Congress:

Don't Raise the Cost of Homeownership

As Congress considers the Transportation Reauthorization Bill, we strongly urge that you not use Fannie and Freddie guarantee fees to fund this legislation. These fees will be passed through to borrowers, adding a financial burden on America's future homebuyers.

The decision Congress makes will create an obstacle to future homebuyers. This fee will raise the cost to purchase or refinance a home, and disproportionately impact low and moderate income borrowers, as well as first time homebuyers.

Congress: Don't Raise the Cost of Homeownership

American Land Title Association
Protect your property rights

MBa
MORTGAGE BANKERS ASSOCIATION

NAHB
National Association of Home Builders

REALTOR®
NATIONAL ASSOCIATION of REALTORS®

November 4, 2015

The Honorable Paul Ryan
Speaker
U.S. House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
H-204, The Capitol
Washington, D.C. 20515

Dear Speaker Ryan and Leader Pelosi:

The undersigned organizations urge the House to adopt the Neugebauer-Huizenga amendment to H.R. 22, the DRIVE Act, which would remove two harmful provisions from the Senate version of the bill.

The Neugebauer-Huizenga amendment would remove from H.R. 22 a harmful proposal to reduce the dividend paid on Federal Reserve stock that would have significant negative consequences on banks of all sizes across the country. Member banks of the Federal Reserve are required by law to purchase stock in regional Federal Reserve Banks. This stock may not be sold, transferred or even used as collateral, unlike virtually every other asset a bank holds. These funds represent "dead capital" for the financial institution. The dividend that the Senate is considering reducing reflects the unique structure and constraints of this arrangement that is required by law, as this is money that otherwise would be used by banks for lending and to provide other services to customers.

The Neugebauer-Huizenga amendment would also remove from H.R. 22 an extension of higher Fannie Mae and Freddie Mac guarantee fees. The purpose of these fees is to prospectively guard against credit losses at Fannie Mae and Freddie Mac. G-fees should only be used to protect taxpayers from mortgage losses, not to fund unrelated spending. Each time g-fees are extended, increased and diverted for unrelated spending, homeowners are charged more for their mortgages and taxpayers are exposed to additional risk for the long-term.
The g-fee increase was originally included in the Senate highway bill as a funding offset, but the Congressional Budget Office has scored the House bill as being budget neutral without this provision. It should be removed to ensure that potential homebuyers are not kept on the sidelines by raising the cost to purchase or refinance a home.

To ensure it is fully offset, the Neugebauer-Huizenga amendment would use the Federal Reserve's "surplus" account of earnings retained after paying operating expenses and dividends. As a result of recent changes in the way the Federal Reserve operates, these retained earnings are no longer necessary. This amendment would use funds from this account to pay for the extension of the Highway Trust Fund.

We urge the House to pass the Neugebauer-Huizenga amendment to H.R. 22.

America's Homeowner Alliance

American Escrow Association

American Bankers Association

American Land Title Association

Center for Responsible Lending

The Clearing House

Community Home Lenders Association

Consumer Bankers Association

Consumer Mortgage Coalition

Credit Union National Association

The Financial Services Forum

Financial Services Roundtable

Habitat for Humanity International

Homeownership Preservation Foundation

Independent Community Bankers of America

Leading Builders of America

Mid-size Bank Coalition of America

Mortgage Bankers Association

National Association of Hispanic Real Estate Professionals

National Association of Home Builders

National Association of Real Estate Brokers

National Association of REALTORS®

Real Estate Services Providers Council, Inc.

The Realty Alliance

Securities Industry and Financial Markets Association

U.S. Chamber of Commerce Center for Capital Markets Competitiveness

U.S. Mortgage Insurers

October 30, 2015

The Honorable Pete Sessions
Chairman
The Committee on Rules
U.S. House of Representatives
2233 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Louise M. Slaughter
Ranking Member
The Committee on Rules
U.S. House of Representatives
2469 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Sessions and Ranking Member Slaughter:

As your committee drafts the rule that will govern House consideration of transportation reauthorization legislation, our members respectfully request that you uphold the Fiscal Year 2016 Budget Resolution, which prohibits the use of guarantee fees (g-fees) charged by Fannie Mae and Freddie Mac to be scored as an offset.

