Homeownership in America

The Starter Home Is Dead. ***Now What?***

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The Starter Home (1934-2024): An Obituary

The Starter Home passed away at the age of 90, following a prolonged decline caused not by lack of demand, but because the systems that were initially designed to make it accessible failed to keep pace with fundamental change. It is survived by luxury condominiums, second and vacation homes, single-family rentals, and all-cash offers on increasingly expensive single-family properties. It is also survived by millions of people who still want what it once provided.

Born in 1934, alongside the creation of the Federal Housing Administration (FHA), the Starter Home entered the world with a clear purpose. It was not meant to impress. It was meant to work. Two to three bedrooms. One bathroom, maybe one and a half if things were going well. A modest, manageable yard. A payment that, for many households, made it possible to move out of renting and into ownership for the first time.

For much of the twentieth century, the Starter Home showed up consistently. It welcomed newly married couples, young families, and returning veterans. It was where renters became owners, often for the first time in their lives. That transition mattered to the economic lives of those homeowners and their families. Moving from renting to owning allowed households to begin building equity, establish stability, and participate more fully in the economic life of their communities. For many families, the Starter Home marked the moment when housing costs stopped being purely an expense and started becoming an asset.

The Starter Home was also where people learned what ownership actually meant. Not just a mortgage payment, but responsibility. Lawn care. Property taxes. A roof that eventually needed replacing. It was where people became regulars at the local hardware store, ordered pizza on Friday nights, bought paint and mulch in the spring, and stocked up on candy every October. Caring for a home meant showing up for a neighborhood. It meant spending locally, staying steady, and investing time and money in the places where daily life happened. In this way, the Starter Home quietly supported small businesses, strengthened communities, stabilized local demand, and reinforced the connection between homeownership and a functioning local economy.

Where people live has always shaped access to opportunity, and the Starter Home understood this early. It became one of the most reliable indicators of stability and upward mobility in American life. After World War II, federal housing programs expanded access for returning veterans, though access was not consistent across communities.

Program design, local implementation, and lending practices meant that many veterans did not benefit equally from these opportunities, and some households were forced to pursue alternative or delayed paths into ownership. These gaps in access had lasting economic consequences, influencing who was able to build home equity early and who was not. Even in its early years, the Starter Home evolved unevenly, shaped more by the systems put in place to implement it than by the good intentions that created them.

As decades passed, the Starter Home grew in cultural and economic importance. Builders replicated it across the Sun Belt and the South. For a time, it marked the first mile on the road to long-term financial security. Rising home equity, beginning in these modest houses, helped families move up, move out, and move on. Infrastructure followed those families. Schools, highways, grocery stores, and employers followed them too.

The Starter Home stayed behind.

New residents arrived. Prices rose. Homes aged. Maintenance costs accumulated. Property taxes increased. What once offered breathing room increasingly required households to stretch just to remain in place. Wages failed to keep pace.[1] Expectations did not change. The Starter Home was asked to carry more economic weight without the systems around it adjusting to support that role.

Generations of Americans continued to reach homebuying age, but the systems surrounding the Starter Home did not evolve with them. Financing continued to assume full ownership as the only legitimate starting point. Housing supply increasingly favored larger, higher-margin homes. Policy tools treated affordability challenges as temporary friction rather than a permanent structural shift.

By the early 2020s, the Starter Home was no longer functioning as a viable entry point for most first-time buyers. It is now spoken of fondly, often during conversations about how things used to work, even as the conditions that sustained it no longer exist at scale.

The Starter Home is preceded in death by the assumption that homeownership must begin with owning 100 percent of a home. It leaves behind new forms of ownership: factory-built housing, shared equity arrangements, cooperative communities, and incremental paths to earning equity. In this next chapter, renters are less likely to cross the threshold into ownership all at once. More often, they will do so gradually.

The Starter Home was 90 years old.

Introduction

The decline of the traditional starter home reflects a structural shift in housing affordability and household economics, rather than a reduction in demand for homeownership.[2] First-time homebuyers continue to express strong interest in owning homes, but the systems that historically supported entry into ownership have not kept pace with sustained changes in housing prices, broader market dynamics, household incomes, and how people earn and manage money.

For decades, home prices have increased faster than household incomes.[3] At the same time, housing supply has increasingly favored larger, higher-margin units, while financing models have remained oriented around full ownership as the initial point of entry. These trends have unfolded alongside more recent meaningful shifts in market structure, including increased investor activity[4] and greater reliance on cash-backed offers[5] in many markets.

In parallel, the nature of household income has evolved. A growing share of households now rely on nontraditional work,[6] including variable income, multiple income sources, self-employment, contract work, or dual-earner arrangements that do not align neatly with underwriting frameworks built around stable, single-source wages. While many of these households are economically productive and capable of managing monthly housing costs comparable to ownership, they face barriers when attempting to translate that capacity into access to credit and homeownership opportunities.[7]

This shift is reflected in the fact that the median age of a first-time homebuyer has now reached 40,[8] a milestone that signals not changing preferences but a structural delay where households enter homeownership later with less margin for error, and a greater need for financial engineering to manage risk, cash flow, and upfront costs.

The combined effect of these market and household-level changes has made the transition from renting to owning more difficult for first-time buyers who would historically have been well-positioned to enter the market.[9] The challenge is not a lack of interest, effort, or financial responsibility, but a mismatch between modern economic realities and legacy housing and financing systems.[10]

The table below illustrates how the relationship between household income, home prices, and borrowing costs has shifted over time.

Year	Median household income ($)[11]	Approx. 30-yr fixed rate[12]	Median home price($)[13]
1983	20,890	13.24%	74,900
2001	42,230	6.97%	179,000
2006	48,200	6.41%	246,300
2012	51,020	3.66%	238,700
2025	83,730	6.30%	410,800

Table 1: Challenge of Home Affordability Since 1983. FRED, The Federal Reserve of St. Louis. Bankrate, Historical Freddie Mac PMMS. FRED, The Federal Reserve of St. Louis.

While interest rates have fluctuated over time, the relationship between household income and home prices has shifted materially. Median home prices have grown at a pace that has outstripped income growth, particularly in recent years.[14] Financing structures, however, have remained largely unchanged, continuing to assume that full ownership is the appropriate and feasible starting point for most households. This divergence helps explain why affordability challenges persist even during periods of strong labor markets.

The consequences of this misalignment extend beyond individual households. Historically, the transition from renting to owning marked a shift in financial behavior, asset accumulation, and residential stability. Ownership allowed households to begin building equity, reduce exposure to rent volatility, and participate more consistently in local economies. When that transition becomes less accessible, households delay equity-building and remain more vulnerable to housing cost shocks, with implications for long-term financial security and community-level economic stability.[15]

Recent data reflect this growing disconnection. According to the 2025 NextGen Homebuyer Report,[16] more than 40 percent of Millennial and Gen Z renters do not believe homeownership is attainable, and 59 percent believe it is not currently a good time to buy. This skepticism does not reflect diminished interest in homeownership. It reflects a perception that existing housing and financing systems were designed for an earlier economic environment and have not adapted to current market conditions.

In many regions, sellers prioritize cash offers over financed offers, even when first-time buyers are pre-approved and prepared.[17] Repeated rejections under these conditions discourages participation altogether, leading some renters to disengage from the market before making an offer, unable to identify a credible path from renting to ownership.[18]

Policy and market responses have largely focused on incremental demand-side tools, such as down payment assistance, interest rate subsidies, or extended loan terms. While these tools can be effective for some households, they are often designed to bring additional buyers into the market rather than to address the competitive disadvantages faced by credit-qualified first-time buyers who are already approved but unable to secure a home. In markets where price-to-income ratios and income variability have remained elevated over time, layering subsidies onto existing financing structures has not restored broad access to entry-level homeownership or meaningfully improved first-time homebuyers' ability to compete with cash-backed or investor offers.

