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To: Michigan House Tax Policy Committee

Date: Wednesday, 10/13/2021

Subject: SB 145 & SB 146 - Increasing Housing Opportunities for Michigan Residents by Enabling First-Time Home Buyer Savings Accounts

Chairperson Hall, Majority Vice Chairperson Tisdell, Minority Vice Chairperson Yancey and members of the Michigan House Tax Policy Committee, thank you for the opportunity to provide testimony on behalf of Zillow in support of SB 145 and SB 146, which would increase housing opportunities for Michigan residents by enabling first-time home buyer savings accounts.

Despite record low interest rates, the path to home ownership for first-time home buyers has become even more challenging over the past year. The rapid home price appreciation that has marked the past year in housing is coupled with the inventory of homes for sale in most markets reaching historically low levels.

With rising housing prices, the amount of savings needed to be set aside by Michigan residents to cover a down payment on housing have also increased significantly in the past year. According to Zillow research, one of the most significant challenges that prevents consumers from accessing home ownership is the down payment.

Two-thirds of renters across 20 major metro areas surveyed by Zillow cited affording a down payment as the biggest hurdle to buying a home.¹ This challenge is especially acute in the face of rapidly rising home values, which is a burden for those trying to save enough to hit a target today that may be inadequate tomorrow as prices keep rising.

Saving for a down payment is a massive financial barrier for those looking to move into home ownership. More than a quarter of first-time home buyers report difficulties saving for a down payment, and 40% of all buyers rely on a gift or loan from family or friends for at least part of their down payment, according to Zillow research conducted in 2020.²

SB 145 and SB 146 would take a significant step towards helping first-time home buyers save for down payments by allowing Michigan residents to open first-time home buyer savings accounts, which will allow them save funds for a down payment and closing costs in interest-bearing, tax-free savings accounts. Although this bill will of course not eliminate all the barriers to home ownership, first-time home buyer savings accounts are certainly an important tool in the toolbox that can help make housing more accessible for Michigan residents.

In closing, we would respectfully request that the members of the Michigan House Tax Policy Committee support SB 145 and SB 146. We would also like to express our appreciation to the legislative sponsors and the Michigan REALTORS® for all the hard work they have collectively done to put together this very important legislation. Thank you for the opportunity to provide comments on this very important issue.

¹ <https://www.zillow.com/research/15k-down-payment-assistance-2021-29134/>

² <https://www.zillow.com/research/low-rates-mortgage-affordability-28264/>