

Builder

Realtor D.C. Confab Tackles Home Ownership

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Senator Heitkamp specifically singled out tax reform legislation passed in the U.S. Senate, calling the bill a "systematic dismantling" of the incentive structure for home ownership. Heitkamp also spoke to the need to reform the government-sponsored enterprises, as well as the importance of protecting and preserving the 30-year fixed rate mortgage.

Chairman Jeb Hensarling (R-Texas) of the House Financial Services Committee also addressed attendees, offering reminders of why sustainable home ownership is so important to protecting both taxpayers and the overall economy.

Hensarling cited what he called the "unsustainable housing finance roller coaster" that caused the Great Recession. He said this "lost decade" represented 10 years of lost economic growth and should guide policy makers looking to improve financial and mortgage systems in the years ahead.

"The lesson is clear: Housing unsustainability doesn't just create unaffordability," he said. "It can create economic catastrophe."

Nobel Prize winning economist Dr. Robert Shiller echoed those reminders as he offered the event's keynote address. Citing data on public perceptions of home price appreciation, Dr. Shiller noted the measurable rise in exuberance for real estate investment that led up to the 2007 housing crash.

"People saw that they had this opportunity of a lifetime to borrow at 6% and invest at 12%," Shiller said. "But where did this expectation come from?"

Dr. Shiller also cited home sales prices as an important market indicator. He noted that when homes are appreciating they tend to sell above the asking price more often than when home values are in decline. But even more interestingly, Shiller said that homes selling above the asking price is a recent phenomenon that offers clues about exuberance in the market.

In addition, Dr. Shiller said that general impressions about the inherent risk of buying a home can indicate the presence of a bubble. He shared data showing that over the past decade, the public sentiment about the inherent risks of buying a home peaked in 2006. Separately, however, Shiller noted the return of what he called the "buyer's panic," where potential buyers fear that they will be priced out if they don't purchase a home soon.

Shiller said he shared this information as a reminder of the complexity of overall housing markets.

"It's not just interest rates and tax law that drive prices in speculative markets," Shiller said. Following Dr. Shiller's remarks, Politico's financial reporter Lorraine Woellert moderated a panel of experts. These included Dr. Beth Ann Bovino, chief U.S. economist at S&P Global Ratings; Jessica Lautz, managing director of survey research and communication at NAR; and Layla Zaidane, chief operating officer of the Millennial Action Project. The panel spoke to ongoing concerns that student debt is contributing to the challenges facing young home buyers. Asked if the low rates of home ownership among young adults will solve itself, Bovino said "eventually, time will start to soften the impact of those high student loans. Jobs are coming around, wages are picking up." But for now, the experts agreed that the issue is having a real impact on the market.

"When we look at the spectrum of those who have student loan debt, only 55% of them are making their payments on time," Lautz said. For many of these individuals, she said, home ownership is simply not an option. But even among those who are currently making their payments, Lautz said home ownership is still largely out of reach.

"Among millennial student loan borrowers who are current on their payments, 80% are not homeowners," said Lautz. When they are buying, she added, they tend to buy in the suburbs where homes are most affordable.

In a separate panel, Dr. Lawrence Yun of NAR, Alex Nowrasteh of the Cato Institute, and Boyd Campbell of Century 21 addressed affordability concerns in a discussion on supply and demand issues facing the current housing market.

Noting a 4-month supply of homes nationwide, Yun said, "Prices have risen roughly 40% in the past five years, while people's income has risen at a much slower rate. This rise in prices forces an affordability concern."

Yun said that puts home ownership out of reach for many buyers, and added that this isn't simply a real estate concern, but also a labor market concern as college-educated workers leave areas where the job market is strong but home prices are relatively high.

Earlier this year, at the 2017 Realtors[®] Conference & Expo, Yun forecasted that single-family housing starts will jump 9.4% to 950,000 in 2018, well below the 50-year average of around 1.2 million starts.

"Prospective home buyers face headwinds from the market, in the halls of Congress and in their own family's budgets," said NAR President Elizabeth Mendenhall, a sixth-generation Realtor[®] from Columbia, Missouri and CEO of RE/MAX Boone Realty. "We can't solve them all, but we know more can be done to smooth the way for creditworthy borrowers who want to own a home."