This report starts from a different premise: that the decline of the starter home reflects a broader need to modernize how homeownership pathways account for today's housing costs, market dynamics, labor patterns, and household financial realities. It examines how first-time homebuyers and market participants are adapting and explores homeownership models that emphasize access to equity, flexibility, and risk management rather than immediate full ownership. These approaches are not intended to replace traditional homeownership, but to preserve its core economic function in a housing market that has fundamentally changed.

From Entry-Level Homeownership to Market Mismatch

For much of the late twentieth century, the transition from renting to owning followed a relatively predictable pattern tied to age, income growth, and household formation. Under these conditions, many households could reasonably expect to purchase an entry-level home within a few years of reaching common life milestones such as stable employment or family formation.

For example, Millennials born in the early 1980s could, under historical norms, have purchased homes in the years following the Great Recession (2007–2009). That opportunity has since closed in most regions. Today, the same households face markedly different conditions. Despite owning a greater amount of financial assets, Millennials hold lower levels of housing equity across all percentiles of household net worth than earlier cohorts at similar life stages.[19]

At the same time, Millennials represent the largest generational cohort since the Baby Boomers,[20] creating sustained demographic demand for housing. This demand interacts with constrained supply and shifting market dynamics in ways that disproportionately disadvantage first-time buyers. It is well documented that sellers prefer cash offers,[21] creating a pricing advantage that compensates for perceived financing risk, longer closing times, and transaction uncertainty. Research indicates that mortgage-financed buyers often pay an 11 percent premium relative to all-cash buyers.[22]

These dynamics favor experienced homeowners purchasing additional properties and investors with access to capital, while reducing the likelihood that first-time homebuyers can successfully compete for available homes.

Why Demand-Side and Supply-Side Responses Fall Short

In practice, these demand-side interventions operate within market dynamics that continue to disadvantage first-time homebuyers. Even when subsidies modestly improve affordability on paper, they do little to change how sellers evaluate risk or how offers are prioritized in competitive markets. As a result, first-time buyers frequently remain outcompeted by cash-backed purchasers or buyers able to wave contingencies, reinforcing the gap between theoretical affordability and actual access.

On the supply side, increasing housing production would help alleviate pressure over the long term. However, supply responses remain slow and uneven, constrained by labor shortages, material costs, financing risk,[23] and regulatory hurdles.[24] These constraints tend to influence new construction toward higher-end or rental properties, where margins are more predictable, rather than toward housing that aligns with first-time homebuyer budgets.[25]

Research from the Urban Institute indicates that the housing shortage is most acute in the “missing middle”, including homes traditionally associated with first-time homeownership.[26] However, constrained supply alone does not fully explain declining access. In competitive markets, first-time homebuyers relying on mortgage financing are systematically disadvantaged relative to cash-backed buyers and institutional investors, who are often viewed by sellers as safer, faster, and less complex. The ability to close quickly, waive contingencies, or bypass financing requirements increasingly determines outcomes, even when first-time buyers are fully pre-approved and financially prepared.

The Breakdown of the Traditional First-Time Homebuyer Path

Under current conditions, encouraging first-time buyers simply to remain active in the market does not address the magnitude of the challenge they face. Buyers may qualify for financing, identify homes, and submit offers, only to be repeatedly outcompeted by an offer, such as all-cash, which a seller may view as a lower-risk alternative.[27] At the same time, access to smaller-balance mortgages, which are most relevant to entry-level buyers, has declined sharply over the past two decades, reducing the availability of financing options that once supported first-time ownership.[28] This pattern reinforces a cycle in which first-time buyers, even when financially prepared, are systematically deprioritized. Over time, repeated rejections discourage participation altogether.

Many renters disengage from the market before submitting an offer or choose not to begin searching at all, unable to identify a credible path from renting to ownership under prevailing conditions.[29] In this context, advice to "wait longer," "save more," or "seek family assistance" fails to account for structural barriers and can further erode confidence in the attainability of homeownership. Research and practitioner experience suggest that many potential first-time buyers disengage not because ownership is impossible, but because the process feels inaccessible or overwhelming under current market conditions.

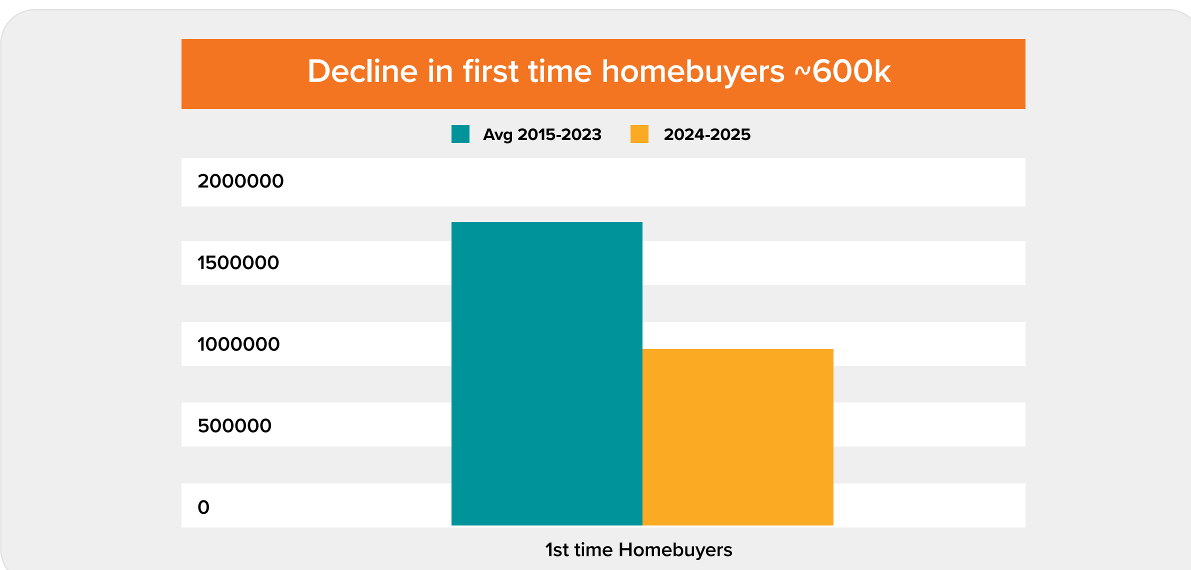


Figure 1. First-time homebuyer participation fell sharply in 2024–2025, reversing gains made between 2015 and 2023

The focus on competing for individual listings obscures a broader issue: the traditional first-time homebuyer pathway assumes the availability of an attainable, entry-level home and a financing system designed to support access to it. When neither condition holds, participation declines even among households with demonstrated financial capacity.

Redefining Homeownership in a Changed Market

In this context, restoring access to homeownership requires rethinking what ownership looks like at the point of entry.

In markets where traditional starter homes are no longer available at scale, reframing ownership around access to home equity rather than immediate full asset ownership introduces additional options for first-time buyers. From an economic perspective, home equity functions similarly to compound interest. Entering ownership earlier, even at a partial level, can yield greater long-term benefits than waiting indefinitely for full ownership under traditional terms.

For example, owning a partial equity stake in a higher-priced home may result in greater asset accumulation over time than delaying entry in pursuit of a lower-priced home that may not materialize in a given market. Under this framework, ownership is defined not by holding 100 percent of a property at the outset, but by securing a path to the amount of equity a household is capable of sustaining.

In many parts of the country, the fundamentals of homeownership remain unchanged. Ownership continues to support asset accumulation, residential stability, and local economic participation. What changes is the structure. Instead of a single mortgage financing the full asset value, ownership may involve combinations of mortgages, shared appreciation arrangements, or additional capital partners. In practice, the ownership horizon remains the same, even if the initial equity position differs.

