House Financial Services Committee Considers Efficiency and Upward Mobility in the Voucher Program

On September 21, the House Financial Services Subcommittee on Housing and Insurance held a hearing titled "The Future of Housing in America: A Better Way to Increase Efficiencies for Housing Vouchers and Create Upward Economic Mobility" to discuss changes to federal housing assistance that would improve upward mobility and good stewardship of federal funds. Subcommittee Chairman Blaine Luetkemeyer (R-MO) said he hoped the hearing would follow in the spirit that allowed Congress to pass commonsense reforms in the Housing Opportunity Through Modernization Act, which became law in July.

Witnesses at the hearing were Dominique Blom, HUD Deputy Assistant Secretary in the Office of Public Housing Investments; Barbara Sard, Vice President, Housing Policy at the Center on Budget and Policy Priorities; Deborah Thrope, Staff Attorney for the National Housing Law Project; Ailrick Young, Executive Director of the Laurel Housing Authority; and Cheryl Lovell, Executive Director of the St. Louis Housing Authority.

Blom discussed how HUD is working to make the Housing Choice Voucher (voucher) program more efficient while expanding opportunities for families. She pointed to the Family Unification Program, Moving to Opportunity Demonstration, expansion of the Moving to Work demonstration, and a HUD rule that went into effect earlier this year to streamline administrative regulations for programs administered by Public Housing Agencies (PHA). Blom also highlighted the Administration's Fiscal Year 2017 Budget request for the statutory authority to implement and $15 million for a Mobility Counseling Demonstration program to help families with vouchers move to and stay in areas of opportunity. These funds would be used to pay for counseling, landlord outreach, portability coordination, security deposits, and other administrative functions.

In her testimony, Sard noted that House Speaker Ryan's Republican Task Force on Poverty, Opportunity, and Upward Mobility recommended enhancing voucher portability and reforming the fragmented system of thousands of PHAs. Sard said that the Center of Budget Policies and Priorities supports these recommendations, and suggested PHAs should be incentivized to collaborate and enter into consortia to provide economies of scale and improve portability.

Several witnesses discussed HUD's recent proposed rule on the use of Small Area Fair Market Rents (SAFMRs) in the administration of the voucher program for certain metropolitan areas. Sard and Thrope agreed that while the goals articulated in the SAFMR proposed rule, including expanding housing choice and access to high-opportunity neighborhoods for voucher holders, were laudable, implementation of
SAFMRs as envisioned in the proposed rule may have unintended consequences that could negatively impact some voucher holders, particularly those in high-cost metropolitan areas with low vacancy rates. HUD Deputy Assistant Secretary Blom was unable to comment on the proposed rule but acknowledged that HUD was considering comments it received about negative impacts on voucher holders especially in low vacancy areas.

For more information, please contact NCSHA's Althea Arnold.
Lenders Need to Help Borrowers with Limited English Skills, HUD Says

The Department of Housing and Urban Development is taking a harder look at how mortgage lenders treat borrowers with limited English language skills.

The agency issued new guidance last week emphasizing that the Fair Housing Act also protects home buyers with limited English proficiency, or LEP.

"Having a limited ability to speak English should never be a reason to be denied a home," said Gustavo Velasquez, HUD assistant secretary for Fair Housing and Equal Opportunity, in a press release. "Every family that calls this nation home has the same rights when it comes to renting or buying a home, regardless of where they come from or language they speak."

The guidance specifically mentions mortgage brokers and lenders in relation to providing LEP borrowers with access to mortgage programs, according to Amy Glassman, a partner at the Ballard Spahr law firm in Washington D.C. It also clarifies HUD's position that discrimination against persons with limited English proficiency can be considered discrimination based on national origin.

"I see the LEP guidance as focusing on the nexus between the lender's responsibilities and the potential for Fair Housing Act violations. It calls attention to the issue," Glassman said in an interview. "Whether it results in increased complaints and investigations, I don't know."

Nearly 9% of the U.S. population is limited in English proficiency, according to HUD. Approximately 65% of these individuals speak Spanish, while 7% speak Chinese, 3% speak Vietnamese, 2% speak Korean and 2% speak Tagalog.

"Housing decisions that are based on limited English proficiency may have a greater impact on these and other groups because of their nationality," HUD said in the press release.

Sara Pratt, a senior counsel at Relman, Dane & Colfax, noted this is the first time HUD has signaled to mortgage lenders that LEP borrowers are covered and protected by the Fair Housing Act.

"I think it is possible you will see cases brought against lenders by individuals who have had the front door slammed in their face," she said in interview.

HUD is aware of cases where lenders have refused to allow Hispanic and other non-English speaking borrowers to take the loan documents and get them translated.
Report on HUD's RAD Program Shows It has Generated Significant Investment in Public Housing

On September 21, HUD released an independently conducted report evaluating its Rental Assistance Demonstration (RAD) program, which finds that by October 2015, Public Housing Authorities (PHA) participating in the program had generated $2.5 billion in investment to preserve and rehabilitate public housing properties. RAD allows PHAs to leverage public and private sources of financing by converting public housing to project-based Section 8 contracts. Another component of RAD allows Rent Supplement, Rental Assistance Payment, and Mod Rehab properties to convert to project-based Section 8 assistance.

The report finds that nearly 40 percent of the financing for RAD projects, the largest source of financing at approximately $977 million, has come from the Housing Credit, including $503 million from 4 percent Credits and $474 million from 9 percent Credits. Approximately $686 million in RAD financing has come from various soft money sources, including HOME, the Federal Home Loan Banks' Affordable Housing Program, grants, deferred development fees, or other sources of gap financing. The report attributes another $564 million in investment to mortgage financing and other third-party debt. The remainder of the financing for RAD—approximately $250 million, or 10 percent of total financing—has come from PHAs' resources.