The purpose of the g-fee is to prospectively guard against credit losses at Fannie Mae and Freddie Mac. G-fees should only be used to protect taxpayers from mortgage losses, not to fund unrelated spending. Each time g-fees are extended, increased and diverted for unrelated spending, homeowners are charged more for their mortgages and taxpayers are exposed to additional risk for the long-term.

Using Fannie Mae and Freddie Mac as piggybanks in the transportation reauthorization bill will keep potential homebuyers on the sidelines as it will raise the cost to purchase or refinance a home. This action will disproportionately impact low- and moderate-income borrowers, as well as first-time homebuyers. Also, attempts to increase or extend these fees will make it more difficult to reform our housing finance system.

Congress has already explicitly agreed with our position. To ensure that Fannie Mae and Freddie Mac g-fees are only used to offset credit risks, Section 3110 of the Fiscal Year Budget Resolution prohibits the inclusion of revenue from g-fees when calculating offsets for legislation.

We are united in our belief that using g-fees as a funding mechanism for transportation funding shifts the burden to homeowners and the housing sector in a manner that prevents Fannie Mae and Freddie Mac from effectively managing their risk. We urge you to uphold the Fiscal Year 2016 Budget Resolution and preserve Members' ability to lodge points of order against the use of g-fees as an offset in the transportation reauthorization bill.

Sincerely,

American Land Title Association

Mortgage Bankers Association

National Association of Home Builders

National Association of REALTORS®

cc: Members of the U.S. House of Representatives Committee on Rules

Keep G-Fees Out of the Highway Bill

Dear Colleague:

We all support a well-designed highway program for America.

We do not support a "home buyers' tax" to finance a highway program. Neither do the 32 organizations who signed the attached letter on September 15, 2015.

ANDY BARR	BRAD SHERMAN
Member of Congress	Member of Congress

September 15, 2015

The Honorable John Boehner
Speaker
U.S. House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
H-204, The Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
S-230, The Capitol
Washington, DC 20510

The Honorable Harry Reid
Minority Leader
United States Senate
S-221, The Capitol
Washington, DC 20510

Dear Speaker Boehner, Leader Pelosi, Leader McConnell and Leader Reid,

As Congress returns to Washington, and congressional leaders resume their negotiations for a long term transportation reauthorization, our organizations respectfully request that you refrain from utilizing Fannie Mae and Freddie Mac's ("the GSEs") credit risk guarantee fees ("g-fees") as a source of funding for any extension of highway programs or any other purpose beyond supporting the companies' safety and soundness.

G-fees are a critical risk management tool used by Fannie Mae and Freddie Mac to protect against losses from loans that default. Increasing g-fees for other purposes – even just extending the current incremental fee increase added to offset the cost of the payroll tax holiday for four years – imposes an unjustified burden on the housing finance system. It is important to note that g-fees are included within the cost structure for all Fannie Mae and Freddie Mac backed mortgages and are paid by borrowers over the entire life of their loans. Thus any increase imposed now would continue to be paid by borrowers with GSE mortgages for many years beyond the proposed 3-year imposition of the additional fee.

The nation's housing market remains in a precarious state. The unintended impact of this proposed g-fee increase extension will be to keep housing consumers on the sideline, preventing the absorption of our nation's large real-estate owned inventory, as well as curtailing refinance activity that is needed to keep creditworthy borrowers in their homes. Such a fee would be a regressive tax, imposing the largest burden on low- and moderate-income borrowers and borrowers with low wealth who already face serious obstacles in obtaining fair and sustainable credit. Moreover, many of these borrowers struggling to obtain homeownership are disproportionately Latino and African-American. Adding an additional fee to mortgages for unrelated expenses would only increase the hurdles these families already face in achieving the American dream of homeownership.

We understand the critical need to reauthorize highway programs. However, we are united in our belief that using g-fees as a funding mechanism for this purpose shifts the burden to homeowners and the housing sector in a manner that prevents the GSEs from effectively managing their risk and managing their duty to ensure that creditworthy borrowers from underserved communities have access to sustainable credit.

Thank you for your consideration of this very important matter.