In this context, the “new starter home” is not a specific type of housing unit. It is the amount of ownership stake a household can reasonably access in a given market. For many households, beginning with partial ownership may be economically preferable to remaining in rental housing with no opportunity to build equity. From this perspective, earlier entry into ownership, even at a reduced share, is not a lesser outcome. It is often the only viable path to long-term ownership under current conditions.

Alternative Paths to Homeownership: A Case Study Approach

As traditional entry-level ownership has become less accessible in many markets, a range of alternative ownership models has emerged to address the gap between renter capacity and ownership opportunity. These approaches vary in structure, but they share a common objective: enabling households to begin building home equity earlier, even when immediate full ownership is not feasible under prevailing market conditions.

This section examines a case study to understand how alternative ownership pathways operate in practice, the problems they seek to address, and the constraints they encounter under current housing and financing systems.

Case Study Context: Bridging the Gap Between Capacity and Access

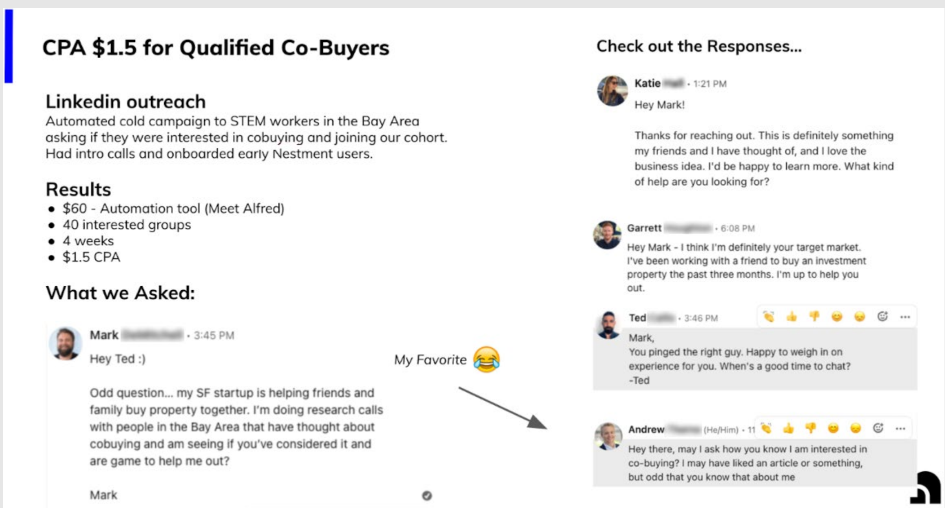
In many high-cost and competitive markets, prospective first-time buyers demonstrate the ability to manage monthly housing payments comparable to ownership but face barriers related to down payment requirements, underwriting assumptions, and competitive market dynamics. In response, some market participants have developed platforms designed to support shared ownership, co-buying, or equity-based entry models that allow households to acquire a partial ownership stake while sharing capital and risk.

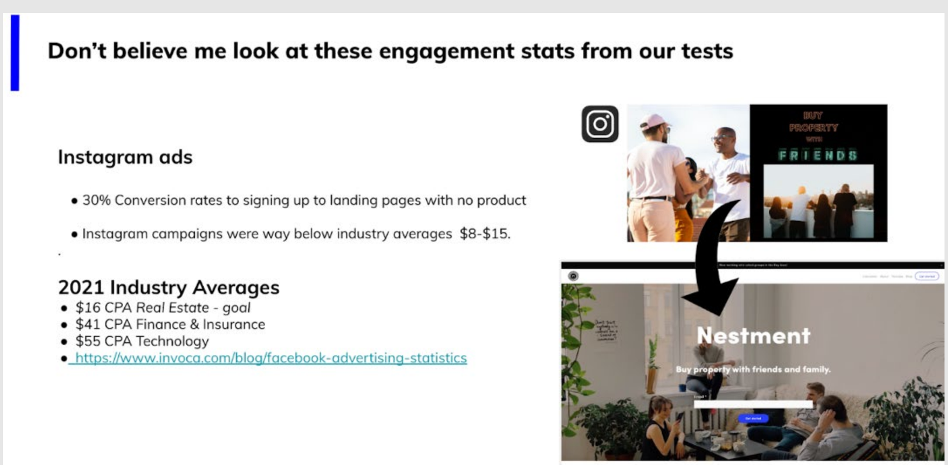
One illustrative example is Nestment,[30] a platform that guides first-time homebuyers through the homebuying process, using both traditional and alternative paths to ownership, including co-buying. Nestment's early focus reflected changes in household formation, income composition, and social networks that are not well accommodated by traditional mortgage frameworks.

Participation in the platform revealed substantial interest from households that were financially prepared to sustain ownership but lacked access to ownership structures aligned with current market realities. At the same time, implementation surfaced significant friction. Mortgage underwriting systems, transaction workflows, and lender processes were not designed to accommodate multiple unrelated buyers, even when combined financial profiles met affordability thresholds. These barriers slowed transactions, increased complexity, and constrained scale.

Data from early Nestment testing in the Bay Area showed strong demand for alternative homeownership models. A LinkedIn outreach campaign targeting local professionals generated 40 interested co-buyer groups at $1.50 cost per acquisition (CPA), while an Instagram landing page for a product that did not yet exist converted 30% of visitors at $8–$15 CPA, well below 2021 industry averages of $16 for general CPA, $41 for finance and insurance, and $55 for technology.

These results demonstrate significant consumer interest in co-buying and alternative ownership strategies. In this context, cost per acquisition serves as a proxy for latent demand: unusually low acquisition costs and high conversion rates indicate that potential buyers were actively seeking alternative ownership options and required minimal prompting or product definition to engage, well below prevailing industry benchmarks.





Notably, this friction does not stem from a formal prohibition on multiple borrowers. Fannie Mae and Freddie Mac do not have a maximum on the number of borrowers per mortgage.[31,32] In practice, however, loans involving multiple unrelated borrowers often face additional scrutiny, inconsistent interpretation, and operational complexity across lenders, servicers, and secondary market participants. As a result, transactions that are permissible in theory are frequently difficult to execute at scale, particularly when household compositions fall outside traditional norms.

This experience highlights a broader pattern observed across alternative homeownership efforts: affordability constraints are not solely a function of home prices or down payment gaps. They also reflect system assumptions about household composition, income stability, and ownership pathways that have not kept pace with how many households operate economically today.

Insights from the Case Study

While specific implementations vary, the case study illustrates several broader dynamics relevant to first-time homeownership under current market conditions:

Latent demand for homeownership.

Participants consistently expressed a desire to own homes and demonstrated behaviors associated with ownership readiness, including stable payment histories, savings discipline, and long-term housing intentions. Their primary constraint was not willingness or financial capacity, but access to ownership structures compatible with current market conditions.

Process and navigation barriers.

For many households, the complexity of the homebuying process itself acted as a deterrent. Even when ownership was theoretically attainable, uncertainty around financing structures, legal arrangements, and long-term outcomes discouraged engagement. This aligns with broader evidence that many renters disengage from the market before submitting offers, unable to identify a clear and credible path forward.

System rigidity.

Mortgage underwriting, risk assessment, and transaction workflows remain optimized for a narrow set of household profiles and ownership models. Attempts to operate outside those parameters, even when economically rational and technically permissible, encounter friction that limits adoption and scalability.

Equity-first framing.

Participants frequently evaluated success not in terms of owning 100 percent of a home at purchase, but in gaining access to home equity, stability, and long-term appreciation earlier than traditional pathways would allow. This suggests a shift in how ownership outcomes are defined by first-time buyers facing sustained affordability constraints.

Constraints and Considerations

This case study also underscores important limitations. Alternative ownership models do not eliminate affordability challenges, nor do they function as universal solutions. Their viability depends on supportive regulatory environments, lender participation, clear consumer protections, and well-designed governance structures.

Shared ownership and equity-based arrangements introduce additional considerations related to exit options, resale rights, dispute resolution, and long-term affordability. Without broader system alignment and operational clarity, many of these models remain difficult to scale beyond limited applications.