As of mid-October 2015, 189 RAD transactions had closed, 185 of which were converted public housing projects encompassing 19,255 public housing units that were converted to project-based Section 8 contracts. The report finds that medium and large PHAs, especially those in non-rural areas, undertake most of the RAD transactions

The RAD program is subject to a statutory cap of 185,000 units. PHAs have applied and received initial awards to participate in RAD up to this cap, and there is now a waiting list for participation. The Administration's FY 2017 Budget proposed eliminating the unit cap on Public Housing conversions under the RAD program; however, neither the Senate-passed nor the House Appropriations Committee-reported FY 2017 Transportation, Housing, and Urban Development funding bills would lift the RAD cap.
Senate Banking Committee Examines HUD Monitoring of PBRA Properties

On September 22, the Senate Banking Subcommittee on Housing, Transportation, and Community Development held a hearing titled "Oversight of the HUD Inspection Process" to highlight concerns with HUD's monitoring of project-based rental assistance (PBRA) properties in the wake of federal and local investigation of three properties in Florida managed by Global Ministries Foundation. Subcommittee Ranking Member Bob Menendez (D-NJ) said he hoped that by discussing these specific properties during the hearing, Congress could more broadly shed light on this type of housing and improve HUD's role in responding to troubled assets.

In his introductory remarks, Subcommittee Chairman Tim Scott (R-SC) thanked witnesses Senators Bill Nelson (D-FL) and Marco Rubio (R-FL) for bringing to the attention of the Subcommittee what he characterized as the "deplorable conditions" of the Florida properties managed by Global Ministries Foundation. He also thanked the other witnesses including Dr. Edgar Olsen, Professor of Economics and Public Policy, University of Virginia; Tracy Grant, President, Eureka Gardens Tenants' Association; Major Josh Lewis, Riviera Beach Police Department; and Vincent O'Donnell, an affordable housing consultant and member of the Preservation Working Group.

Subcommittee Chairman Scott said that despite multiple attempts at reaching out to HUD, the agency was "glaringly missing" from this hearing and he was disappointed that HUD failed to "make to time to inform and educate us". Senator Nelson acknowledged that HUD had been responsive to his office but that it was unacceptable that HUD failed to accept Scott's invitation and suggested the Chair consider a subpoena.

Senators Nelson and Rubio discussed their site visits to the three Florida properties managed by Global Ministries Foundation, which they both called a "slumlord". They testified to deplorable conditions, including mold, flooding, and rampant crime. Both Senators also expressed deep concern that HUD inspections of these properties were faulty and inconsistent, and the appeal process lacked any sense of urgency.

In light of these issues, Senators Nelson and Rubio together introduced the "Housing Accountability Act of 2016" this summer. The bill would require residents of private properties that have Section 8 Housing Assistance Payment (HAP) contracts to be monitored twice a year in order to detect any persistent problems with a property's physical condition or management. Senator Rubio also informed the Subcommittee that the Senate-passed Fiscal Year 2017 funding bill included three amendments the Florida Senators introduced to improve HUD's oversight of housing projects.
In his testimony, O'Donnell highlighted his work with the National Preservation Working Group (PWG), of which NCSHA is also a member. He explained that PWG—comprised of nonprofit, state and local affordable housing stakeholders interested in preservation of affordable housing—often works with HUD and Congress in efforts to preserve affordable housing across the country. O'Donnell told the Subcommittee that he too was disturbed by the conditions at the properties being discussed but that overall, HUD's PBRA program is a sound system and these were unfortunate outliers. He stressed that HUD has tools to address distressed properties but needs to improve coordination and execution. O'Donnell included in his written testimony a letter from PWG members to HUD on some ways to deal with distressed properties with its current tools.

Olsen, in similar testimony to what he gave in yesterday's Senate Appropriations Subcommittee on Transportation, Housing and Urban Development hearing, criticized place-based housing programs, including PBRA and the Low Income Housing Tax Credit. He said that these types of programs should be phased out and replaced with Housing Choice Vouchers (vouchers). Olsen acknowledged that HUD still needs to deal with existing PBRA properties, such as those in Florida, but advocated that Congress not provide funds to renovate distressed properties, HAP contracts should not be renewed, and tenants should be offered vouchers to move elsewhere.

Ranking Member Menendez called Olsen's proposal to convert all PBRA to vouchers problematic, highlighting concerns with insufficient housing stock and voucher payments not being high enough in certain areas. O'Donnell concurred citing examples across the country. Menendez concluded the hearing by stressing the importance of PBRA in communities across the country and urging the Subcommittee to focus more on how to deal with preserving that stock.

For more information, please contact NCSHA's Althea Arnold.
Senator Wyden Releases Draft Legislation to Enact Middle-Income Housing Tax Credit Program

On September 22, Senate Finance Committee Ranking Member Ron Wyden (D-OR) released a discussion draft of legislation that would create a new tax credit program to stimulate the development of rental housing for middle-income households earning up to 100 percent of area median income (AMI). The legislation would create a new section of the tax code for the new program, which would be modeled after the Low Income Housing Tax Credit (Housing Credit) and administered by state agencies.

The proposal envisions a state middle-income credit cap of $1 per capita with a small state minimum of $1.14 million, adjusted for inflation in future years. Any middle-income credit authority unused after the first year in which it is received by the state would be carried over into the Housing Credit program for use in developing low-income rental housing.

The program would provide a 50 percent present value credit for qualified middle-income properties, with a minimum 5 percent credit rate. Federally financed properties, including those financed with multifamily Housing Bonds, would not be eligible to receive middle-income credits.

Like the Housing Credit, the middle-income credit would require a 15 year compliance period and a 15 year extended use period, for a minimum 30 year total affordability period. However, unlike the Housing Credit, in which the credit period during which investors receive tax credits is 10 years, the middle-income credit’s credit period would be 15 years, in line with the compliance period.