America's Homeowner Alliance
American Bankers Association American Escrow Association
American Land Title Association
Asian Real Estate Association of America
Center for Responsible Lending
Community Associations Institute
Community Home Lenders Association
Community Mortgage Lenders of America
Consumer Federation of America
Consumer Mortgage Coalition
Credit Union National Association
Homeownership Preservation Foundation
Housing Policy Council of the Financial Services Roundtable
Independent Community Bankers of America
The Leadership Conference on Civil and Human Rights
Leading Builders of America
Louisiana Bankers Association
Mortgage Bankers Association
National Association of Federal Credit Unions
National Association of Hispanic Real Estate Professionals
National Association of Home Builders
National Association of Mortgage Brokers
National Association of REALTORS®
National Association of Real Estate Brokers
National Community Reinvestment Coalition
National Council of State Housing Agencies
National Consumer Law Center (on behalf of its low-income clients)
National Housing Conference
Real Estate Services Providers Council, Inc.
The Realty Alliance
U.S. Mortgage Insurers

September 15, 2015

The Honorable John Boehner
Speaker
U.S. House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
H-204, The Capitol
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The Honorable Mitch McConnell
Majority Leader
United States Senate
S-230, The Capitol
Washington, DC 20510

The Honorable Harry Reid
Minority Leader
United States Senate
S-221, The Capitol
Washington, DC 20510

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The nation’s housing market remains in a precarious state. The unintended impact of this proposed g-fee increase extension will be to keep housing consumers on the sideline, preventing the absorption of our nation’s large real-estate owned inventory, as well as curtailing refinance activity that is needed to keep creditworthy borrowers in their homes. Such a fee would be a regressive tax, imposing the largest burden on low- and moderate-income borrowers and borrowers with low wealth who already face serious obstacles in obtaining fair and sustainable credit. Moreover, many of these borrowers struggling to obtain homeownership are disproportionately Latino and African-American. Adding an additional fee to mortgages for unrelated expenses would only increase the hurdles these families already face in achieving the American dream of homeownership.

We understand the critical need to reauthorize highway programs. However, we are united in our belief that using g-fees as a funding mechanism for this purpose shifts the burden to homeowners and the housing sector in a manner that prevents the GSEs from effectively managing their risk and managing their duty to ensure that creditworthy borrowers from underserved communities have access to sustainable credit.

Thank you for your consideration of this very important matter.

America's Homeowner Alliance

American Bankers Association

American Escrow Association

American Land Title Association

Asian Real Estate Association of America

Center for Responsible Lending

Community Associations Institute

Community Home Lenders Association

Community Mortgage Lenders of America

Consumer Federation of America

Consumer Mortgage Coalition

Credit Union National Association

Homeownership Preservation Foundation

Housing Policy Council of the Financial Services Roundtable

Independent Community Bankers of America

The Leadership Conference on Civil and Human Rights

Leading Builders of America

Louisiana Bankers Association

Mortgage Bankers Association

National Association of Federal Credit Unions

National Association of Hispanic Real Estate Professionals

National Association of Home Builders

National Association of Mortgage Brokers

National Association of REALTORS®

National Association of Real Estate Brokers

National Community Reinvestment Coalition

National Council of State Housing Agencies

National Consumer Law Center (on behalf of its low-income clients)

National Housing Conference

Real Estate Services Providers Council, Inc.

The Realty Alliance

U.S. Mortgage Insurers

CC: The Honorable Jeb Hensarling, Chairman of the House Committee on Financial Services
The Honorable Maxine Waters, Ranking Member of the House Committee on Financial Services
The Honorable Richard Shelby, Chairman of the Senate Committee on Banking, Housing, & Urban Development
The Honorable Sherrod Brown, Ranking Member of the Senate Committee on Banking, Housing, & Urban Development
The Honorable Paul Ryan, Chairman of the House Committee on Ways & Means
The Honorable Sander Levin, Ranking Member of the House Committee on Ways and Means
The Honorable Bill Shuster, Chairman of the House Committee on Transportation & Infrastructure
The Honorable Peter DeFazio, Ranking Member of the House Committee on Transportation & Infrastructure
The Honorable James Inhofe, Chairman of the Senate Committee on Environment & Public Works
The Honorable Barbara Boxer, Ranking Member of the Senate Committee on Environment & Public Works
The Honorable Orrin Hatch, Chairman of the Senate Committee on Finance
The Honorable Ron Wyden, Ranking Member of the Senate Committee on Finance
The Honorable John Thune, Chairman of the Senate Committee on Science, Commerce, & Transportation
The Honorable Bill Nelson, Ranking Member of the Senate Committee on Science, Commerce, & Transportation