Implications for Ownership Pathways

Taken together, the case study suggests that alternative ownership models are not a departure from the economic function of homeownership. Rather, they represent attempts to preserve that function in markets where traditional entry points no longer operate as intended.

By reframing ownership around access to equity, risk-sharing, and flexibility, these approaches illuminate how first-time buyers are adapting to structural changes in housing markets. They also reveal where existing systems constrain innovation, even when new models align with established rules and economic fundamentals.

The broader implication is not that any single model should replace traditional homeownership, but that a wider range of ownership pathways may be necessary to restore the renter-to-owner transition under current market conditions.

From Co-Buying to Ownership Navigation: What the Case Study Reveals

As market conditions evolved, it became clear that co-buying alone could not address the full scope of the challenge facing first-time buyers. While early demand emerged in high-cost coastal markets, affordability constraints, confusion about options, and disengagement from the homebuying process are now widespread across geographies.

First-time buyers were not only constrained by price, but by a lack of credible pathways and sustained guidance. In response, Nestment expanded beyond a single transaction model to support a broader set of ownership strategies, reflecting how first-time buyers actually navigate today's housing market.

In many cases, the barrier was not qualification but navigation. Buyers often had sufficient income or credit to pursue ownership but lacked clear, trustworthy guidance on how different pathways functioned, when tradeoffs were acceptable, and how to sequence decisions over time. As a result, many disengaged before submitting offers, despite having the financial capacity to proceed.

As Millennials delayed home purchases, many remained renters in high-cost markets despite having the cash flow capacity to support ownership. Research and platform data suggest that a substantial share of renters could afford to own but no longer believe homeownership is attainable or worth pursuing. In many cases, prospective buyers disengaged entirely before submitting offers. Cohort-level insights reinforce this pattern: roughly half of participants who entered seeking alternative ownership strategies ultimately had the financial capacity to purchase a single-family home, but lacked the clarity, confidence or support to act without sustained guidance. In practice, this often looks like buyers who spend years preparing with lenders and agents but only move forward once someone helps translate options into a coherent, low-risk plan.

One critical insight from the case study is that there is a mismatch between buyer timelines and industry incentives. Traditional real estate and mortgage models are optimized for short sales cycles, typically 60 to 90 days. Long-term engagement with first-time buyers is costly and often unrewarded under existing compensation and operating structures. As a result, many first-time buyers lack sustained professional support during the period when they are building readiness and evaluating options. This gap is less about access to professionals and more about absence of non-transactional support. Most first-time buyers interact with agents and lenders only once a purchase is imminent, leaving little infrastructure for the longer period during which households are assessing readiness, comparing ownership strategies, and managing risk.

Nestment's approach sought to address two related challenges: preparing buyers over time and increasing visibility into non-traditional ownership pathways. These pathways, while historically considered marginal, are becoming increasingly important mechanisms through which first-time buyers can access ownership under current market conditions.[33]

Illustrative Case Study: Homebuyer Education

Kassandra Cardona spent more than two years working with a real estate agent and lender to buy a home in the Bronx. Despite sustained effort, rising prices and competitive market dynamics repeatedly stalled her progress.

Within two months of completing a first-time homebuyer education program, Kassandra purchased a three-bedroom home using traditional mortgage financing. She moved in her mother and siblings, becoming a first-generation homeowner.

The home functions as shared, multi-generational housing, reframing the single-family model around family stability rather than individual occupancy. Kassandra's experience underscores that for many first-time buyers, the primary barrier is not access to credit products but access to sustained guidance that reflects modern household structures and supports navigation through the purchase process.

Why Alternative Pathways to Homeownership Have Become Necessary

The emergence of alternative pathways to homeownership reflects structural obstacles rather than consumer preference alone. Elevated prices, limited supply, subsidy inefficiencies, industry incentive misalignment, and volatility in taxes and insurance costs combine to make traditional entry points increasingly inaccessible.

Not all exclusion from homeownership is driven by affordability alone. For a substantial share of households, increasing complexity, fragmented guidance, and fear of making irreversible mistakes delay action even when a viable path exists. As a result, successful navigation increasingly means turning to neutral, non-commissioned guidance that helps households evaluate tradeoffs, sequence decisions, and understand how tools like tax benefits, financing structures, and ownership models interact.

These conditions do not eliminate demand for homeownership. Instead, they reshape how households evaluate risk, timing, and definitions of ownership. Under these circumstances, approaches that emphasize flexibility, home equity access, and risk-sharing become more relevant to first-time buyers seeking viable paths forward.

Affordability Constraints and the Limits of Subsidy-Based Solutions

Many policy and industry responses to declining affordability rely on subsidies, including down payment assistance, interest rate buydowns, or second-lien financing. These tools are intended to offset higher prices by reducing upfront or monthly costs.

In practice, subsidy-based approaches require additional capital to be layered onto already elevated home prices. Their effectiveness depends not only on the size of the subsidy, but on the cost and availability of that capital. When capital is scarce or expensive, subsidies may fail to meaningfully expand access, particularly in supply-constrained markets.

Higher home prices also require larger down payments, even when monthly cash flow is manageable. While many renters successfully carry housing payments comparable to ownership costs, accumulating savings quickly enough to keep pace with price growth remains difficult. Traditional mortgage products tend to prioritize upfront capital over liquidity and often penalize existing debt rather than recognizing demonstrated payment capacity.

Importantly, subsidy-based approaches do not address the underlying drivers of price growth. In some cases, additional purchasing power introduced through subsidies can contribute to further price escalation, particularly where supply is limited, a dynamic documented in multiple policy analyses.[34] As a result, many demand-side tools implicitly assume that financing must adapt to existing supply conditions rather than acknowledging that affordability challenges have become structural rather than cyclical.

Erosion of Trust in Traditional Affordability Tools

As affordability pressures persist, traditional remedies increasingly lose credibility with first-time buyers. Programs designed to reduce upfront costs or modestly improve competitiveness are often perceived as insufficient relative to prevailing prices and market dynamics.

For example, seller incentive programs intended to support first-time homebuyers may unintentionally reinforce competition rather than reduce it. In practice, modest incentives can be quickly offset in bidding environments where experienced buyers or investors are able to increase offers or pay cash. In one illustrative scenario, a program offering sellers $2,500 in reduced fees to accept a first-time buyer's offer may simply result in competing buyers bidding $2,501 more, leaving first-time homebuyers no better positioned than before.

Over time, repeated exposure to tools that fail to materially change outcomes contributes to disengagement. Many first-time buyers begin to doubt whether traditional affordability products will ever work for them, particularly when those tools add complexity without improving their ability to compete.

The cumulative effect is a loss of confidence not only in specific programs, but in the broader homebuying process.

The bottom line is that stacking subsidies or second liens alone creates fear in first-time homebuyers and sows doubt that these products will ever work for them.

Industry Incentives and the Challenge of Long Buyer Timelines

Serving first-time buyers under current market conditions often requires sustained engagement over extended periods. Buyers may need time to evaluate options, build savings, improve credit profiles, or adjust expectations in response to changing market conditions.

Traditional real estate and mortgage business models, however, are optimized for short transaction timelines, typically 60 to 90 days. Compensation structures, operational costs, and regulatory requirements make long-term engagement expensive and difficult to sustain without a clear and near-term path to a transaction.

While digital tools and marketing platforms have improved lead nurturing at scale, they do not replace ongoing, individualized guidance. As a result, many first-time buyers do not work closely with agents or lenders until they are actively making offers, at which point affordability constraints and market competition are already acute.

Artificial intelligence (AI) represents the first credible pathway to reaching large numbers of potential clients at a relatively low cost. Social media and AI are already emerging as key information sources in the homebuying process: 40 percent of Gen Z report using social media for homebuying research, compared to 30 percent of Millennials, and 35 percent of all respondents use ChatGPT or other AI tools for information, with Gen Z leading at 43 percent.[35] While adoption is still in its early stages, Nestment and other startups are experimenting with agentic AI to develop first-of-its-kind tools that increase visibility, guidance, and access for first-time homebuyers. Until these approaches are proven effective and scalable, however, the reality remains that most first-time buyers do not engage closely with real estate agents or mortgage lenders until they are actively submitting offers on homes.

