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# Americans Have $35 Trillion in Housing Wealth—and It's Costing Them

Surging home equity is all the more important in a declining stock market. But it's come with rising property taxes and higher hurdles for borrowing.

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The extra half a million dollars seemed to come so easily—on paper, at least.

In 2021, Nikole Flores and Rocco Savage bought an 1,800-square-foot home in Miami Shores, Fla., for $875,000. The real-estate market rose, they added a pool and pergola, and today the house is worth an estimated $1.35 million.

After accounting for mortgage payments, their home equity—the portion of their home they own outright—grew by about $525,000. But there was another surprise: Their property taxes have increased by more than 50% since the purchase after multiple reassessments, to nearly $21,000 annually.

They know this is a fortunate problem to have, especially since they can still pay their bills. But the higher property taxes have pushed them to trim discretionary spending.

"If property taxes continue to rise, I feel like even if I pay off my house I'm essentially still paying rent," said Savage.

Americans have hit an odd contradiction: They have amassed $35 trillion of wealth in their homes, yet many feel less well off because of it.

Home equity has climbed nearly 80% since early 2020—up from $19.5 trillion—thanks to a turbocharged rise in house prices. That was about twice the rise in financial wealth including stocks and bonds as of the end of 2024, according to the Federal Reserve.

Yet rising home values also often translate into higher costs, such as taxes. Lots of equity can bring down college financial aid for families. And cashing in on the wealth is difficult: High interest rates and prices have held back home sales—and the prospect of big capital-gains tax bills is spurring some to hold on to the homes.

With President Trump's tariff plan triggering market volatility and raising concerns about inflation and a potential recession, homeowners may increasingly look to tap their home equity. However, high interest rates and tight lending standards make that difficult.

Home prices have been cooling, especially in some parts of the country where they rose most in recent years. Although that may eventually bring down property taxes, it leaves Americans with the prospect of seeing the wealth in their homes erode without ever tapping into it.

At stake is the central promise of American homeownership. For generations, owning a house was considered a surefire path to prosperity. These days, many who manage to buy a home are finding that ownership hasn't brought the financial rewards they expected, at least for now.

"Many homeowners are surprisingly still feeling financially insecure," said Rick Sharga, founder and chief executive of CJ Patrick Co., a real estate consulting firm in Trabuco Canyon, Calif.

For people who can't afford to buy, having wealth tied up in a home is an enviable problem. But for owners, the financial squeeze is very real.

Larry McKenzie owns a two-bedroom condo with ocean views near Daytona Beach, Fla., that he rents out and uses occasionally. Its value has increased as prices in the market have surged over the past few years, giving the 68-year-old some half a million dollars in home equity.


Larry McKenzie is renting out his Florida condo, with ocean views, to offset his expenses.
LARRY MCKENZIE (2)

Yet his costs for insurance and homeowner's association dues have grown, too. McKenzie, a musician who splits his time between a 40-foot motor home when he's on the road and a boat in the Florida Keys, rents out the condo for around $6,000 a month in the high season to offset his expenses.

He also applied to a credit union and a bank for a home-equity line of credit. Despite having a credit score of 833, he was denied. The lenders said they don't offer credit lines for rental properties.

"It's incredible that I can't borrow against a $500,000 asset that I fully own," he said.

## Paper wealth

Home equity is calculated by taking the estimated value of a home and subtracting the mortgage debt attached to it. The value isn't locked in until a sale. But rough estimates are widely available thanks to modeling tools like Zillow's Zestimate. Checking it has become an everyday obsession of many homeowners.

The average homeowner with a mortgage had $313,000 of equity entering 2025, according to ICE Mortgage Technology.

Home prices have increased 47% between February 2020 and February of this year, according to the National Association of Realtors. But home equity is up even more. That's because mortgage debt amplifies returns by allowing homeowners to invest the bank's money, too. When home price gains exceed a homeowner's mortgage interest payment, the excess return belongs to the homeowner, said John Sabelhaus, a visiting fellow at the Urban-Brookings Tax Policy Center.

The 2008 financial crisis left millions of owners in the opposite situation as today, owing more on their mortgages than their homes were worth. Owners who had borrowed heavily against their properties had negative equity once home values fell. When that caused an economic collapse, lenders and regulators restricted who could borrow.

Years later, families aren't turning their housing wealth into cash. In the fourth quarter of last year, consumers tapped only 0.41% of their available home equity, well below the 0.92% quarterly average for the decade before the Fed started raising interest rates in 2022, according to ICE.

Even a few years ago, home equity was easier to access. When the Fed slashed rates during the pandemic, U.S. households with mortgages rushed to refinance at ultralow interest rates. Many borrowed more than their previous balances using cash-out refinance products to pay for things like renovations and college bills.

Nearly three-quarters of households with mortgages now pay 5% or less on those loans, according to the Urban Institute. That gives them little incentive to trade up for bigger loans at about 7% to tap some home equity. Only $78 billion of equity was withdrawn last year through cash-out refinancings, down from $258 billion in 2021 and near lows for the past two decades, according to ICE.

Other products such as lines of credit or loans secured by home equity generally have even higher rates. Aggregate balances on home equity lines of credit last year were about 25% lower than the average over the past two decades.

