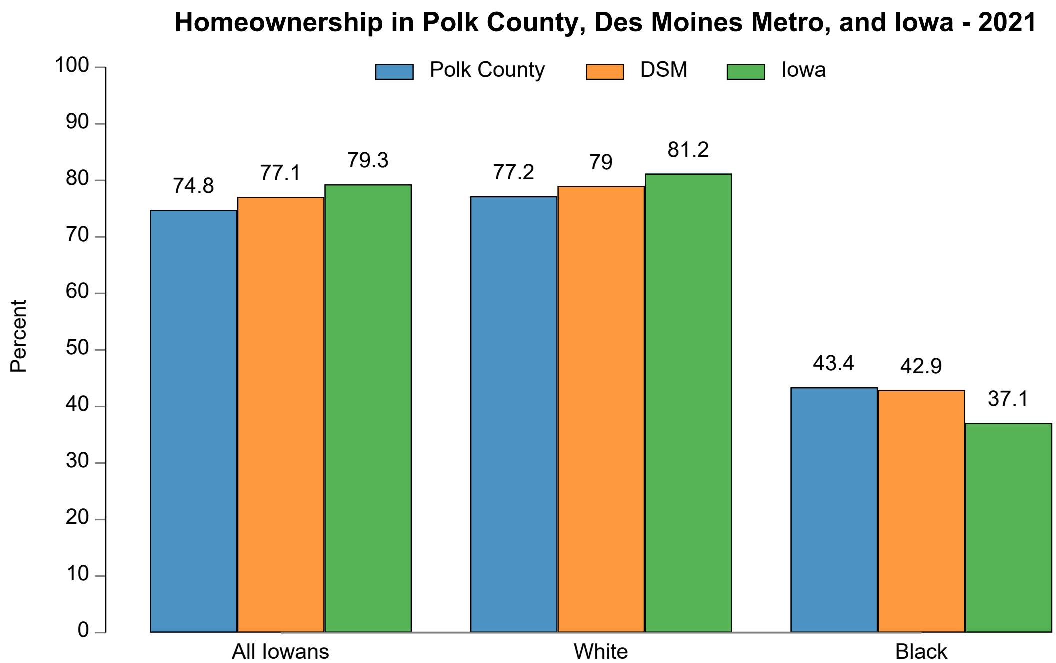
Persistent Racial Disparities in Homeownership

Despite Iowa enjoying higher than national homeownership rates than the nation, substantial disparities in homeownership rates exist. These disparities in homeownership across racial and ethnic groups differ by geography. Nearly 40 percent of Black households in Polk County are homeowners compared to only 32 percent across the state. Among White households, between 72 percent and 75 percent own their homes.

Other groups, including Hispanic and Asian or Pacific Islander, have higher homeownership rates than Black Households. Depending on the geography, 42 percent and 51 percent of Hispanic households own their homes. A higher share of Asian or Pacific Islander households own their homes, ranging from 53 percent to 61 percent.

Polk County has a higher Black homeownership rate than the rest of Iowa. Only 37 percent of Black households own their homes compared to the 43 percent. Conversely, among whites, fewer own their homes in the Des Moines Metro than the rest of Iowa. Other areas have higher shares of the population that are Black, such as Blackhawk County, with an estimated 9.8 percent. Areas with higher shares of the population being Black would likely raise the percentage of homeowners in this group.

Polk County has a lower homeownership rate than Des Moines or Iowa among all Iowans. This may be due to higher real estate costs in the county.