This misalignment leaves many buyers without consistent, trustworthy, professional support during the period when strategic guidance is most valuable.

Volatility in Taxes and Insurance Costs

Rising home prices have also increased ancillary costs associated with ownership, particularly property taxes and homeowner insurance. In many regions, insurance premiums have risen due to higher loss exposure, climate-related risks, and reinsurance costs, while higher assessed values have driven increases in property taxes.

For many owner households, what is assumed to be a fixed monthly housing payment has proven to be variable. Increases in property taxes, insurance premiums, and ongoing maintenance costs can materially alter affordability after purchase. Upfront expenses, including closing costs and fees, further complicate budgeting for prospective buyers and increase the importance of preserving liquidity at entry.[36]

These dynamics affect both current homeowners and first-time buyers. For prospective buyers, uncertainty around future housing costs can discourage market entry. For those actively shopping, longer search periods may result in higher projected monthly payments as insurance and tax estimates rise over time. The inability to provide reliable, long-term cost projections further erodes trust in affordability assessments.

Summary of Obstacles

Taken together, these obstacles help explain why alternative homeownership pathways are gaining attention. Elevated prices, limited supply, subsidy inefficiencies, industry incentive misalignment, and cost volatility combine to make traditional entry points increasingly inaccessible.

These conditions do not eliminate demand for homeownership. Instead, they reshape how households evaluate risk, timing, and definitions of ownership. Under these circumstances, approaches that emphasize flexibility, access to equity, and risk-sharing become more relevant to first-time homebuyers seeking viable paths forward.

Alternative Ownership Pathways in Practice

Under current market conditions, alternative ownership pathways are best understood not as novel consumer preferences, but as adaptive strategies responding to sustained affordability constraints, evolving household structures, and growing misalignment between housing markets and traditional financing systems. While these pathways differ in form, they share a common objective: enabling households to access equity, stability, and the long-term benefits of ownership in cases where full, traditional ownership is not immediately attainable.

The ownership pathways discussed in this section vary in structure but can be broadly understood along two dimensions: how ownership is financed and how affordability is achieved. Some approaches modify traditional financing mechanisms, while others alter how households access and use housing to reduce cost burdens, share risk, or sequence ownership over time. In practice, many households combine multiple approaches as they navigate changing market conditions.

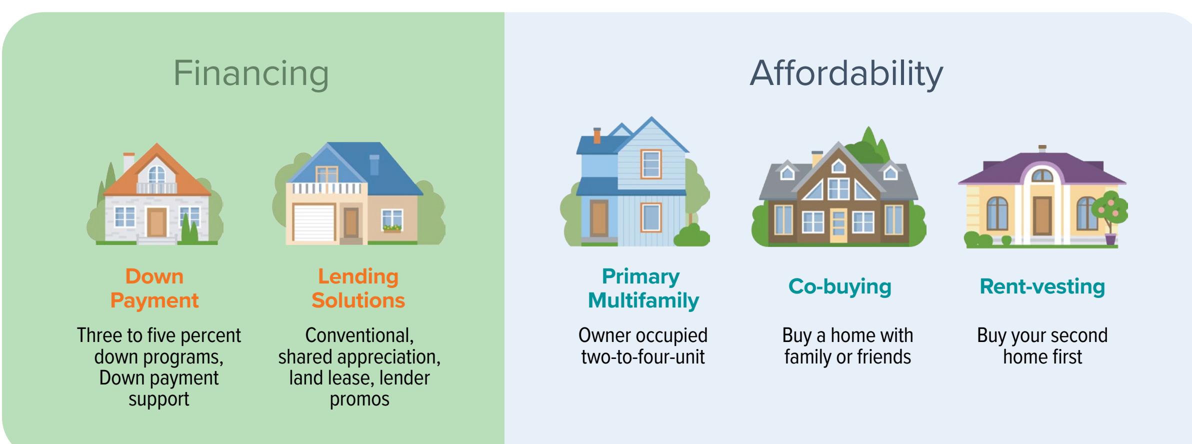


Figure 2. Conceptual framework illustrating alternative ownership pathways by financing structure and affordability strategy.

Market Context: Why These Pathways Matter Now

Evidence from market activity suggests that affordability constraints are not limited to a narrow subset of buyers or high-cost regions. Despite strong interest in homeownership, many first-time buyers experience confusion, intimidation, or a lack of viable options within the traditional homebuying process.

Data from Nestment's platform illustrates this dynamic. Among first-time buyers engaging with the platform, approximately 42 percent initially identified a single-family home as their target, nearly 39 percent ultimately purchased a multifamily property while renting out a portion of the home, and 19 percent pursued ownership through investment properties while remaining renters. Among buyers who purchased with someone other than a spouse or partner, more than 40 percent identified co-buying as their preferred path to ownership.

There are also generational differences in openness to new homeownership pathways. A New York Times survey of Gen Z and Millennial adults found that 32 percent would consider co-buying, compared to 18 percent of Millennials.[37]

These patterns suggest that expanding visibility into multiple ownership pathways can reduce disengagement and help households move from perceived inaccessibility to practical, actionable strategies.

Data from last 50 buyers in contract	
Single Family Home	46.00%
Single Family Co-Buy	8.00%
Rent-vesting	14.00%
House Hacking	32.00%
Not Co-Buying	66.10%
Co-Buying	33.90%

Figure 3. Distribution of ownership pathways selected by first-time buyers after exposure to multiple ownership options. Source: Nestment.

A Framework for Understanding Ownership Pathways

The pathways examined below are presented in an order that reflects increasing deviation from traditional owner-occupied mortgage structures. The progression moves from approaches that rely largely on existing underwriting and regulatory frameworks to those that introduce greater variability in cash flow, asset use, and capital sources.

The following table summarizes each pathway, highlighting its defining features and relevance to first-time buyers.

	Definition	Advantage for First-Time Homebuyer
Co-Buying	Buying a primary residence with three to four co-borrowers or housemates.	Eligible Fannie Mae and Freddie Mac products allow down payments as low as 3 percent and may include pricing incentives for first-time buyers. Monthly payment obligations are shared proportionally among borrowers.
Shared Equity (including shared appreciation models at origination)	Using funds from investors as a portion of the down payment in exchange for proportional ownership in the home's equity.	Reduces upfront cash requirements and can preserve liquidity to help manage ongoing costs of ownership.
Cooperative Communities	Creating shared ownership structures through increased residential density, including multi-unit or cooperative housing arrangements.	Provides more flexible ownership options in both size and cost. Shared expenses can reduce per-unit costs and ongoing maintenance obligations, while accommodating varied household preferences.
House Hacking	Purchasing a multi-unit property and using rental income from additional units to offset monthly housing costs.	Rental income can reduce effective monthly housing costs, and underwriting standards increasingly recognize rental cash flow in qualifying borrowers.
Rent-Vesting	Acquiring equity in rental properties while continuing to rent a primary residence.	Allows households to begin building home equity in more affordable markets while maintaining flexibility in higher-cost rental markets.

Table 2. Summary of alternative ownership pathways, definitions, and primary advantages for first-time buyers.

The following sections examine these ownership pathways in more detail, focusing on how each functions, the conditions under which it is most effective, and the constraints that limit broader adoption. Taken together, these pathways point to a broader shift in how ownership functions today, moving from purchasing a single detached asset toward gaining access to an equity stake in a local housing market that can grow, stabilize, and be built incrementally over time.

1. Co-Buying

Co-buying involves multiple borrowers jointly purchasing a primary residence, sharing ownership, payment obligations, and liability under a single mortgage. While often perceived as innovative, co-buying is already permitted under existing FHA and conventional loan programs, including those backed by Fannie Mae and Freddie Mac.