NATIONAL ASSOCIATION of REALTORS®
REALTOR®

Chris Polychron, CIPS, CRS, GRI
2015 President

Dale A. Stinton
Chief Executive Officer

GOVERNMENT AFFAIRS DIVISION
Jerry Giovaniello, Senior Vice President
Gary Weaver, Vice President
Joe Ventrone, Vice President
Scott Reiter, Vice President
Jamie Gregory, Deputy Chief Lobbyist

500 New Jersey Ave., NW
Washington, DC 20001-2020
Ph. 202-383-1194 Fax 202-383-7580
www.REALTOR.org

September 9, 2015

United States Senate
Washington, D.C. 20510

Dear Senator:

As lawmakers resume their negotiations for a long-term transportation bill, the more than one million members of the National Association of REALTORS® (NAR) respectfully request that you oppose any legislation that utilizes Fannie Mae and Freddie Mac's credit risk guarantee fees (g-fees) to offset costs associated with the extension of highway programs.

G-fees are a critical risk management tool used by Fannie Mae and Freddie Mac to protect against losses from faulty loans, and should be used only to manage the companies' credit risks. Increasing g-fees for other purposes – even just extending the current fee increase for four years – effectively taxes potential homebuyers and consumers looking to refinance their mortgages.

Our nation's housing sector is still recovering, with some market segments remaining in a delicate state. An increase in g-fees would disturb the housing recovery as it would raise the cost to purchase or refinance a home for many Americans. NAR believes this action will disproportionately impact low and moderate income borrowers, as well as first-time homebuyers who are currently the majority users of FHA loans. Finally, implementing a g-fee increase that is unrelated to housing needs could also act to hinder the necessary reforms required of the housing finance system for the foreseeable future.

NAR understands the need for a long-term reauthorization of highway programs in order to help strengthen our country's infrastructure. However, NAR strongly believes that taxing homeowners as a transportation funding mechanism places an unnecessary long lasting burden on consumers and prevents Fannie Mae and Freddie Mac from effectively managing their risk.

Thank you for your consideration of this very important matter.

Sincerely,

Chris Polychron
2015 President, National Association of REALTORS®

NATIONAL ASSOCIATION of REALTORS®

REALTOR®

Chris Polychron, CIPS, CRS, GRI
2015 President

Dale A. Stinton
Chief Executive Officer

GOVERNMENT AFFAIRS DIVISION
Jerry Giovaniello, Senior Vice President
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500 New Jersey Ave., NW
Washington, DC 20001-2020
Ph. 202-383-1194 Fax 202-383-7580
www.REALTOR.org

September 9, 2015

U.S. House of Representatives
Washington, DC 20515

Dear Representative:

As lawmakers resume their negotiations for a long-term transportation bill, the more than one million members of the National Association of REALTORS® (NAR) respectfully request that you oppose any legislation that utilizes Fannie Mae and Freddie Mac's credit risk guarantee fees (g-fees) to offset costs associated with the extension of highway programs.

G-fees are a critical risk management tool used by Fannie Mae and Freddie Mac to protect against losses from faulty loans, and should be used only to manage the companies' credit risks. Increasing g-fees for other purposes – even just extending the current fee increase for four years – effectively taxes potential homebuyers and consumers looking to refinance their mortgages.

Our nation's housing sector is still recovering, with some market segments remaining in a delicate state. An increase in g-fees would disturb the housing recovery as it would raise the cost to purchase or refinance a home. NAR believes this action will disproportionately impact low and moderate income borrowers, as well as first-time homebuyers who are currently the majority users of FHA loans. Finally, implementing a g-fee increase that is unrelated to housing needs could also act to hinder the necessary reforms required of the housing finance system for the foreseeable future.