Note (1): The Des Moines Metro includes Polk, Dallas, Warren, Jasper, Madison, and Guthrie Counties
Source: PCHTF Calculations of PUMS-ACS (2021)

Homeownership Rate in the US, Iowa, and Racial Categories in Iowa

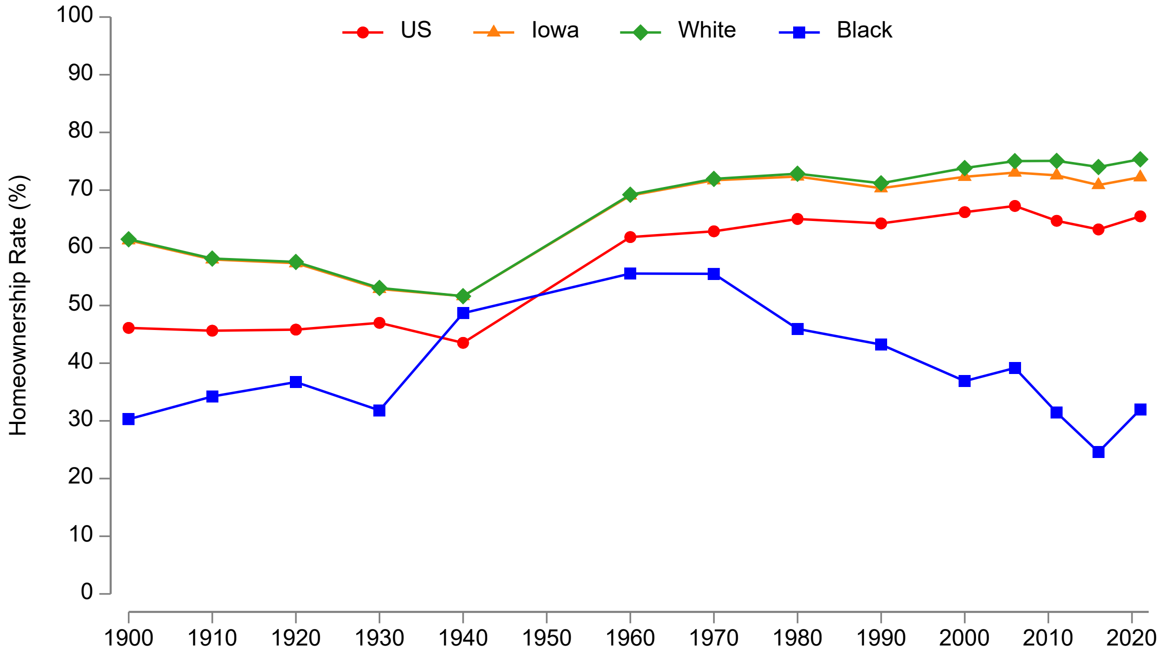
Since the end of the Great Depression, Iowa homeownership rates grew considerably from 51 percent to a peak in 2006 at 73 percent. Since this period, the homeownership rate has been relatively stable between 70 percent and 72 percent. Statewide and white rates are nearly identical because the population has been so heavily white-dominant.

White Iowa homeownership growth slowed during the 1970s and declined slightly during the 1980s, likely due to the Farm Crisis discussed earlier. Between 1980 and 1990, white homeownership fell by about 1.5 percent, marking the first decline among the group. These losses were recouped in the following decade, and the rate continued to expand slowly until 2016, when there was a 0.06 percent decline. White homeownership in Iowa is at its highest ever recorded at over 75 percent.

For much of the 20th century, Black homeownership was on the rise in Iowa until the 1970s, when the rate began to decline. In the 1940s, white and Black homeownership was nearly equal for a short period. After this period, white homeownership rose faster than Black homeownership until the 1980s, when a steep decline became apparent among the group. Between 1960 and 1970, about 55 percent of Black households owned their homes, the highest rate observed in Iowa history. Although difficult to prove conclusively, the urban renewal programs across the state may have impacted Black homeownership. Following this period, Black homeownership began to decline and has been declining since, except during the early 2000s when sub-prime mortgages were being marketed towards the Black community. Few white households lost their home during the Great Recession, but there was the steepest decline in Black homeownership in Iowa history during this period. From 2006 to 2016, the rate fell from 39 percent to 25 percent, which is the lowest rate in over 120 years.