From a financing perspective, co-buying operates entirely within current mortgage frameworks. Eligible products can require as little as 3 percent down payment for first-time buyers and may include pricing incentives. Monthly payment obligations are effectively distributed across borrowers based on their share of the loan, improving affordability without altering the underlying asset or loan structure.

Despite its availability, co-buying remains underutilized. Barriers include limited awareness among real estate professionals, operational challenges for lenders managing unrelated co-borrowers, and the need for legal agreements addressing future household changes. As a result, many renters paying market-rate housing costs comparable to mortgage payments are unable to translate that cash flow into home equity.

Market Size and Relevance

Co-buying has the potential to materially expand access to homeownership for first-time buyers. According to the National Association of REALTORS®, first-time buyers accounted for approximately 24 percent of all home purchases in 2024,[38] while Millennials represented roughly 40 percent of buyers overall.[39] With projected home sales of approximately 4.26 million in 2026,[40] this implies more than 1 million first-time buyers entering the market each year.

If even a modest portion of these buyers used co-buying structures, the addressable market would be substantial. Nestment data suggests that among buyers purchasing with someone other than a spouse or partner, more than 39.9 percent identified co-buying as their preferred path to ownership. Even accounting for overlap and regional variation, this points to hundreds of thousands of households annually for whom co-buying could represent a viable entry point to ownership.

Key Takeaway: Co-buying represents the most immediately accessible alternative ownership pathway, requiring minimal structural change while expanding access to ownership for a large and growing segment of first-time buyers priced out of traditional single-borrower models.

Illustrative Case Study: Co-Buying

For Jocelyn and Kiara Cardona, homeownership was not about waiting for a higher income, or a "perfect" moment that may never arrive. Instead, it was about leveraging what they had: mutual trust, shared values, and aligned financial goals.

Rather than pursuing homeownership individually, the sisters chose to co-buy a three-bedroom single-family home. This decision reduced their individual financial burden while enabling them to enter the housing market sooner than would have been possible on their own. They both live in the home, share expenses and home equity, and are building long-term financial stability earlier in their careers.

Their experience illustrates how co-buying can expand access to ownership in competitive markets and reframes housing as a collaborative pathway to ownership.

2. Shared Equity

Shared equity is a blanket term that can create confusion in the housing market because it is used to describe arrangements that vary widely in how returns are calculated, when and how capital is repaid, and how risk is allocated between homeowners and investors. It allows a homebuyer to combine traditional mortgage financing with third-party capital in exchange for proportional participation in a home's equity. Unlike subsidies or second liens, shared equity capital participates directly in both appreciation and downside risk and is typically repaid only when the home is sold or refinanced.

From a household perspective, shared equity is best understood as a form of co-ownership rather than debt. The capital provider contributes a portion of the upfront investment and receives a defined share of future home value, rather than interest payments or scheduled amortization. In well-structured arrangements, this alignment can reduce leverage risk and preserve monthly affordability. In poorly structured or poorly explained arrangements, however, shared equity can expose households to unexpected long-term costs or misunderstood tradeoffs between near-term affordability and long-term equity outcomes.

Importantly, some shared equity models intervene at the point of purchase rather than later in the ownership lifecycle. This distinction matters for first-time buyers, for whom affordability constraints are most binding at origination. By addressing liquidity and leverage at entry, these models operate as access mechanisms to ownership rather than as existing homeownership wealth management tools.

Market skepticism toward shared equity reflects this variation. Many buyers, REALTORS®, and lenders remain unfamiliar with how these products function, while others are wary of arrangements that deviate from conventional mortgage norms. As with any financial product, entering shared equity agreements without a clear understanding of repayment triggers, appreciation sharing, and exit options increases household risk. For this reason, transparency, standardized disclosures, and clearly defined buy-out provisions are essential guardrails for responsible adoption. This unfamiliarity is compounded by industry consolidation, as the decline of community-based lenders and the rise of large banks and nonbank platforms has reduced institutional familiarity with non-standard but permissible ownership structures.

Several private-sector models illustrate how shared equity can be structured to align incentives when these guardrails are in place. In some arrangements, capital is provided through a non-amortizing, appreciation-based second lien with no interest accrual, repaid only at sale or refinance as a fixed share of the home's change in value. Homium is one example of this approach, describing its product as "shared appreciation" to emphasize proportional alignment between homeowner and capital provider rather than interest-based repayment. Other models, such as Crib Equity, operate as marketplaces that connect homeowners with shared equity investors under varying terms. Together, these examples demonstrate how differences in product design, terminology, consumer disclosures, and governance structures can materially affect household risk and confidence, even within the same broad category of shared equity arrangements.

When appropriately structured, shared equity products can address several common barriers faced by first-time homebuyers:

- **Reducing upfront cash requirements.** Shared equity can supplement limited savings, enabling access to credit that may otherwise be unavailable. For example, a 5 percent down payment combined with shared equity capital can effectively function more like a 20 percent down payment, potentially reducing interest rates and monthly mortgage payments. In some cases, this structure may also reduce or eliminate the need for private mortgage insurance, further improving monthly affordability during the early years of ownership when households are most financially exposed. Looking ahead, shared equity paired with 3 to 5 percent down payment products could expand ownership opportunities for a large population of renters who are currently sidelined by cash constraints.

- **Reducing risk through improved liquidity.** Many first-time buyers exhaust their available savings at closing in order to achieve ownership, leaving little buffer for early and often unexpected costs such as repairs, maintenance, or insurance adjustments. Shared equity allows households to retain cash reserves, improving their ability to manage these early ownership risks without increasing monthly payment obligations.

- **Expanding purchasing power without increasing leverage.** First-time buyers are often forced to choose between their target price point and the neighborhood or community they prefer. By combining mortgage financing with shared equity capital, buyers may be able to compete for homes in preferred locations. In these cases, additional purchasing power is supported by private capital that absorbs a portion of the risk, rather than by increased household debt.

Market Size and Relevance

In principle, any first-time homebuyer could be eligible for shared equity. A more targeted estimate includes households eligible for down payment assistance, as shared equity can be understood as down payment assistance without a monthly repayment obligation or grant-related occupancy requirements. In this sense, shared equity functions as an alternative to second liens or time-limited grants, while avoiding the added payment burden that often accompanies those tools.

As home prices continue to rise faster than wages in many regions, the population of credit-qualified but liquidity-constrained buyers is likely to grow. These households represent a substantial and expanding addressable market for shared equity products, particularly in higher-cost and supply-constrained markets.

Key Takeaway: If pre-approved credit limits are understood as the amount of ownership available to a potential homeowner, shared equity offers a way to align ownership opportunities with household capacity. When well-designed and clearly understood, shared equity can support more stable paths to ownership than subsidy stacking or artificially constraining home values.

Illustrative Case Study: Shared Appreciation

For one 30-year-old single mother first-time homebuyer, purchasing a home marked a critical step toward long-term stability for her family. She works as a community health worker, providing essential services in her community, yet despite steady employment, upfront affordability constraints had previously kept homeownership out of reach.

Through an alternative ownership pathway, she purchased her first home with monthly housing costs comparable to her prior rent. Her total monthly payment, including mortgage, taxes, insurance, and estimated maintenance, was $887, compared to $819 in rent. This structure allowed her to transition from renting to ownership without a significant increase in monthly expenses, while beginning to build equity for the first time.

3. Cooperative Communities

Cooperative communities offer affordability through collective ownership rather than individual title to a housing unit. While the cooperative model itself is not new, it has historically been concentrated in dense urban markets, particularly apartment cooperatives in cities like New York. In these traditional arrangements, residents purchase shares in a corporation that owns the building and receive the right to occupy a specific unit, with costs pooled across the community.