NAR understands the need to reauthorize highway programs and help strengthen our country's infrastructure. However, NAR strongly believes that taxing homeowners as a transportation funding mechanism places an unnecessary long-term burden on consumers and prevents Fannie Mae and Freddie Mac from effectively managing their risk.

Thank you for your consideration of this very important matter.

Sincerely,

Chris Polychron
2015 President, National Association of REALTORS®

EQUAL HOUSING OPPORTUNITY

July 27, 2015

The Honorable Mike Crapo
U.S. Senate
239 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Mark Warner
U.S. Senate
475 Russell Senate Office Building
Washington, D.C. 20510

Dear Senators Crapo and Warner:

The undersigned organizations write in support of your amendment, #2399, offered to H.R. 22, the legislative vehicle for a multi-year extension of the highway bill. Your amendment would remove a four-year extension of the 10-year, 10 basis point increase in Fannie Mae's and Freddie Mac's credit risk guarantee fees (g-fees) that originally passed Congress in 2011.

Our members were deeply troubled when the original increase passed in 2011. That increase has harmed homebuyers and consumers – and will continue to do so for the duration of the provision's 10-year lifespan. Since then, whenever Congress has considered using g-fees to cover the cost of programs unrelated to housing, our members have united to emphatically let Congress know that homeownership cannot, and must not, be used as the nation's piggybank. And now we are united again, to make that same statement regarding the use of these fees to pay for the highway bill.

G-fees are a critical risk management tool used by Fannie Mae and Freddie Mac to protect against losses from faulty loans. Increasing g-fees for other purposes – even just extending the current fee increase for four years – effectively taxes potential homebuyers and consumers looking to refinance their mortgages.

The nation's housing sector remains in a precarious state. Though we are continuing to see signs of improvement, we must avoid taking any steps that may retard that recovery and ultimately send our overall economy into another tailspin. The unintended impact of this proposed g-fee increase would be to keep housing consumers on the sideline, preventing the absorption of our nation's large real-estate owned inventory, as well as curtailing refinance activity that is needed to keep responsible borrowers in their homes. Furthermore, implementing yet another g-fee increase unrelated to housing needs will act to hinder the necessary reforms required of the GSEs in the years ahead.

We understand the need to reauthorize highway programs. However, we are united in our belief that using g-fees as a funding mechanism for this purpose shifts the burden to homeowners and the housing sector in a manner that prevents Fannie Mae and Freddie Mac from effectively managing their risk.

Thank you for your efforts to remove this troublesome provision from H.R. 22.

American Bankers Association

American Land Title Association

Community Mortgage Lenders of America

Consumer Mortgage Coalition

Credit Union National Association

Housing Policy Council of the Financial Services Roundtable

Independent Community Bankers of America

Leading Builders of America

Mortgage Bankers Association

National Association of Federal Credit Unions

National Association of Homebuilders

National Association of REALTORS®

U.S. Mortgage Insurers

Cc: The Honorable Mitch McConnell, Majority Leader
The Honorable Harry Reid, Minority Leader
The Honorable Richard Shelby, Chairman, Senate Committee on Banking, Housing, & Urban Affairs
The Honorable Sherrod Brown, Ranking Member, Senate Committee on Banking, Housing, & Urban Affairs

United States Senate

WASHINGTON, DC 20510

July 22, 2015

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Harry Reid
Democratic Leader
United States Senate
Washington, DC 20510

Dear Leader McConnell and Leader Reid:

We ask that you uphold the Fiscal Year 2016 Budget Resolution, which prohibits the use of guarantee fees charged by Fannie Mae and Freddie Mac to be scored as an offset.

The purpose of the guarantee fee is to guard against prospective Fannie and Freddie credit losses from borrower defaults. Using guarantee fees in spending legislation double-counts revenue. Further increases of guarantee fees should be used to protect taxpayers from mortgage losses and as repayment for the bailout, not for unrelated programs.

Each time guarantee fees are extended, increased and diverted for unrelated spending, homeowners are charged more for their mortgages and taxpayers are exposed to additional risk. Attempts to increase or extend these fees makes it more difficult to reform our housing finance system and wind down Fannie Mae and Freddie Mac.