The draft legislation would require states to develop a separate qualified allocation plan (QAP) for the middle-income credit. States would need to give preference to projects that serve qualified tenants for the longest periods, in areas where rents are unaffordable to median income households, targeted to households with incomes ranging from 60 to 100 percent of AMI, and located near transit hubs. The selection criteria that states would need to include in the middle-income credit QAP mirror those in the Housing Credit statute, with the exception that the bill does not require states to consider public housing waiting lists as a criteria.

Senator Wyden has released a one-page summary of the discussion draft and a slightly more detailed four-page overview of the proposal.

Senator Wyden is seeking comments on the discussion draft by December 21. In particular, he has requested feedback on whether the credit period under the middle-income credit should be set at 10 years as it is with the Housing Credit, how to coordinate the middle-income credit with the Housing Credit, whether the bill should be modified to allow the middle-income credit to be used with federal
financing, whether a 50 percent present value credit is sufficient to finance middle-income housing, the proposed income targeting, and whether Congress should amend the Community Reinvestment Act to allow financial institutions to get CRA credit for investments aimed at housing persons with incomes in excess of 80 percent of AMI.

Please send your feedback on the discussion draft to NCSHA’s Jennifer Schwartz by December 1 to help inform NCSHA’s comments.
Affordability Concerns, Uncertainty about Down Payment Requirements Ensnaring Renters, Latest HOME Survey Shows

Lofty home-price growth and tight supply are leading to softening confidence among renters about whether it’s a good time to buy a home, according to the latest installment of the National Association of Realtors® Housing Opportunities and Market Experience (HOME) survey1. The survey also found that a misconception about how much of a down payment is needed to buy could be unnecessarily delaying some qualified young adults from entering the market.

In NAR’s third quarter HOME consumer survey, respondents were asked about their confidence in the U.S. economy and various questions about their housing expectations, including a series of questions related to down payments and the amount of money they believe they need to purchase a home.

Heading into the autumn months, the share of homeowners and renters who believe now is a good time to buy remains at a solid majority but has crept downward since the beginning of this year. Seventy-eight percent of homeowners (80 percent in June; 82 percent in March) and 60 percent of renters (62 percent in the previous two quarters) said it’s a good time to buy. In the inaugural HOME survey in December 2015, 68 percent of renters said it was a good time to buy.

Lawrence Yun, NAR chief economist, says it’s clear the ongoing run-up in home prices and severe inventory shortages in a large portion of the country are hitting consumer psyche – especially among renters. “This summer’s historically low mortgage rates injected some additional demand into the market, but the dearth of homes for sale continues to keep a lid on sales but not prices,” he said. “Given the stiff competition and limited homes available at the lower end of the market, it’s not surprising at all that those under the age of 34 and in the West are the least confident about it being a good time to buy.”

Adds Yun, “Very affordable mortgage rates and strong job gains among young adults should be translating to a higher rate of homeownership. It’s not, and as a result, sales to first-time buyers remain stuck below a third of all sales2.”

This quarter’s HOME survey also found that awareness of low-down-payment mortgage options was scarce across all ages, income brackets and education levels. Fewer than 20 percent in each group indicated that they need 10 percent or less to finance their home purchase. Those ages 65 and older (43 percent) and under the age of 35 (37 percent) were the most likely to believe that they need more than 20 percent.

“It’s possible some of the hesitation about buying right now among young adults is from them not realizing there are mortgage financing options available that do not require a 20 percent down payment, which would be north of $100,000 in some expensive areas in the country,” says Yun. “In fact, most first-time buyers put down much less. In the 35 year history of NAR’s Profile of Home Buyers and Sellers – the longest-running survey series of national housing data – the average median down payment has been 5 percent for first-time buyers.”
With home prices and rents continuing to climb and make it difficult for many to save for a home purchase, one avenue for about a fifth (19 percent) of current homeowners was receiving down payment assistance from a parent or relative. Homeowners ages 34 and under were the most likely to say they received help from a parent or relative (34 percent), along with those living in the Northeast and in urban areas.

When it comes to giving aid to prospective buyers, 16 percent said they have helped a child or relative with their down payment. It’s no surprise that the older the respondent, the more likely they were to assist.

“Creditworthy prospective buyers should know that many lenders now offer safe, sustainable loans with as little as 3 percent down, and obtaining a mortgage isn’t as difficult as it was in the immediate years after the downturn,” says NAR President Tom Salomone, broker-owner of Real Estate II Inc. in Coral Springs, Florida. “Every buyer is different. Before deciding how much to use on a down payment, buyers should carefully review their financial situation and make sure they still have enough money set aside after the home purchase for unexpected expenses and emergencies. A Realtor® will walk through what to consider based on what a buyer can comfortably afford.”

Feelings about direction of U.S. economy, personal financial outlook remain unchanged

Following the same trend line since the inaugural HOME survey in December 2015, a little less than half of all households in the survey believe the economy is improving (48 percent). The younger the household the more optimistic they were about the economy’s future prospects. Meanwhile, nearly two-thirds of those living in rural areas (63 percent) and 61 percent of those over the age of 65 don’t believe the economy is improving.

The HOME survey’s monthly Personal Financial Outlook Index,3 showing respondents’ confidence that their financial situation will be better in six months, ticked up very slightly (to 58.6 in September) since June (57.7), but is up much more since last September, when stock market losses at the time temporarily caused more consumer angst (53.0).

Most expect prices to hold steady or increase, slightly more think it’s a good time to sell

More current homeowners (63 percent) believe it is a good time to sell compared to the second quarter of this year (61 percent). Respondents in the West continue to be the most likely to think now is a good time to sell, while also being the least likely to think now is a good time to buy.

Consistent with last quarter (93 percent), almost all of those surveyed (91 percent) believe that prices will stay the same or rise in their community in the next six months. Renters, respondents living in urban areas and those from the West are most likely to believe prices will go up in their communities.

About NAR’s HOME survey

In July through early September 2016, a sample of U.S. households was surveyed via random-digit dial, including half via cell phones and the other half via land lines. The survey was conducted by an
established survey research firm, TechnoMetrica Market Intelligence. Each month approximately 900 qualified households responded to the survey. The data was compiled for this report and a total of 2,761 household responses are represented.