What is changing is how the cooperative model is being applied to respond to today's affordability constraints and household needs. Rather than retrofitting cooperatives onto existing multifamily buildings, newer approaches apply cooperative ownership to single-family parcels and small-scale developments, intentionally designing shared ownership from inception. This shift allows cooperative housing to function as a pathway to ownership in markets where single-family homes dominate the housing stock but are no longer accessible to first-time buyers.

From a household perspective, cooperative ownership reframes housing costs around use and stability rather than individual asset maximization. Residents become co-owners of the property and contribute monthly payments that directly support maintenance, taxes, insurance, and utilities, rather than profit. Home equity accumulation occurs through ownership shares, while risk and ongoing costs are distributed across the community. This structure can lower upfront capital requirements and reduce exposure to volatility compared to fully leveraged single-family ownership. In addition to these affordability benefits, cooperative and small-scale shared housing models can modestly expand effective housing supply by increasing residential density on existing parcels without requiring large-scale new construction.

Private-sector innovation is beginning to demonstrate how cooperative housing can be adapted for contemporary buyers. Seattle-based Frolic Community illustrates this evolution by converting single-family parcels into multi-unit cooperative communities. In Frolic's model, residents co-own the property, participate in governance, and gain access to ownership with significantly lower upfront contributions. Reported buy-in amounts, often ranging from approximately $10,000 to $40,000, fall well below conventional down payment thresholds in many high-cost markets. This approach illustrates how cooperative ownership models can preserve access to ownership while addressing the capital constraints that prevent many renters from entering the market.

Market skepticism toward cooperative housing often reflects unfamiliarity rather than performance. Cooperative governance structures, resale rules, and financing mechanisms vary widely, and in some jurisdictions cooperatives face regulatory or lending constraints that limit broader adoption. As with shared equity, transparency around ownership rights, exit options, and long-term financial obligations is essential to ensure households understand the tradeoffs involved. Poorly structured or poorly explained cooperative arrangements can create confusion, while well-designed models can offer durable affordability and stability.

Market Size and Relevance

Cooperative housing already represents a meaningful but underrecognized segment of the U.S. housing market. More than 1.2 million households currently live in cooperative housing nationwide, according to estimates from the National Cooperative Bank.[41] In parallel, approximately 28–30 million people live in condominium associations,[42] and an estimated 39 million residences are in multifamily buildings.[43] Together, this represents tens of millions of households living in housing stock that already relies on shared governance, pooled costs, or collective maintenance structures.

The relevance of cooperative housing as an ownership pathway lies in its potential to convert existing housing forms into ownership opportunities without requiring new construction. In markets where zoning, land costs, and supply constraints limit the feasibility of new starter homes, cooperative models offer a way to increase access to ownership within the housing stock that already exists. By lowering upfront capital requirements and allowing partial or shared equity participation, cooperative communities align more closely with the financial realities of today's first-time buyers.

Key Takeaway: Cooperative communities demonstrate how ownership can be decoupled from single-family titles while preserving stability and equity participation. When designed with clear governance, consumer protections, and financing compatibility, cooperative housing offers a scalable ownership pathway for households priced out of traditional entry points, particularly in markets dominated by high-cost single-family homes.

Illustrative Case Study: Cooperative Communities

Bernadette and her daughter became first-time homeowners through Frolic's Cordivae cooperative, purchasing ownership shares rather than a fee-simple home. She previously could not afford the average $75,000 down payment required for a comparable home in Seattle or make a competitive offer using existing down payment programs. Had she continued renting, she would have spent an estimated $365,000 in rent over the next ten years. Instead, she is now building equity while reducing her monthly housing costs.

4. House Hacking

House hacking refers to purchasing a two-to-four-unit property and using rental income from one or more units to offset the owner's monthly housing costs. While often discussed informally, house hacking is best understood as a financing and cash-flow strategy that leverages existing multifamily housing stock to make ownership feasible under sustained affordability constraints.

Under current lending rules, small multifamily properties remain eligible for FHA, Fannie Mae, and Freddie Mac financing, often with down payment requirements comparable to single-family loans. In many cases, lenders allow a portion of anticipated rental income from additional units to be considered during underwriting. This makes house hacking one of the most immediately accessible alternative ownership pathways, particularly for households willing to trade simplicity for affordability and long-term equity growth.

From a household economics perspective, house hacking directly addresses monthly affordability rather than purchase price alone. By converting part of the housing asset into an income-producing unit, homeowners reduce reliance on wage income to service mortgage payments. This structure can increase financial resilience, particularly in environments characterized by high price-to-income ratios, rising insurance and property tax costs, and wage volatility.

House hacking has also evolved alongside shifting buyer behavior. Many first-time buyers now enter the market later in life, often with more professional experience, higher incomes, and greater comfort managing complexity. For these households, acting simultaneously as homeowner and landlord is less prohibitive than it may have been for prior generations. In practice, some buyers combine house hacking with co-buying, further distributing both upfront costs and ongoing responsibilities across multiple earners.

Market Size and Relevance

House hacking draws from a meaningful segment of the existing housing stock. Two-to-four-unit properties represent a significant share of housing in many urban and inner-ring suburban markets, particularly in regions where single-family home prices have risen fastest. National home sales are projected to total approximately 5.16 million annually,[44] and first-time buyers continue to represent a substantial share of that activity.

Data from Nestment indicate that approximately 32 percent of first-time buyers who complete a purchase select a multifamily property, using rental income to offset ownership costs. Applied nationally, this suggests that over one million households per year may already be using or actively considering house hacking as a pathway to ownership.

The relevance of house hacking is further amplified by supply-side constraints. New construction in many markets continues to favor high-end single-family homes or large-scale rental developments, leaving limited attainable options for first-time buyers. House hacking allows households to convert existing housing stock into ownership opportunities without waiting for new supply to emerge.

Illustrative Case Study: House Hacking

John and Weldon followed a conventional path toward homeownership. With college degrees, stable careers, and healthy savings, they met many of the traditional benchmarks associated with buying a home. In Oakland's high-cost market, single-family homeownership continued to move further out of reach.

Rather than pursuing a single ownership strategy, they combined multiple tools into one transaction. They co-bought a four-plex using the Fannie Mae five percent down owner-occupant loan, both moved into a unit and rented the remaining units to offset their mortgage.

Beyond improving affordability, the additional units created long-term housing flexibility, including options for aging parents. What began as a financing strategy evolved into a multi-generational housing plan. Their experience demonstrates how, in high-cost markets, successful ownership often depends on stacking programs and strategies, such as co-buying and rent-vesting, rather than relying on a single, linear path to homeownership.

Key Takeaway: House hacking offers a scalable, market-tested pathway for first-time buyers to access ownership by combining conventional mortgage financing with income generation. While not appropriate for all households, it enables earlier entry into equity building and increased financial stability in markets where traditional starter homes are no longer attainable.

5. Rent-Vesting

Rent-vesting describes a pathway in which households build home equity through ownership of a property that is not their primary residence, while continuing to rent where they live. For many first-time buyers, this strategy reflects a practical response to geographic affordability constraints rather than a preference to delay ownership. In high-cost urban markets, purchasing a primary residence may be financially infeasible even for households with stable incomes, while ownership remains attainable in other regions or housing types.

From a household perspective, rent-vesting separates two objectives that are often assumed to be inseparable: housing stability and home equity accumulation. Renting can meet near-term needs related to location, employment, or family obligations, while ownership of a rental property allows households to begin participating in home price appreciation and principal repayment. In this way, rent-vesting enables earlier entry into equity building even when local ownership is not feasible.

Under existing lending rules, some mortgage products allow anticipated rental income from an investment property to be considered during underwriting, particularly when supported by a signed lease. Investment properties, however, typically require higher down payments, stricter reserve requirements, and higher interest rates than primary residences, reflecting lenders' perception of increased risk.