Another group with decreased homeownership rates includes Asian Americans, which include large groups of refugees and immigrants. Additionally, growth among those from Africa has been seen across the metro, leading to another unique population. Iowa's ties to refugees have been present since the 1970s when Governor Ray accepted 1,500 Southeast Asian Tai Dam refugees from the Vietnam conflict. The descendants of these original refugees have created a thriving community of nearly 10,000 individuals in the Des Moines Metro. The group has lower homeownership rates than other Asian communities, contributing to lower rates across the broader Asian groups present in the area.

Homeownership Rate, US, Iowa, and Iowa Racial Categories 1900-2021

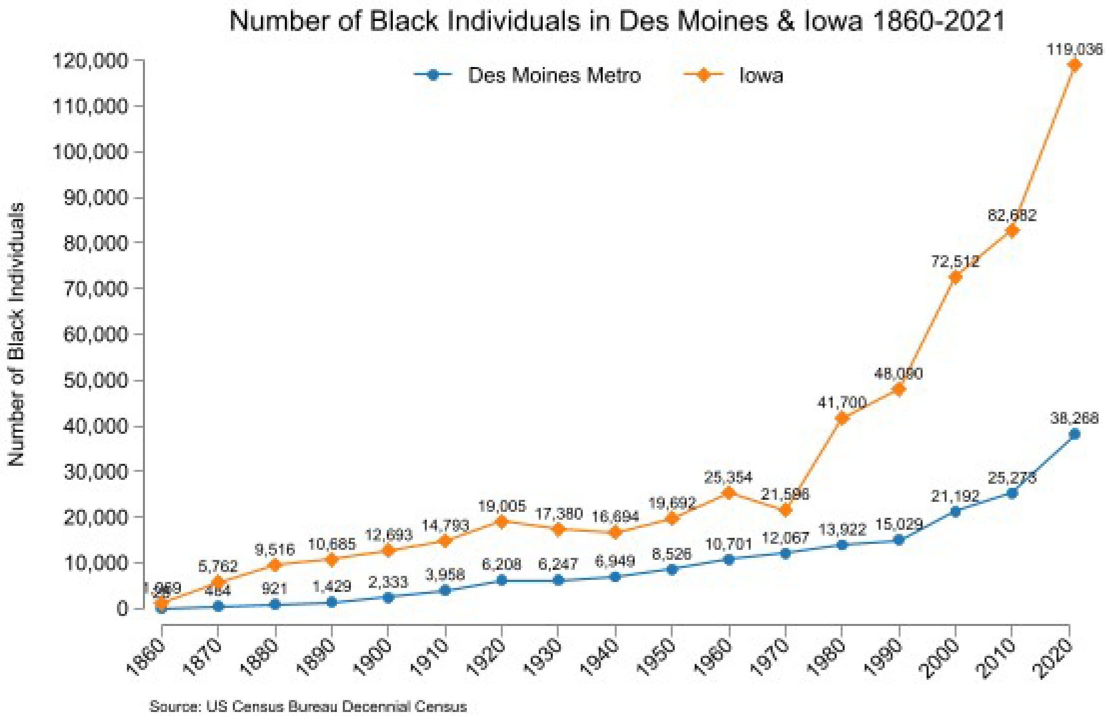


Source: Steven Ruggles, Sarah Flood, Matthew Sobek, Danika Brockman, Grace Cooper, Stephanie Richards, and Megan Schouweiler. IPUMS USA:Version 13.0 American Community Survey. Minneapolis, MN: IPUMS, 2023.
Note: Data are not available for 1950.

Black Population Growth in Des Moines and Iowa

Following the loss of many homes of Black families during the urban renewal process in Iowa discussed earlier, there was a 15 percent drop in the population of Black individuals across the state. There was no corresponding drop in the Des Moines Metro, as shown below. The Des Moines Black population has grown slowly compared to the rest of the state. Following the 1970s, the number of Black Iowans grew quickly from 21,596 to 41,700 by 1980. In the past 50 years, the number of Black Iowans grew fivefold to nearly 120,000 by 2020.