The National Association of Realtors®, “The Voice for Real Estate,” is America’s largest trade association, representing over 1.1 million members involved in all aspects of the residential and commercial real estate industries.
Household incomes grow at fastest rate, ever

Housing recovery no longer dependent on rates

Still, the household income grew at the fastest rate on record, said Council of Economic Advisers Chairman Jason Furman in a blog post on the White House website. The report, he said, "shows the remarkable progress that American families have made as the recovery continues to strengthen. Income grew for households across the income distribution, with the fastest growth among lower- and middle-income households."

He also noted that the poverty rate fell faster than at any point since 1968, and the rate of those without health insurance also declined. The official poverty rate fell 13.5% with 43.1 million in poverty, 3.5 million less than in 2014, the bureau said.

This shows the economy is not dependent on interest rates anymore, according to Redfin Chief Economist Nela Richardson.

The report suggests that the run up in home prices and sales growth has legs and will persist into 2017. Income growth is a fundamental driver of buyer demand.

"Up until 2015, the housing recovery occurred without any upward movement in median household incomes," Richardson added.

The rebound in housing is not dependent on rates anymore, and that's a strong signal of the persistence of the housing recover. The fact that the gains were widespread is also good for housing, but the lack of income growth outside of metro areas raises concerns about the splintering of the housing market between fast-growing urban areas and everywhere else.
Paycheck to Paycheck

A Snapshot of Housing Affordability for School Workers

From the teachers who are tasked with educating a community’s children to the bus drivers who are responsible for safely transporting children to and from school, school employees are essential elements of every community across the country. Finding affordable housing near their workplaces remains a struggle for many of these school workers, who earn modest incomes despite the fact that the economy has been in recovery for several years.

This edition of Paycheck to Paycheck focuses on the affordability challenges faced by both teachers and non-instructional school workers by highlighting five of the 81 occupations in the Paycheck to Paycheck database: bus driver, child care teacher, groundskeeper, social worker and high school teacher.1 As for any other sector of the economy, the ability of school workers to live near their places of employment is an important aspect of developing strong, inclusive communities. Communities that have high housing costs (and lack programs to offset those costs) can struggle to retain the staff that works to create a safe and supportive environment.

The importance of providing affordable housing for teachers is a compelling topic in many communities, as retaining talented educators can be difficult when housing prices rise too high. However, teachers are only part of the picture when it comes to education. Workers in a wide variety of occupations work alongside teachers to ensure that schools run smoothly and provide quality education experiences to children. School social workers provide important support to students through counseling services and provide homeless children with the support they need to have a stable educational experience. Bus drivers and groundskeepers typically have lower wages than social workers and teachers, but their work is important when it comes to the logistics of maintaining a healthy learning environment. It is the collaboration between staff that allows a school to function well.

None of these occupations earned salaries that were high enough to guarantee either renting or owning a home in every metro area included in this report (see Figure 1). This is not surprising given the generally high cost of housing throughout the country relative to household income: 73 metro areas had homeownership costs that were higher than their median household incomes, and 13 metro areas had typical rents that were unaffordable at their respective median incomes.

High school teachers earning median wages are able to afford to buy a median-priced home in 130 out of the 210 metros analyzed, and they are able to afford the typical rent for a two-bedroom home in all but the highest-cost metros in the country (198 out of 210). In contrast, bus drivers — who earned the lowest wages of the five occupations reviewed — face serious challenges in finding affordable housing around the country. They were not able to afford to own a median-priced home or rent a typical 2-bedroom home in any of the 210 selected metros.
U.S. Households Make Long-Awaited Gains in Housing Recovery

Fewer households are paying too much for a place to live, according to new Census data

Middle-class families are starting to see their biggest housing challenges ease.

Housing affordability is finally improving after years during which the struggle to pay rent swelled to crisis levels for many poor and middle-class Americans, according to an analysis of American Community Survey data released Thursday.

Jed Kolko, chief economist at job-site Indeed and senior fellow at the Terner Center for Housing Innovation at the University of California, Berkeley, said just over 49% of renters were cost-burdened in 2015, meaning they spent more than 30% of their incomes in rent, compared with about 50% a year earlier—the lowest level since 2008.

Indeed, across the board, there are signs that affordability challenges are beginning to ease. Some 33.6% of households were cost-burdened in 2015, meaning they spent more than 30% of their incomes on housing costs, down from 34.6% a year earlier, the fifth straight year of declines.

Much of the reason for the improvement in affordability for homeowners was low mortgage rates. Renters also appear finally to be seeing income gains that are outpacing rent growth.

There was also a surprising decline in the popularity of single-family rentals, which until now have seen the strongest gains of all housing stock coming out of the recession, with a 34% jump between 2006 and 2015. That trend may finally be starting to reverse as 16.8% of single-family homes were rented in 2015, down from 17% a year earlier—the first decline since 2006, according to Mr. Kolko’s analysis.

This is likely due to the fact that families who lost their homes during the foreclosure crisis and were forced to rent instead are once again becoming eligible to get mortgages and returning to homeownership.

Single-family home ownership had the biggest increase since 2007, jumping to 65.7 million owner-occupied single-family homes in 2015, from 65.2 million a year earlier.

“While the overall decline in homeownership may turn out to be a longer-term shift to a lower level than what we saw during the bubble, the spike in single-family rentals was in part cyclical,” Mr. Kolko said, and thus appears to be easing as the recovery progresses.

Other indicators, however, suggest there is less reason for optimism. The number of occupied rental apartments saw the biggest jump of all housing types, with a 1.7% increase in 2015 compared with 2014.