To ensure that transfers from Fannie and Freddie to the Treasury Department are not used, Section 3110 of the Fiscal Year 2016 Budget Resolution prohibits the Congressional Budget Office from including guarantee fees when calculating offsets for legislation. As such, any legislation which purports to use guarantee fees to offset a portion of its cost will actually be in direct violation of PAYGO, with the overspending contained in the bill serving to greatly increase the deficit.

It is our collective responsibility to uphold our bipartisan budget scoring rule to protect against overspending that would increase the deficit. We urge you to follow-through on the commitment to not use Fannie and Freddie as a piggybank in the Budget Resolution and remove the extension of guarantee fees from the transportation reauthorization.

Sincerely,

Mike Crapo
United States Senator

Mark Warner
United States Senator

July 21, 2015

The Honorable Mitch McConnell
Majority Leader
United States Senate
S-230, The Capitol
Washington, DC 20510

The Honorable Harry Reid
Minority Leader
United States Senate
S-221, The Capitol
Washington, DC 20510

Dear Senators McConnell and Reid:

Our members respectfully request that you oppose utilizing Fannie Mae's and Freddie Mac's credit risk guarantee fees (g-fees) as a source of funding for the extension of transportation programs.

Our members were deeply troubled when, in 2011, g-fees were raised by 10 basis points for 10 years to fund a two-month extension of payroll tax relief. That increase has harmed homebuyers and consumers – and will continue to do so for the duration of the provision's 10-year lifespan. Since then, whenever Congress has considered using g-fees to cover the cost of programs unrelated to housing, our members have united to emphatically let Congress know that homeownership cannot, and must not, be used as the nation's piggybank. And now we are united again, to make that same statement regarding the use of these fees to pay for the highway bill.

G-fees are a critical risk management tool used by Fannie Mae and Freddie Mac to protect against losses from faulty loans. Increasing g-fees for other purposes – even just extending the current fee increase for four years – effectively taxes potential homebuyers and consumers looking to refinance their mortgages.

The nation's housing sector remains in a precarious state. Though we are continuing to see signs of improvement, we must avoid taking any steps that may retard that recovery and ultimately send our overall economy into another tailspin. The unintended impact of this proposed g-fee increase would be to keep housing consumers on the sideline, preventing the absorption of our nation's large real-estate owned inventory, as well as curtailing refinance activity that is needed to keep responsible borrowers in their homes. Furthermore, implementing yet another g-fee increase unrelated to housing needs will act to hinder the necessary reforms required of the GSEs in the years ahead. We also object to using the g-fees charged by Ginnie Mae in this manner. We believe this will disproportionately impact the low- and moderate-income borrowers and first-time homebuyers toward which FHA loans are targeted.

We understand the need to reauthorize highway programs. However, we are united in our belief that using g-fees as a funding mechanism for this purpose shifts the burden to homeowners and the housing sector in a manner that prevents Fannie Mae and Freddie Mac from effectively managing their risk.

Thank you for your consideration of this very important matter.

American Bankers Association

American Land Title Association

Credit Union National Association

Housing Policy Council of the Financial Services Roundtable

Leading Builders of America

Mortgage Bankers Association

National Association of Federal Credit Unions

National Association of Homebuilders

National Association of REALTORS®

United States Mortgage Insurers

The Honorable Michael Enzi
Chairman
Committee on the Budget
624 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Bernie Sanders
Ranking Member
Committee on the Budget
624 Dirksen Senate Office Building
Washington, DC 20510

March 13, 2015

Dear Chairman Enzi and Ranking Member Sanders:

The undersigned organizations wish to express our support for the amendment offered by Senators Crapo, Warner, Corker, and Merkley to ensure Fannie Mae and Freddie Mac credit risk guarantee fees (g-fees) are no longer used to offset the costs associated with unrelated policies that increase the deficit. The Senate adopted similar, bipartisan language during the 113th Congress in response to several attempts to use g-fees to offset unrelated expenditures.