Sales that might unlock this wealth slowed to the lowest level since 1995 last year, thanks to high interest rates and prices. They inched higher in February, but any potential rebound in sales also carries risks for sellers if they have to cut prices to unload their homes.

Home sales have been a weak spot in the economy over the past few years, even though unemployment has been low, earnings have been outpacing inflation and household balance sheets have been relatively strong.

It is a reason Americans have been down on the economy, even though it has been making many of them richer. Consumer sentiment nosedived in March, continuing a downward trend that has taken hold since Trump took office.

Now, stock market volatility is pressuring other buckets of household wealth, such as 401(k) balances. That threatens to hold back the spending, particularly among the wealthy, that drives the economy. And it may well put home purchases out of reach for more people.

Meanwhile, inflation remains above the Fed's target, driving up costs for expenses like daycare and restaurants. Homeownership costs, including insurance and maintenance, are a growing burden as well.

## More taxes

The rising costs that come with owning a home show no sign of abating. For many homeowners, a particular sore spot is property taxes.

The average tax on single-family homes in the U.S. was $4,062 in 2023, about a 14% increase from $3,561 in 2019, according to a nationwide data analysis by property data provider Attom. Average property taxes rose more than 106% in Akron, Ohio, from 2021 to 2023. They were up 52.7% in Montgomery, Ala., and 66% in Pittsburgh.

Property taxes typically have two components. One is the tax rate, which towns and cities generally set based on budgets, which have risen because of inflation. The other is the assessed house value, which typically increases with home prices. Updates in assessments vary by location.

Property tax delinquencies remain low, said Jared Walczak, vice president of state projects at the Tax Foundation, a nonprofit think tank. But people are cutting into their savings to pay the tax increases, he said, and taxpayer frustration is building. In November, voters in eight states passed measures providing relief on property taxes. The Florida legislature is exploring getting rid of the state's property tax altogether.

When owners do sell, more owe capital-gains taxes.

Even though home prices have surged since the pandemic began, the amounts sellers can exclude from the capital-gains tax on their profits—$250,000 for single filers and $500,000 for married couples filing jointly—aren't adjusted for inflation.

In 2023, approximately 8% of home sales generated profits that may have exceeded the $500,000 capital-gains tax exemption limit for married couples. That's more than double the share in 2019, according to a Cotality analysis of gross capital gains.

Capital-gains taxes are calculated by subtracting the home's purchase price, adjusted for capital improvements like renovations, from the sale price. Big capital-gains bills are most common in states such as California, New York and Florida that have high home values.

The tax bill can encourage people to hold on to their homes, rather than sell, leaving their home equity untapped. Some are holding on to their properties to pass onto their children because assets sold at death aren't subject to capital-gains tax.

Dana Cole, a 70-year-old criminal defense attorney, has watched the value of his 1,100-square-foot condo in Century City, Calif., rise to about $1.2 million from the $235,000 he paid for it in 1986.

Mr. Cole figures that if he sold, he'd owe a total of about $300,000 in federal and state taxes. "I have no problem paying taxes but that would be a discouragingly high amount," he said. He's planning to hold on to the property for the foreseeable future, and his adult daughter lives there now.

## When it counts

Home equity that remains locked up can cost families when it comes to college financial aid.

Institutions including Colby College, New York University and Emory University sometimes consider home equity as part of their wealth calculations. They are among a group of about 200 schools that use an aid application known as the CSS Profile. Schools don't always disclose precisely how they factor home equity into aid, which can leave parents guessing.

Most assess home equity like any other parental asset, with an approximate 5% assessment rate, said Shannon Vasconcelos, a senior director for Bright Horizons College Coach, based in Newton, Mass. This means $100,000 in home equity could reduce a family's financial aid eligibility by roughly $5,000. Most schools use the Free Application for Federal Student Aid, or Fafsa, which doesn't count home equity for a primary residence but does consider it for investment properties and vacation homes.

Carleton College in Minnesota says it excludes home equity for most middle-income families, (earning up to $170,000 a year) but otherwise typically counts it until it hits two times the total income listed on the CSS Profile. The school says the cap prevents penalizing families with high home equity but lower incomes. Still, a college spokeswoman said, "we need to consider it as a potential resource to the family that not all families have access to."

Ron Klein said his daughter applied to 14 small, private liberal arts schools that used the CSS Profile. The equity of Klein's home, in Des Peres, Mo., was about 2.5 times his adjusted gross income. Some of the schools she applied to didn't factor home equity at all, while others counted 100% of it as an asset.

His daughter, now a freshman, ended up choosing a school that appeared to cap home equity at 1 or 1.2 times income. He's not entirely sure, though.

Ron Klein found that home equity sometimes factored into college financial aid offers for his daughter. PHOTO: RON KLEIN

"We feel very fortunate she was accepted into a school with excellent financial aid, despite its use of home equity," said Klein, a photographer. But considering home equity as an asset, he said, is "rife with problems."

Michael Korch, founder of College Funding Counselor in Seattle, said more of his clients have seen their financial aid reduced from one year to the next due to an increase in home equity.

Korch said that for parents, "this is the one time in their lives when they want to look as poor as possible."

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