Moreover, the homeownership rate overall continued declining, hitting 63% in 2015, down from 63.1% a year earlier. And just 949,000 new households were created in 2015, a slight decline from 2014 and below normal levels of 1.2 million, according to Mr. Kolko.
Why mortgage delinquency rates are dropping

According to MGIC Investment Corporation, the rate of mortgage delinquencies has dropped in a number of areas recently. The company, which provides private mortgage insurance (PMI), reported that delinquencies have dropped by more than 20 percent. Meanwhile, the Mortgage Bankers Association (MBA) reports that the same is true of mortgages made to purchase commercial and multifamily dwellings.

The Association’s Commercial/Multifamily Delinquency Report gathered information from several of the biggest investor groups in the country, including mortgages, banks, life insurance providers, Freddie Mac, and Fannie Mae. These groups combined hold more than 80 percent of the mortgage debt that was borrowed for multifamily dwellings or commercial businesses. It is worth noting that these numbers do not include any loans made for construction or land development, even though those loans are often included under the definition of commercial real estate loans.

Because the delinquency rates of multifamily units and commercial businesses are not measured the same across the board, it is virtually impossible to compare how these different investor groups differ from one another. However, the delinquency rates can be looked at in terms of the historical averages of each investor group, which can provide a pattern for the overall delinquency of these types of mortgages.

In general, the delinquency rates have dropped to 20-year lows. Among the reasons for this, MBA Vice President of Commercial Real Estate Research Jamie Woodwell stated, is that property values have increased, solid mortgages are easily available, and borrowers have clear fundamental ideas of how to develop the property.
HELOCs Are Making a Rebound: Experian

Home equity line of credit originations are in the midst of a comeback, fueled by the rise in home prices, according to a white paper released by Experian.

As of the fourth quarter of 2015, HELOC originations were at $43.03 billion, 111% higher than five years earlier, Experian reported in the paper released Thursday. Meanwhile, only 0.49% of consumers with an open HELOC were between 90 and 180 days past due, in line with pre-recession levels.

Experian also estimated that roughly $29 billion in HELOC debt originated between 2005 and 2008 has been paid down over the past year, a reflection of the fact that many of these lines of credit are entering repayment. But those who were delinquent on their HELOCs were more likely to be delinquent on other loans, such as auto loans or bank cards, Experian found in its research.

"During the housing boom, home equity lending was heating up, but lenders pulled back significantly as home prices began to fall," Michele Raneri, Experian's vice president of analytics and new business development, said in a news release.

"What we're seeing now is that home values have recovered, but the end of draw is still a factor that needs to be considered when it comes to consumer and lending behavior."

Experian also found that consumers who have a HELOC were more like to close and to open other HELOCs or mortgages in the next year.
MBA's Stevens Weighs Pros, Cons of Clinton, Trump Administrations

Regardless of who wins in November, the mortgage industry will see significant changes, but Hillary Clinton and Donald Trump would take different approaches to housing and regulatory issues, according to Mortgage Bankers Association President and CEO David Stevens.

Stevens declined to indicate a preference for either candidate during an exclusive interview with National Mortgage News, reiterating that the organization is non-partisan and does not endorse political candidates. But he did outline the different ways in which the major party candidates would influence the industry.

"There are advantages and disadvantages to either party and either candidate based on how they're talking about housing so far," Stevens said. "There's potential strengths in the platforms on both sides."

Clinton's platform "focuses a lot on the demand side of housing, new programs to help first-time homebuyers and the rental markets," he said, based on what her campaign has published regarding housing. Indeed, Stevens outlined some of the specific measures the Clinton campaign has laid out, such as matching savings plans for first-time homebuyers and affordable rental efforts.

Trump, meanwhile, would be more keen on rolling back regulation, Stevens said.

"The Trump platform clearly leans more heavily into reducing what they perceive as regulatory overreach for lack of a better way of describing it," he said. That overreach serves to impede the housing market overall in the Trump campaign's view, Stevens said, based on their comments.

Those views echo efforts in the House GOP leadership recently to repeal some of the Consumer Financial Protection Bureau's efforts.

This is not to say that a Clinton administration would ignore concerns surrounding regulation, though.

"Her platform does call for gaining better clarity on the rules," he said. "That leans in the right direction."

But he noted that the association would not expect a Clinton administration "to do much to unwind much of the regulation that's come into place."

As for the role government plays in guaranteeing mortgages, Stevens looked to the past precedent set by both parties vis-à-vis the legislation they have brought forth. On one end of the spectrum, he put the Republican-sponsored Protecting American Taxpayers and Homeowners Act, which would wind down the government's role in housing in favor of a private system, and on the other end he placed the work Democrats did behind the scenes for the Johnson-Crapo reform bill that kept a greater role for government in housing finance comparatively.
Surprising Gender Gaps In Homebuying, Mortgages

Single Women May Wind Up Paying More, Despite Dependability

Gender, marital status and mortgages don’t get a lot of research attention in real estate, but two new reports examine the exceptional role of single women in the home purchase marketplace and the challenges they face in getting a loan.

A couple of highlights:

• Single women are statistically better at paying their mortgages than men – they default less – yet they are charged more for their loans and are denied credit more often. Though they have lower incomes on average than single men, they tend to make larger down payments, according to researchers at the Housing Finance Policy Center of the Urban Institute.

• Single women are now the second largest group of buyers in the marketplace, accounting for anywhere from 15 percent to more than 20 percent of all home purchases in recent years. Single men, by contrast, have accounted for about 9 percent of purchases since 2012. Married buyers once represented more than four-fifths of the market, but that has declined over the past several decades. In 1985 married couples made 81 percent of all purchases; last year it was 67 percent. You might assume that unmarried couples have taken up the slack, but that’s not the case. Last year, according to a new research note titled “All the Single Ladies” by Jessica Lautz, managing director of survey research at the National Association of Realtors, unmarried partners accounted for just 7 percent of total sales.

System Inequity

The Urban Institute study, conducted by Laurie Goodman, co-director of the Housing Finance Policy Center, and Jun Zhu, a senior research associate, looked at a national database of mortgage transactions compiled by the federal government, along with proprietary information on borrower credit characteristics and properties from analytics firm CoreLogic.