G-fees are a critical risk management tool used by Fannie Mae and Freddie Mac to protect against losses from faulty loans, and should be used only to manage the companies' credit risk. Increasing g-fees for other purposes effectively taxes potential homebuyers and consumers wishing to refinance their mortgages. G-fee increases unrelated to housing could also act to hinder the necessary reforms required of the housing finance system in the years ahead.

We are united in our belief that using g-fees as a funding mechanism places an unnecessary burden on homeowners and prevents Fannie Mae and Freddie Mac from effectively managing their risk, and urge the Budget Committee to pass the amendment offered by Senators Crapo, Warner, Corker, and Merkley.

Sincerely,

American Bankers Association
American Land Title Association
Credit Union National Association
Financial Services Roundtable
Housing Policy Council
Mortgage Bankers Association
National Association of Federal Credit Unions
National Association of Realtors

Cc: The Honorable Mike Crapo
The Honorable Mark Warner
The Honorable Bob Corker
The Honorable Jeff Merkley

STATE of ASIA AMERICA

2015

AREAA

INTRO

NO OTHER

The Asian American community is in a no man's land. Since 2000, the Asian American community has been the fastest growing community in the US with a rapidly growing purchasing power. From educational achievements to small business ownership to professional occupations, our community continues to outpace the US population. Despite these achievements and contributions to the US economy, Asian Americans are invisible in many ways. We are viewed as "Others". Despite making up a growing segment of the professional workforce, we face a glass ceiling in the boardroom and upper management. The perception of Asian American in the media is perplexing, and usually represented as a sidekick who talks an octave too high. Despite representing the fast growing segment of the immigrant population in the US and is projected to be so for the foreseeable future, political discussion rarely touches on our community – and when it does, it usually is connected to misinformation and race-baiting comments. Even the US government fails to recognize us independently and we have been lumped in with Native Americans, Native Alaskans, and Native Hawaiian under the "other" category at the US Census Bureau.

When you aren't counted, you can't be heard. This report counts our successes and challenges, and provides a framework for thinking about the Asian American market today and into the future. This report consolidates the latest information about the Asian American community, our economy contribution to the US economy, the housing patterns of our consumers and how we fit into a global economy. Our community has much to celebrate. We outpace the US general population on nearly all major economic attributes. If you look at the pure academic achievements as a proxy for future financial strength of our community, we are certainly on the right track and will represent a highly sought after market. We have gone from a population of low-wage immigrants seeking political freedom and economic opportunities to a group of most educated and highly-skilled immigrants to set foot on the American soil. Today, approximately 50% of all Asian immigrants to the US have a bachelor's degree or higher. These individuals are moving into the professional ranks quickly and are helping to make the US economy the envy of the world.

Our community's connection into the global market is powerful. With more than half of the world's population and some of the most dynamic economies in the world, the Asian American community will continue serve as a social and economic bridge to Asia. The importance of the Asian market can be underscored by this simple fact in the global market: outside of English, Mandarin is second most useful business language in the world[1]. Technology and social media is making the world smaller, and has made the opportunity for global business even more significant. The importance of global capital for the US real estate market is growing. Without financial backing from Asian central banks and investors, US mortgage market would be more expensive and less liquid today. Beyond the institutional investors from Asia investing in US mortgage backed securities, individual Asian buyers are spending more on residential real estate than ever before. Today, Chinese buyers represent largest overseas purchaser of the US homes.

The perception of Asian Americans as industrious, intelligent, family-oriented and hard-working has served the community well for the most part. Unfortunately, this perception creates the misimpression that all "boats" in our community are raising. In fact, that's not the case. There are certain Asian American communities that are facing high poverty levels and many older Asian Americans are facing severe social and linguistic isolation. We dedicated an important section on some of the special challenges facing our community in this report.

I hope this report shines a needed light on the Asian American market and the tremendous opportunity we represent to real estate firms, financial services industry and home builders. By taking our community out of the shadows of the "other" category, we hope to generate more thoughtful dialogue and business efforts toward serving the Asian American market more effectively.

PEOPLE

ETHNIC MAKE-UP & POPULATION

+45% The AAPI population grew by more than 45% between 2000-2010, making it the fastest growing minority in the US[2]

+134% By 2050, the AAPI population is expected to explode by 134% of 2010 Census figures, to **35.6 million.**[3]

40 countries are considered Asian or a Pacific Island, but there are far more ethnicities than countries.

