

# DOWN PAYMENT ASSISTANCE: INTERNATIONAL CASE STUDIES

*PRESENTATION FOR THE HARVARD JOINT CENTER FOR HOUSING STUDIES*

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# Quick intro

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# Objective: Help US policymakers design a nationwide down payment assistance program

1. Examine international programs

Draw lessons from **five international jurisdictions**: Canada, England, Ireland, Australia, and New Zealand, which each have robust nationwide programs

2. Synthesize into 'design choices'

Synthesize these lessons into 'design choices' that US policymakers must make when designing a program

3. Suggest proposals for US policymakers

Suggest proposals for US policymakers on how to navigate these design choices

## Key findings: Targeting the assistance is key

1. **Policymakers must target the down payment assistance** towards householders that wouldn't have otherwise been able to buy a home
  - This is the only way to increase the rate of homeownership
  - This sounds obvious, but this was rarely the case in the international examples studied
2. **Policymakers have a menu of 'design choices'** that can make their programs more or less targeted

1. Examine international programs

2. Synthesize into 'design choices'

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**Draw lessons from five international jurisdictions:** Canada, England, Ireland, Australia, and New Zealand, which each have robust nationwide programs

# Step 1: Examine international programs

CANADA

## Only 2K Canadians have used First-Time Home Buyer Incentive — so axe it, experts say

By **Amanda Connolly** · Global News  
 Posted April 17, 2020 12:45 pm · Updated April 20, 2020 4:29 pm

**Daily Mail**.com

## Wealthy families exploit £7billion Help to Buy home scheme with 40% of recipients on more than £50k a year

- Almost 135,000 families have taken advantage since its launch in 2013
- One in ten recipients of Help to Buy was on at least £80,000
- Profits, share prices and executive bonuses have soared at firms including Barratt, Bellway and Taylor Wimpey

By HUGO DUNCAN FOR THE DAILY MAIL  
 PUBLISHED: 17:04 EDT, 6 October 2017 | UPDATED: 08:17 EDT, 7 October 2017

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Wealthy families are exploiting a £7billion government scheme aimed at first-time buyers.  
 Help to Buy doles out taxpayers' money so househunters can secure a mortgage.



## Govt's First Home grant not enough for most first home buyers, figures show

KATE NICOL-WILLIAMS, 1 NEWS REPORTER  
 THU, JUN 25 • SOURCE: 1 NEWS



New figures show the Government's First Home grant, previously called HomeStart, is increasingly out of touch with the country's housing market.

**interest.co.nz**  
 Helping you make financial decisions

## RBNZ warned Government that HomeStart subsidy for first home buyers could boost developer margins and pump up already over-valued house prices

1st Apr 15, 3:01pm by Bernard Hickey

1. Examine international programs

2. Synthesize into 'design choices'

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**Synthesize these lessons into 'design choices'** that US policymakers must make when designing a program

Step 2: Synthesize key 'design choices' from each of the international examples



# Step 2: Synthesize key 'design choices' from each of the international examples

1

## Part A: Targeting

1. Income Limit
2.. Purchase Price Limit
3. Demographic Criteria
4. Geographic Constraint
5. Grant, Tax Refund, or Shared Equity
6. Newly Built vs. Existing Properties
7. Fixed vs. Variable Assistance

# Step 2: Synthesize key 'design choices' from each of the international examples

1

## Part A: Targeting

Tightly Targeted  
Less Inflationary Impact

Less Targeted  
Greater Inflationary Impact

1. Income Limit	Lower	Higher	
2.. Purchase Price Limit	Lower	Higher	
3. Demographic Criteria	Constrained	Unconstrained	
4. Geographic Constraint	Constrained	Unconstrained	
5. Grant, Tax Refund, or Shared Equity	Shared Equity	Tax Refund	Grant
6. Newly Built vs. Existing Properties	Newly-built only	Bonus for newly-built	Any dwelling
7. Fixed vs. Variable Assistance	Percent of purchase price	Fixed amount	

# Step 2: Synthesize key 'design choices' from each of the international examples

1 Part A: Targeting



	Lower	Higher
1. Income Limit	←—————→	
2.. Purchase Price Limit	Lower	Higher
	←—————→	
3. Demographic Criteria	Constrained	Unconstrained
	←—————→	
4. Geographic Constraint	Constrained	Unconstrained
	←—————→	
5. Grant, Tax Refund, or Shared Equity	Shared Equity	Grant
	←—————→	Tax Refund
6. Newly Built vs. Existing Properties	Newly-built only	Any dwelling
	←—————→	
7. Fixed vs. Variable Assistance	Percent of purchase price	Fixed amount
	←—————→	