The study is blunt about its core conclusions: Single women pay slightly more for their mortgages, despite their superior repayment performance. They tend to present somewhat “weaker credit characteristics” at the application stage and as a result are more likely to end up with subprime or higher-cost financing.

But there’s an inequity in the system in light of women’s statistically lower rate of defaults: Single women “are paying too much” for their home loans. “Given that more than one-third of single women borrowers are minorities and almost half of them live in low-income communities,” the authors argue that in fairness “we need to develop more robust and accurate measures of risk to ensure that we aren’t denying mortgages to women who are fully able to make good on their payments.”

Focusing on three distinct sets of years – 2004-2007, 2008-2010 and 2011-2014 – the researchers found that single women defaulted at lower rates than single males in all three periods, which represented sharply different economic environments. The years 2004-2007 were prime boom times; 2008-2010
encompassed the housing bust and global financial crisis; and 2011-2014 were post-recession recovery years.

Yet the pattern of lower rates of default exhibited by single women borrowers persisted through all three periods.

Though mortgage lending groups have not had an opportunity to review or comment on the study because it had not been publicly released as of this writing, one lender with operations in eight states told me he not only sees single women as an important part of his business, but a rapidly expanding one. Joe Petrowsky, mortgage consultant with Right Trac Financial Group Inc., says 26 percent of his business is with single women, and “there’s no question” it will soon exceed 30 percent. He believes single women represent solid risks in part because “the reality is they have a better ability to save and plan for the future” than most single men.

Real estate agents say buying a condo or a house may have a stronger and deeper emotional component for single women compared with men. Leslie White, a Redfin agent in the Washington D.C. area, told me that for single women, ownership of a home means “stability – you own it, you’re in charge, there is no landlord,” and that’s extremely important to them. Out of White’s last 25 transactions, 20 percent were purchases by single women, zero by single men.

Lottie Kendall, an agent with Today/Sotheby’s International Realty in the San Francisco Bay area, says single women “want to create a nest, be part of a community. They’re buying to fulfill a dream,” whereas in her experience, single men seem more interested in tax writeoffs and possible financial gains rather than stability.
Why So Few Economists Are Prepared to Say Recession Risks Are Fading

Historically, recessions have disproportionately struck near elections

Business investment has been slumping this year, and a leading suspect is the election. Photo: Matt Rourke/Reuters

By many key measures, the economy has looked fine in recent months. After gradually sliding for most of 2015, industrial production has bounced up. Consumer spending has done well. The economy added 151,000 jobs last month. Initial jobless claims are near a four-decade low.

Yet most economists, when asked to assess the odds of a recession in the next year, have continued to place the odds at about one in five. Not a prediction of imminent doom, but double the odds of a year ago.

**Recession Odds**

Average probability of the U.S. economy entering recession in the coming 12 months

![Recession Odds Chart]

Why are those odds still elevated, in light of economic improvement? Asked about them, Gregory Daco, chief U.S. economist for Oxford Economics, put it succinctly: “A lot weighing on upcoming elections.”

Nobody is ready to sound the all-clear with an election—especially this election—just two months away. Not only must forecasters assess the policies proposed by the candidates, they must keep in mind the potential for a divided Congress that could stymie either candidate. Business investment has been slumping this year, and a leading suspect is this election.

While Hillary Clinton has largely embraced familiar policies for Democratic candidates, Donald Trump has broken with large swaths of his own party on several major economic issues, including trade, immigration and arguably deficit reduction. Underscoring the extent of the difference between Mr. Trump and previous Republican presidents, not one former member of the White House Council of Economic Advisers has come forward in support of Mr. Trump’s campaign.
Election Risk

Economists were asked: Do you believe that the uncertainty from the presidential election process is having detrimental effects on the economy this year? No, there’s been no meaningful economic effect. Yes, but only somewhat. Yes, a significant detriment.

March May June July Aug Sept. 02 55 75 100

But even leaving aside the unusual issues from this particular election, there’s an unusual tendency of recessions to happen in close proximity to presidential elections.

Kevin Hassett and Joseph Sullivan recently documented that the U.S. enters recessions about twice as frequently in the year after a presidential election compared with all other years. Five of the last 11 recessions landed in that window. The National Bureau of Economic Research has estimated recession dates back to 1854. In that period, 41% of recessions have fallen in the time window that only comprises 25% of months (the year after an election, of course, comes every fourth year).

In the book “Electing Recession,” Jason Schenker, the president of Prestige Economics, slices recession dates around elections a number of different ways. However sliced, recessions tend to fall quite close to elections. Mr. Schenker calls this the “election-recession window” and argues we are in that dangerous window now.

“I was surprised to see such a close correlation between these recession starts and the timing of elections,” Mr. Schenker said.

Ominously, Mr. Schenker also notes the U.S. has never had three consecutive presidential terms without a new recession starting. While President Barack Obama took office during a recession, none started during his terms. (This is another way of saying that this economic expansion, though weak by many measures, is already unusually long.)

Both Mr. Schenker and Mr. Hassett, in interviews, were careful to say the cause here is not entirely clear and the sample size is small, with only 11 recessions since World War II, and only 33 in the full record to the 1850s. It’s plausible the finding is largely a coincidence, or has some other cause. (The same research technique shows recessions disproportionately follow the Summer Olympics—true, but unlikely to be causal).

Research into economic uncertainty offers some clues. Mr. Hassett points to indexes of policy uncertainty: “In a presidential election year, when do they peak? Policy uncertainty is at peak right at the moment of the election.” It makes sense elevated uncertainty could do real economic damage, and so maybe the nail-biting resolution of elections causes the economy to stumble.

On the surface, it seems plausible presidential candidates can seize the economy’s rudder so firmly they quickly alter the course of the economy. But looking at individual episodes makes it less clear why this would be.