Despite these barriers, rent-vesting has become more common as households respond to sustained price growth in major metropolitan areas. Rather than delaying ownership indefinitely, some renters purchase in more affordable markets, often within the same state or region, where price-to-income ratios are more favorable. The most common rent-vesting model among Millennials and Gen Z involves long-term single-family rentals, which prioritize predictable cash flow and align more closely with traditional underwriting assumptions.

In housing-constrained markets, rent-vesting strategies may raise policy questions related to short-term rentals and local housing availability. Their suitability depends heavily on local regulations, housing supply conditions, and the structure of the rental use itself.

Illustrative Case Study: Rent-Vesting

For Selena, New York City had long been home, but homeownership felt permanently out of reach. Rather than waiting indefinitely, Selena and her best friend of more than a decade, Wade, chose to co-buy a single-family home in the Hudson Valley.

The property serves dual purposes: it is short-term rented for much of the year, generating rental income, and used as a personal retreat that offers respite from the pace of city living. Within two years, the experience positioned Selena to take on property ownership on her own. Rent-Vesting transformed how she views equity, wealth-building, and financial freedom.

As a first-generation homeowner, Selena's experience illustrates how redefining ownership models can expand access and accelerate asset-building.

Market Size and Relevance

Nestment data indicate that approximately 14 percent of first-time buyers purchased a rental property while continuing to rent their primary residence. Applied to projected home sales volumes, this suggests that hundreds of thousands of households annually may be exploring rent-vesting as a pathway to ownership. While not appropriate for all buyers, the strategy addresses a meaningful segment of the market that is otherwise excluded from traditional first-time homeownership frameworks.

Key Takeaway: Rent-vesting reframes homeownership as a balance-sheet decision rather than a location-specific milestone. For households priced out of ownership where they live, it provides a pragmatic pathway to begin building equity while maintaining housing flexibility.

Capital Markets and Compliance

The ownership pathways described above have implications beyond individual households. From a capital markets and risk management perspective, these models can produce borrower profiles that are more resilient than traditional single-borrower or single-income households.

In co-buying arrangements, for example, multiple incomes supporting a single housing payment generally result in lower effective debt-to-income ratios and more diversified income risk. A household with three or four earners is often better positioned to absorb short-term income disruptions than a household dependent on one or two wages. Similarly, rental income generated through house hacking or rent-vesting can reduce reliance on wage income alone, improving monthly cash flow stability and increasing a household's ability to manage housing-related cost changes over time.

Research from the JPMorgan Chase Institute underscores the importance of liquidity in assessing mortgage risk.[45] A June 2019 study found that households with at least two months of mortgage payments available in liquid checking balances were significantly less likely to miss a mortgage payment, even when they had higher loan-to-value ratios or lower initial equity. In other words, access to cash reserves was a stronger predictor of payment performance than equity alone.

Despite these insights, current underwriting and compliance frameworks remain heavily reliant on traditional metrics such as debt-to-income ratios and down payment size. While these measures are well established and broadly applied, they do not consistently capture key indicators of repayment capacity, including liquid reserves or demonstrated ability to sustain high monthly housing payments through rent.

This data gap is particularly relevant for first-time buyers. In many markets, renters have already been making market-rate housing payments that rival or exceed prospective mortgage payments. Yet consistent, verified rental payment history is not uniformly incorporated into underwriting decisions.[46] Similarly, lenders often lack visibility into household liquidity beyond minimum reserve requirements, as accessing real-time cash balance data typically requires additional permissions and infrastructure.

As data collection, verification tools, and consumer-permissioned financial access continue to evolve, these gaps may narrow. Improved ability to measure cash flow, liquidity, and rental payment history could support more accurate risk assessment for nontraditional ownership structures. Over time, this may enable broader product availability, more precise pricing, and greater compatibility between emerging ownership pathways and secondary market requirements.

Systemic Risk Assessment

The ownership pathways examined in this paper are often evaluated through a lens of household outcomes, but their broader relevance lies in how they distribute financial risk across market participants at the point of origination. Rather than concentrating exposure on first-time buyers with limited liquidity or tolerance for volatility, these models introduce mechanisms that share or reallocate risk among lenders, investors, and, in some cases, local institutions. The table below assesses each pathway based on the existing party that primarily holds risk at origination and how that risk changes, if at all, relative to the conventional first-time homebuyer model. This assessment focuses on structural risk allocation rather than performance outcomes, offering a framework for understanding how alternative entry points may interact with capital markets and financial stability under current housing conditions.

	Primary Parties	Risk Assessment
Co-Buying	Fannie Mae, Freddie Mac, FHFA	Already approved for loan delivery today. Higher income per property decreases risk; every borrower is responsible for the note and mortgage, which protects investors.
Shared Equity	Fannie Mae, Freddie Mac, FHFA	Private capital accepts risk in the credit profile. Lowers borrower risk by adding liquidity through monthly payment relief and increased personal assets (i.e. cash in the bank). Provides a safe, institutional alternative to private mortgage insurance. Does not expand credit standards, instead utilizes existing conventional credit standards to ensure pre-approval matches individual borrowing power.
Cooperative Communities	Local municipal and political leadership	Already an approved housing type in many areas. Increases the productivity of land and housing. Shares risk across housing density. Ability to create governance structures that fit the community (i.e. replace resident-board management with professional management).
House Hacking	Fannie Mae, Freddie Mac, FHFA, VA, and FHA	Already approved two-to-four-unit products from all federally-backed mortgage programs. Owner-occupied properties have a lower risk profile. Existing data providers on income-producing properties are improving underwriting decisions.
Rent-Vesting	Fannie Mae and Freddie Mac	Already approved for loan delivery today. Investment properties use existing conventional underwriting standards and down payment standards to manage risk.

Table 3: Overview of risk environment for investors and stakeholders

Conclusion: What Comes After the Starter Home

The opening of this paper marked the passing of the traditional starter home as it once existed. That framing was not meant to suggest the end of homeownership, but to acknowledge the end of a specific model that no longer aligns with today's market realities. Prices, incomes, household structures, and how people earn and manage money have changed. The systems designed to support entry into ownership have not kept pace.

What follows that loss is not absence, but adaptation.

The ownership pathways examined in this paper demonstrate how households are responding to sustained affordability constraints by reshaping how ownership begins. Rather than a single leap into full ownership through a conventional mortgage, many first-time buyers are entering through smaller, more flexible steps that allow them to access home equity, stability, and long-term wealth-building earlier. These approaches do not abandon the goal of traditional homeownership. In many cases, they preserve it by making the first step possible.

Seen this way, the decline of the starter home is not a failure of aspiration or effort. It reflects a mismatch between a legacy housing model and modern economic conditions. The alternatives explored here represent practical responses grounded in risk-sharing, liquidity management, and incremental equity accumulation, principles that have long underpinned responsible household finance.

Taken together, these alternative pathways are not simply individualized workarounds. They reflect different ways of allocating risk at the point of entry into homeownership. Under the traditional model, first-time homebuyers are expected to absorb the full weight of price volatility, liquidity strain, and early ownership costs at origination, often with limited margin for error. As entry ages rise and affordability tightens, this concentration of risk increases the likelihood of early distress or disengagement, even among credit-qualified households.

By contrast, models that introduce shared equity, phased ownership, or income-aligned structures distribute risk across time and participants. While these approaches may trade some upside for stability, they can reduce early fragility by preserving liquidity, smoothing entry, and lowering the consequences of short-term shocks. In this sense, alternative pathways do not weaken homeownership. They can strengthen it by making early ownership more durable.

For policymakers, lenders, and market participants, the lesson is not to revive a model that no longer fits, but to recognize the legitimacy of new entry points into ownership. Expanding access to homeownership will depend on aligning financing, underwriting, and capital markets with how households actually live, work, and manage financial risk today.

The Starter Home, as it was traditionally understood, may rest in peace. The pursuit of homeownership continues, shaped by new pathways, evolving structures, and a renewed focus on early and durable access to home equity.

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