

Legislation Text

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Authorizing Philadelphia City Council's "Special Committee on Student Loan Debt" to Investigate the Impact of Student Debt on Achieving First-Time Homeownership in the City of Philadelphia.

WHEREAS, The City of Philadelphia and its citizens traditionally enjoy a high rate of local homeownership. According to Pew Charitable Trusts, citizens of the City of Philadelphia have a much higher homeownership rate than most other older American cities. With a 52.6 percent homeownership rate, the city of Philadelphia is a majority homeowning city; and

WHEREAS, Homeownership provides financial benefits to the homeowner. According to the Federal Reserve's Survey of Consumer Finances, a typical homeowner's net worth was \$195,400 while that of a renter was \$5,400. Under the right circumstances, homeownership provides a valuable asset to homeowners while creating a clear opportunity for owners to facilitate intergenerational wealth; and

WHEREAS, Homeownership also provides social benefits. According to Forbes Magazine, research found that homeowners are more likely to be involved in community civic engagements, local elections, and volunteer work; have better health outcomes; experience lower crime and lower drug usage; and have children who achieve at higher levels in school; and

WHEREAS, Becoming a first-time homeowner requires significant financial investment by potential homebuyers. A typical potential homebuyer must establish a strong credit score, reduce other debts, save for a down payment and closing costs, and build a savings account in order to get approved for a mortgage; and

WHEREAS, Many Americans struggle with becoming first time homeowners due to high rates of student debt. The Federal Reserve Bank of New York estimates the current student debt outstanding in the United States to be 1.4 trillion with an estimated 44 million borrowers liable for the debt. The report indicates that the average student loan debt per holder nationwide is \$32,731; and

WHEREAS, Philadelphia millennials between the ages of 25 and 34 hold a significant amount of college debt and therefore find it particularly difficult to meet the challenge of becoming a first-time homeowner. According to the Pew Charitable Trusts, millennials are far more likely than other Philadelphians to rent rather than own their own homes; 75% of residents ages 25 to 34 are renters, compared with a 40% rental rate among older Philadelphians; and

WHEREAS, Economists from Bank of America Merrill Lynch concluded in 2017 that millennial homeownership in the United States is at a record low. Among other reasons, these economists cited the skyrocketing levels of student debt as an obstacle to millennial homeownership; and

WHEREAS, Several states have begun to develop solutions to support achievement of first-time homeownership for citizens with college debt. The State of Maryland established the "Maryland SmartBuy Program," which gives Maryland residents support in paying off student debt while getting attractive financing and closing cost assistance to purchase move-in ready homes. Launched in 2016, the program provides eligible

residents with up to 15% of their home purchase price for the resident to pay off outstanding student debt prior to the purchase of a home; and

WHEREAS, the State of Rhode Island established the “Ocean State Grad Grant Program,” in which recent college graduates can receive a grant of up to \$7,000 toward a down payment on a house; now, therefore, be it

RESOLVED, That the Council of the City of Philadelphia Hereby Authorizes the Philadelphia City Council “Special Committee on Student Loan Debt” to investigate the impact of student debt on achieving first-time homeownership in the City of Philadelphia.