For example, recessions occurred shortly after both of President Dwight Eisenhower’s elections. It’s not obvious what about President Eisenhower would have sent the economy on these brief tumbles (both recessions were short in duration and the economy was generally good during the 1950s). A recession
began shortly after President Ronald Reagan was elected, but most economists will say this was caused by higher interest rates from the Fed following a long period of inflation. Stories about the election being the cause quickly become convoluted.

Maybe it’s just a disturbing historical coincidence. Maybe this particular election will be fine, too. But it’s not hard to see why forecasters are reluctant to sound the all-clear
Why the Homeownership Rate Will Never Return to Pre-Crisis Peak

Over the past four decades, the U.S. has seen a dramatic increase in the proportion of homeowners to the U.S. population, peaking just short of 70% in the first quarter of 2005, according to the U.S. Census Bureau. Since then, homeownership has declined to the low 60s. The rate of homeownership is likely to continue to decline further into the mid-to-low 50s as changes in demographic trends, increased regulation and stagnant real incomes all work to make the dream of homeownership more difficult to achieve.

The housing boom of the 2000s was a bubble supported not just by easy credit, but also by a wave of Americans entering peak childbearing and household-spending years. As these relatively affluent households age and migrate away from single-family homeownership, there is an insufficient supply of new homeowners to replace them.

While the recovery of U.S home prices from their nadir in 2012 was largely driven by a lack of supply, the longer term challenge facing the industry will be a dearth of demand — namely, homebuyers and mortgage credit.

Along with the demographic headwinds facing the housing market, increased regulation will also be a drag on housing. The Dodd-Frank Act marked an expansion of federal oversight over the housing market that excludes roughly one-third of all Americans from the possibility of getting a mortgage. More stringent regulation has also reduced the willingness of depositaries to make new loans to borrowers with less than pristine credit or to support the secondary markets for mortgages.

Federal housing finance regulation has increased the cost of originating and servicing a mortgage loan several-fold, resulting in a drain of capital out of the housing sector. As Kroll Bond Rating Agency noted in "Mortgage Servicing Rights: Catching the Falling Knife," the markets for MSRs, as well as the cash markets for securities issued by Fannie Mae, Freddie Mac and Ginnie Mae, presently are seeing an alarming reduction of liquidity. Banks are no longer willing to buy MSRs. Only three of the top 25 seller/servicers in the Federal Housing Administration loan market, for example, are depositaries and this number is likely to fall further.

Another factor that will likely be a negative influence on homeownership rates in the U.S. is income. Income growth in the U.S., both nominal and in real, inflation-adjusted terms, has been flat for years. Consumers have adjusted to this fact by moving toward two income households and longer duration mortgages in order to buy a home.

The U.S. housing industry has gradually pushed the limits of leverage and credit in residential housing. In the 1970s, national banks were just starting to look at real estate as an asset class. Permitted loan-to-value ratios were in the 50% range. Ed Pinto at American Enterprise Institute reiterates in a recent Real Clear Markets comment that "today's FHA borrower can purchase a home selling for twice as much as one with the underwriting standards in place in 1954 — but without a dollar's increase in income!"
The key tenet of neo-Keynesian economics as practiced in the U.S. is to pull tomorrow’s sale into today. The Federal Open Market Committee has maintained progressively lower levels of average interest rates, in large part to boost activity in the housing and consumer sectors. Over the next four decades, demographics, regulation and the fact that interest rates cannot go any lower may make traditional policy tools far less effective.
MBA: 2Q Commercial/Multifamily Delinquencies Remain Low

Delinquency rates for commercial and multifamily mortgage loans remained low in the second quarter, the Mortgage Bankers Association reported in its Commercial/Multifamily Delinquency Report.

MBA said based on unpaid principal balance of loans, delinquency rates for each group at the end of the second quarter were as follows:

--Banks and thrifts (90 or more days delinquent or in non-accrual): 0.66 percent, a decrease of 0.07 from the first quarter;
--Life company portfolios (60 or more days delinquent): 0.11 percent, an increase of 0.05 from the first quarter;
--Fannie Mae (60 or more days delinquent): 0.07 percent, an increase of 0.01 percentage points from the first quarter.
--Freddie Mac (60 or more days delinquent): 0.02 percent, a decrease of 0.02 percentage points from first quarter;
--Commercial mortgage-backed securities (30 or more days delinquent or in REO): 4.04 percent, an increase of 0.17 percentage points from the first quarter.

"For most capital sources, commercial and multifamily mortgage delinquency rates are near the lowest levels seen during the past 20 years," said MBA Vice President of Commercial Real Estate Research Jamie Woodwell. "Strong property fundamentals, rising property values and solid mortgage availability are all supporting these rates."

The MBA analysis looks at commercial/multifamily delinquency rates for five of the largest investor-groups: commercial banks and thrifts, CMBS, life insurance companies, Fannie Mae, and Freddie Mac. Together these groups hold more than 80 percent of commercial/multifamily mortgage debt outstanding.

The analysis incorporates the same measures used by each individual investor group to track the performance of their loans. Because each investor group tracks delinquencies in its own way, delinquency rates are not comparable from one group to another.

Construction and development loans are not included in the numbers presented here, but are included in many regulatory definitions of ‘commercial real estate’ despite the fact they are often backed by single-family residential development projects rather than by office buildings, apartment buildings, shopping centers, or other income-producing properties. The Federal Deposit Insurance Corp. delinquency rates for bank and thrift held mortgages reported here do include loans backed by owner-occupied commercial properties.
GSEs to Offer New Refinancing for High LTV Borrowers

The Federal Housing Finance Agency said Fannie Mae and Freddie Mac will implement a new refinance offering aimed at borrowers with high loan-to-value ratios.

FHFA also announced that the Home Affordable Refinance Program, which was set to expire this Dec. 31, will be extended through September 2017.