The Des Moines Metro has had slower growth of the Black population than the rest of the state. Since 1970, the Black population in the metro has risen only about 70 percent. The share of the metro population that is Black is about 11 percent. Other locales have similar shares of Black individuals compared to Des Moines Metro, such as Davenport and Iowa City. Still, Waterloo has a higher share of Black individuals at nearly 18 percent of the city population. With an increasing Black population, it is particularly concerning that the homeownership rate has declined for many years, with a slight recovery in 2020. Additional efforts should be undertaken to increase homeownership to this and other non-white groups towards a goal of economic equity.



Corporate Rental Ownership Trends

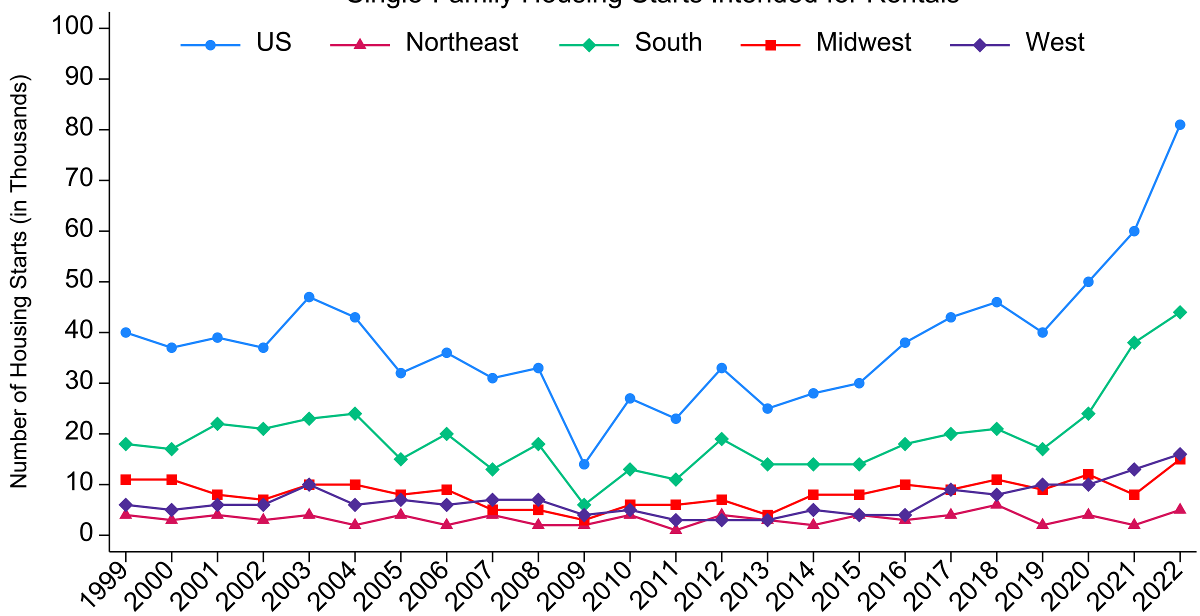
Recent news coverage of investors purchasing single and multi-family units across the country may lead to some concern about increased costs from investors. Finding evidence of investors can be challenging to locate, but in May 2023, a corporate investor purchased six Des Moines Metro apartment complexes for 507 units. However, there has been no indication of the purchase of single-family homes for rentals, and corporate interest in housing in the metro has been concerning to local affordable housing advocates. Single-family homes used for rentals may increase sales prices by affecting the supply of new homes. The issue of single-family homes being used for rentals at increased rates and by corporate investors has gotten the attention of the US Congress, which recently introduced legislation prohibiting the ownership of single-family homes for rental properties.

A primary issue of corporate-owned single-family rentals is that first-time homebuyers often must rely on FHA or VA loans that have more restrictions and take longer to close compared to the cash offers available by corporate buyers. Corporate buyers purchase many smaller homes to be renters, who have traditionally been starter homes for first-time home buyers. Corporate buyers reduce the availability of these smaller homes and thereby increase the purchase prices of other homes.

Since the Great Recession, corporate buyers have been scooping up properties for rental income. The trend increased during the onset of the COVID-19 pandemic. In the first quarter of 2022, investors purchased 27 percent of all single-family homes sold in the country. About 20 percent of single-family homes in Iowa were purchased by investors in the first quarter of 2023.

