

Financial Realities of Young Adults

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ISFS

Institute for Socio-Financial Studies

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**Housing and Home Ownership:
Psychological , Financial and
Societal Factors**



The ISFS Mission

ISFS

Research and education that helps
individuals become knowledgeable and
personally empowered.

Institute for Socio-Financial Studies
Charlottesville, VA
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Emotions can be Dis-empowering

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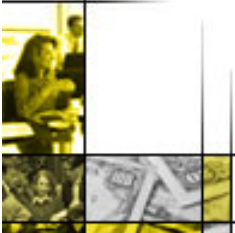
- Most consumer decisions about housing and homeownership *are not primarily financial*, but...
- Contracts, rental agreements, mortgage terms and availability, affordability, location, and market decisions *are almost entirely financial*.

Shifting Responsibilities

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Housing decisions by young adults about renting or buying:

1. Require more financial knowledge, political savvy, the ability to make tradeoffs, and
2. “Head” over “heart” behavior to achieve favorable financial outcomes.



In Effect, Young Adults...

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1. Must “grow up” psychologically, financially (and politically) at an earlier age.
2. Learn what “personal responsibility” will be expected of them.
3. What *tools they will need* to become successful participants in a system they tend not to trust.

Tools Young Adults Need

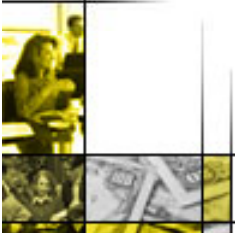
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1. Psychology of housing decision making (self-understanding).
2. Savvy about housing alternatives, general and local market conditions.
3. Knowledge about housing policies: both governmental and financial.

1. Self-Understanding

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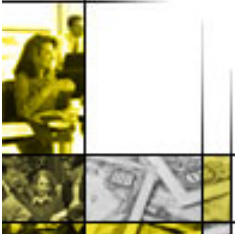
- Housing choices are about *all of one's life*.
- Everyone's housing history influences their housing choices today.
- We each have a unique housing value system that drives our decisions.
 - Personal Values
 - Social Values
 - Physical Values
 - Financial Values



2. Savvy About Housing Alternatives

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- Buying vs. renting: why the choice can be painful.
- Whether to move, where to live, buy or rent, sell, invest, remodel, build, trade up or down.
- Housing, mortgage & rental market conditions.
- How we think about what we can afford: sufficiency, sustainability, and appropriateness.
- *Instead: research and crunch the numbers.*



3. Housing Policy Depends Upon...

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- **Political Will:** progressive or regressive policies toward consumers.
- **Laws and Infrastructure:** legislation and administrative policies that create access to housing and homeownership.
- **Availability of Financing:** effective public, commercial, and consumer financing.
- **Synchronicity of Values:** when personal values and societal values match.

Points to Ponder...

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The United States became a “Nation of Homeowners” because of:

- 100% VA and 97% FHA loans,
- Stringent appraisal standards, and
- Prudent mortgage underwriting and lending standards.

Points to Ponder...

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- Future housing policy is an unknown.
- What we do know is that:
 - Homeownership may again become affordable in many locations;
 - Renting is always an “honorable” option;
 - Uncertainty in any area of one’s life argues against buying a home; and
 - Making any housing choice carefully is always a good idea.