... then

2 Part B: Assistance

	Higher	Lower
8. Assistance Amount	←—————→	

# Step 2: Synthesize key 'design choices' from each of the international examples

## 1 Step 1: Targeting



1. Income Limit	<p style="text-align: center;">Lower <span style="float: right;">Higher</span></p> <p>\$130k NZD ←  —————  —————    → No limit</p>
2.. Purchase Price Limit	<p style="text-align: center;">Lower <span style="float: right;">Higher</span></p> <p>\$650k NZD ←  —————  —————  —————  —————  → £600k</p>
3. Demographic Criteria	<p style="text-align: center;">Constrained <span style="float: right;">Unconstrained</span></p> <p>←     —————  →</p>
4. Geographic Constraint	<p style="text-align: center;">Constrained <span style="float: right;">Unconstrained</span></p> <p>←    —————   →</p>
5. Grant, Tax Refund, or Shared Equity	<p style="text-align: center;">Shared Equity <span style="margin-left: 150px;">Tax Refund</span> <span style="float: right;">Grant</span></p> <p>←   —————  —————   →</p>
6. Newly Built vs. Existing Properties	<p style="text-align: center;">Newly-built only <span style="margin-left: 150px;">Bonus for newly-built</span> <span style="float: right;">Any dwelling</span></p> <p>←   —————    →</p>
7. Fixed vs. Variable Assistance	<p style="text-align: center;">Percent of purchase price <span style="float: right;">Fixed amount</span></p> <p>←  —————  —————    →</p>

... then

## 2 Part B: Assistance

8. Assistance Amount	<p style="text-align: center;">Higher <span style="float: right;">Lower</span></p> <p>£240k ←  —————  -\$67.5k CAD —————  €30k —————   → \$10k NZD</p>
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1. Examine international programs

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**Suggest proposals for US policymakers** on how to navigate these design choices

## Step 3: Potential lessons for US policymakers

### Tightly target the program: the 'but for' test

- Many of the international examples were criticized domestically for being too loose in their targeting
- It seems obvious, but the only way to increase the rate of homeownership is to assist people who wouldn't be able to purchase 'but for' the assistance
- If this isn't achieved, then money is given to recipients who would've purchased anyway, potentially inflating house prices

## Step 3: Potential lessons for US policymakers

### Clearly define who the program is for, and manage public expectations accordingly

- Some international examples that were more tightly targeted (Canada, New Zealand) were criticized domestically for not being generous enough: *“I still can’t afford a house in Toronto even with the assistance...”*
- In these cases, public support for the programs was somewhat eroded
- Be cognisant of the political costs of tightly targeting a program
  - The intention of a program should *not* be to assist middle class homebuyers purchase sooner or bigger/better...
  - ... but the media is sympathetic to ‘relateable’, young middle class families who can’t afford high cost markets

## Step 3: Potential lessons for US policymakers

### Be deliberate about the amount of assistance provided

- President Biden's campaign website lists a \$15,000 tax credit as a potential policy<sup>1</sup>
- This is on the lower end of the spectrum of the international examples
- Perkins et al. (2020) found that 30% of 'potential homeowners' (equiv to ~12m people) would be able to attain homeownership in a median-priced home with down payment assistance of \$10,500 or less<sup>2</sup>
- However this amount is unlikely to assist many homebuyers in high-cost markets

<sup>1</sup> <https://joebiden.com/housing/>

<sup>2</sup> <https://www.huduser.gov/portal/periodicals/cityscape/vol22num1/article5.html>



## Step 3: Potential lessons for US policymakers

### Use the program to stimulate new housing supply

- All of the international examples attempted to stimulate supply in some way
- Either restrict assistance to newly-built housing only; or give extra assistance for new supply
- This will likely mitigate the inflationary impact of the program

## Step 3: Potential lessons for US policymakers

### Improve execution by maintaining a simple, unified, nationwide approach

- All of the international examples were simple and well understood by homebuyers, lenders, and builders
  - It appears that their nationwide consistency contributed to this
- This is in contrast to the United States' (current) patchwork of over 2,500 State and Local programs<sup>1</sup>
- US policymakers should maintain consistency in a new nationwide program
  - Could potentially administer assistance directly through HUD
  - Could potentially disburse funds through existing IRS infrastructure

... stay tuned for the final paper in the coming weeks

These slides were a high level summary - the detail can be found in the upcoming paper

Q&A

# Acknowledgements

*JOINT CENTER FOR HOUSING STUDIES*

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... Thank you for your time, thoughts and comments!