In addition to corporate ownership of existing apartments and single-family homes, investors are also building homes for rentals at unprecedented rates. Nationally, The number of single-family housing starts intended for rentals has risen by 63 percent between 2015 and 2022. Much of the growth in this sector has come from the southern region of the country, but there has been increasing starts in the Midwest and West regions. The trend of increasing rental single-family housing starts can be concerning because of the effect of its drag on the housing market supply. New construction of homes intended for rentals rather than sale decreases the number of available units for sale and can increase the purchase prices. Although there is limited evidence of this occurrence in the Midwest and Iowa specifically, the trend of rising housing starts intended for rental should be monitored to measure its impact on the housing market.

Single-Family Housing Starts Intended for Rentals



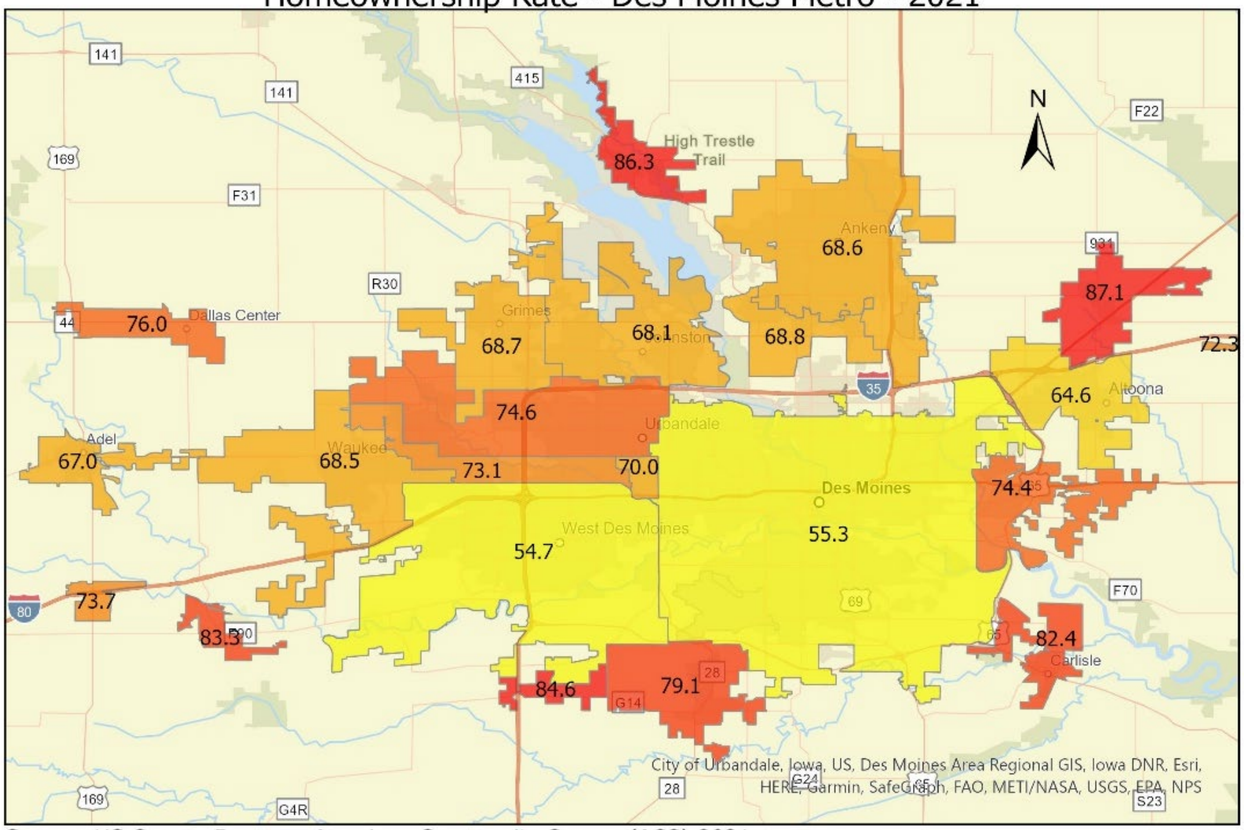
Source: US Census Bureau: Survey of Construction