The new refinance offering is more targeted than HARP, but as with HARP, eligible borrowers are not subject to a minimum credit score, there is no maximum debt-to-income ratio or maximum LTV and an appraisal in many cases would not be required. Unlike HARP, there are no eligibility cut-off dates connected with the new offering and borrowers will be able to use it more than once to refinance their mortgage. Borrowers with existing HARP loans are not eligible for the new offering unless they have refinanced out of HARP using one of the GSEs' traditional refinance products.

FHFA Director Mel Watt said the new refinance offering will provide much-needed liquidity for borrowers who are current on their mortgage but are unable to refinance through traditional programs because their LTV ratio exceeds the GSEs' maximum limits.

"Providing a sustainable refinance opportunity for high LTV borrowers who have demonstrated responsibility by remaining current on their mortgage makes financial sense both for borrowers and for the Enterprises," Watt said. "This new offering will give borrowers the opportunity to refinance when rates are low, making their mortgages more affordable and thus reducing credit risk exposure for Fannie Mae and Freddie Mac."

To qualify for the new offering, borrowers: (1) must not have missed any mortgage payments in the previous six months; (2) must not have missed more than one payment in the previous 12 months; (3) must have a source of income; and (4) must receive a benefit from the refinance such as a reduction in their monthly mortgage payment.

The new high LTV streamlined refinance offering will not be available to borrowers until October 2017. Therefore, FHFA created a bridge to the program by extending HARP through Sept. 30, 2017.

Watt said the extension was necessary to ensure that high-LTV borrowers who are eligible for HARP would not be without a refinance option until the new program goes online.

FHFA said more than 3.4 million homeowners already having refinanced their mortgage through HARP, but more than 300,000 U.S. homeowners could still refinance through the program.

Fannie Fact Sheet link: https://www.fanniemae.com/content/fact_sheet/high-ltv-refi.pdf.

How Would a Fed Rate Hike Affect the Mortgage Industry?

The August jobs report from the Bureau of Labor Statistics fell short of expectations, leaving many to pull back on their predictions that the Federal Reserve will raise short-term interest rates in September. Many analysts and industry participants are saying December is more likely for a Fed rate hike if the economy shows sufficient improvement.

December would make it exactly one year since the Fed’s historic liftoff from near zero interest rates, where the rates had been for the past nine years.

Meanwhile, mortgage rates have hovered above their historic lows for the past few months and have been below four percent for the whole year (Freddie Mac reported the average 30-year FRM at 3.46 percent for the week ending September 1, only 15 basis points above the all-time low). What effect will a Fed rate hike have on the mortgage market?

According to one analyst, refinances are popular and are likely going to stay that way from the time up until the Fed raises rates and even for a time afterward.

“They're going to see there was just a rate hike and they're going to say, ‘Now I truly don't want to lose this opportunity,’” Loomie said. “They might be a little complacent now because rates have been so low. A rate hike might actually kickstart people who have been sitting on the fence to really dive in before the Fed raises the rates again.”

Estimates vary as to how many borrowers are eligible to refinance, generally from seven to eight million. A rate hike by the Fed might prompt some of those borrowers eligible to refinance to take advantage of it.

“You're going to see it go from a 60-40 refi to a 50-50 and eventually to a 60-40 purchase ratio, depending on where rates end up,” Loomie said. “There are a lot of headwinds with purchase. The inventory right now is very constrained, home prices are up, and wages haven't matched the increase in home prices. So you have a market where purchases have a lot of headwinds, and refis have a lot less headwinds than purchases do. So we're hoping to see some of those market factors correct themselves over the next six to 12 months, as in wages going up, unemployment continuing to go down and remain
strong, and then we see inventory picking up because we have a lot of builders picking up inventory and really hitting the market again. Hopefully the inventory and the market characteristics are there to match and increase in purchase. If we see that, I think you'll see purchases pick up the slack from refi when the rates go up.”
MBA president: The next President needs a housing policy director

While the past eight years have been dominated by the housing crisis, it’s time to turn a new page and create policy that will reflect the evolved housing market, according to a blog for The Hill by David Stevens, Mortgage Bankers Association president and CEO.

During the past eight years, policy makers have focused on policies that help families in distress, however now we are well beyond the crisis, the blog states. Part of turning this new page should be creating a position for a point person responsible for coordinating and executing on the new policy.

Efforts to expand the development of affordable rental housing needs a firm Administration commitment via the expansion of the Low-Income Housing Tax Credit (LIHTC) and public/private partnerships to encourage the development of safe, sustainable, and affordable rental workforce housing.

Today, lenders are being discouraged from lending to first-time home buyers by unclear rules and overly aggressive and inappropriate enforcement actions by the government agencies. The overlapping regulatory framework, where the states are piling on top of federal, on top of international, has put lenders in a defensive position, forcing them to into the most conservative lending posture in order to meet the lowest common denominator. Needless to say this morass of bureaucracy must be addressed.

In short, the administration needs a change in approach towards housing, and that will fall to the next president to lead, according to the blog.

Unfortunately, however, neither presidential candidate has put much emphasis on housing throughout their campaign. This is despite the fact that 76% of Americans who are likely to vote in the 2016 presidential election say they are more likely to support candidates who make housing affordability a focus of their campaigns and a priority in government, according to a national public opinion poll by Make Room, a nationwide campaign giving voice to American renters.
**Mortgage Debt Continues to Grow**

Eye on Housing’s Michael Neal reports that the outstanding amount of housing-related debt (of both home mortgages and equity lines of credit) totaled $8.8 trillion in the second quarter of 2016, according to the Household Debt and Credit Report released by the Federal Reserve Bank of New York.

That number is 2.6%, or $225 billion, greater than the level from one year ago. However, the outstanding amount of home equity lines of credit declined by 4.2% ($225 billion) greater than the level one from last year marking the 26th consecutive quarter of annual declines.

Over this period, HELOCs have shrunk by 32.3%. In contrast, home mortgage debt rose over the year by 3.0%, $246 billion. The second quarter of 2016 marks the 11th consecutive quarter of annual growth. Over this period home mortgage debt has risen by 5.9%, but remains 10.0% below its pre-recession peak level.