Homeownership Rates in the Des Moines Metropolitan Area

Homeownership rates are much higher in the suburbs than in Des Moines or West Des Moines, as shown below. Besides these two places, most areas in the metro have higher homeownership rates than the national average, which is persistently at about 65% of households. The two most populous places in the metro, Des Moines and West Des Moines have much lower homeownership rates at 55.3% and 54.7%, respectively. Lower homeownership rates in more populous areas reflect a common pattern of higher costs for real estate that occurs in the core of a Core Based Statistical Area (CBSA). Dallas and Polk counties are the core of the metro, with Guthrie, Jasper, Madison, and Warren counties being the outlying areas. Areas outside the core tend to have lower property values, resulting in higher homeownership rates.

Higher homeownership rates have been associated with increased educational attainment, greater civic participation, higher life satisfaction, and better health. High homeownership rates indicate a larger share of households who have incomes high enough to not only cover their regular housing and other living expenses but also sufficient to save excess money for a down payment. Affordable rental housing plays a part in homeownership because most households spend some time as a rental household before purchasing a home. When families cannot afford their rental housing, they do not have enough to save for a down payment if they wish to buy a home. Communities that ensure access to affordable rental housing allow rental households to create a nest egg, participate in civic organizations, engage with the educational system, and many other activities.

Homeownership Rate - Des Moines Metro - 2021



Source: US Census Bureau - American Community Survey (ACS) 2021

Conclusions and Recommendations

Iowa has often experienced decreased effects of market fluctuations that have strongly affected the rest of the country, apart from the Farm Crisis. Homeownership remains high across the state and in the Des Moines Metro, with the urban cores of West Des Moines and Des Moines being outliers compared to other places.

Iowa's historically easy access to low-cost housing has shown signs of decreasing availability as the cost and size of new homes continue to increase. Although increasing property values are a boon for existing homeowners, the increasing price for homebuyers creates a substantial barrier for households wishing to purchase a home. The post-COVID real estate market has seen unprecedented increases in the cost of purchasing, owning, and building real estate properties. Rapid inflation and interest rate increases may slow the market's growth. Still, corporate ownership of single-family homes presents a unique challenge to the market not previously seen in Iowa or the United States. Policymakers should monitor the level of corporate ownership of housing units across the region to ensure that this does not impact homeownership availability to current and future homeowners or unduly increase non-homeowner rents.

Homeownership in Iowa and the Des Moines Metro has a complicated history yet persists as a place where many can purchase a home. Much needs to be done to address historical injustices, especially among the local Black community. The loss of the Center Street neighborhood marked a significant decline in homeownership among Black households in the metro and across the state. Targeting these marginalized groups for assistance with down payments, specialized loan terms, and financial education may increase the declining homeownership rate that has been occurring since the 1970s.

To meet the homeownership goals of all Iowans, business owners, banks, and policymakers must examine all available routes to expand homeownership, including zoning changes, unique mortgage products, down payment assistance, and a host of other options. Additional alternative home purchase options such as rent-to-own, shared equity programs, co-operatives and land trusts, and HUD-owned homes have been successfully employed. To address supply-side housing issues, policymakers can adjust zoning restrictions to allow high-density units for purchase and rent. Reintroducing higher density or [missing middle]() housing can include cottage courts, duplexes, live/work, and other building types. Additionally, encouraging the creation of accessory dwelling units ([ADUs]()) on existing lots can increase housing availability. Overall, the Des Moines Metro and the rest of the state can take many routes to increase homeownership.

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Appendix A

Des Moines circa 1950, Iowa Department of Natural Resources, https://ortho.gis.iastate.edu/arcgis/rest/services/ortho

Des Moines circa 1970, Iowa Department of Natural Resources, https://ortho.gis.iastate.edu/arcgis/rest/services/ortho