19.4+ million US Census estimate of 2014 AAPI population[4]

79% of those **over the age of 18** are foreign born; however, **under the age of 18, 79% were born in the US**[5]

The SOUTH & WEST made the biggest gains in AAPI population between 2000-2010.[6]

CHINA & INDIA have replaced Mexico as the largest sources of immigrants.[7]

ETHNICITIES

% of ALL AAPI and POPULATION

22%
Chinese / 3,794,673

19%
Filipino / 3,416,840

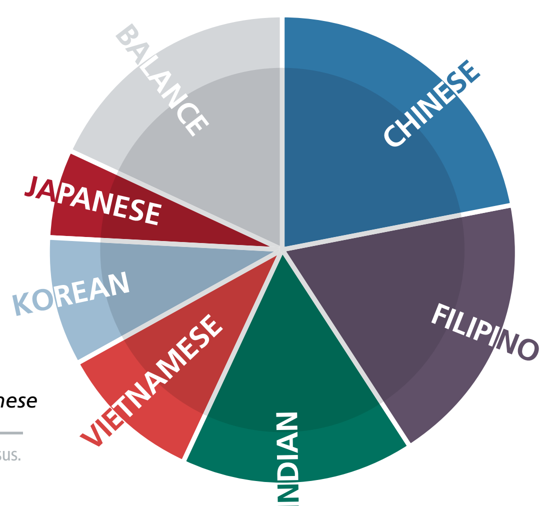
16%
Indian / 3,183,063

10%
Vietnamese / 1,737,433

9%
Korean / 1,706,822

6%
Japanese / 1,304,286

18%
Balance / 3,642,886
Includes – Pakistani, Cambodian, Hmong, Thai, Laotian, Taiwanese, Bangladeshi, Burmese, Indonesian, Nepalese, Sri Lankan, Malaysian, Bhutanese



Source: US Census Bureau, 2010 Census.

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PARTY IDENTIFICATION AMONG ASIAN AMERICAN REGISTERED VOTERS, 2014[10]

37%
Democrat

45%
Non-Identifier

17%
Republican

LANGUAGE

TOP LANGUAGES SPOKEN *(speaker population)*

CHINESE *2,380,453*

TAGALOG *1,441,799*

VIETNAMESE *1,200,709*

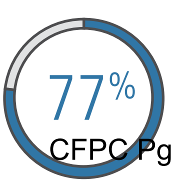
KOREAN *1,041,030*

HINDI *527,481*

JAPANESE *457,450*

Source: US Census Bureau, 2010 Census.

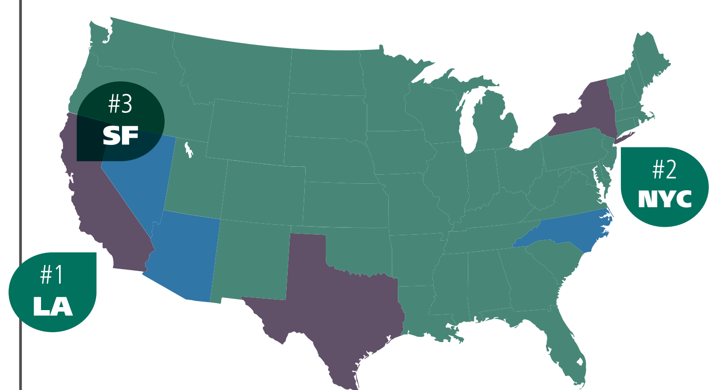
4 out 5 Asian Americans are "in-language" preferred[8]



CFPC Pg. 261

→ **Asian Americans who speak a language other than English**[9]

POPULATION



Top States

(% of State Population / #)

CALIFORNIA
15% / 5,556,592

NEW YORK
8% / 1,549,494

TEXAS
4% / 1,110,666 4%

% Growth

NEVADA
116%

ARIZONA
95%

NORTH CAROLINA
85%

Top Cities

LOS ANGELES, CA / 1.8 MILLION

NEW YORK, NY / 1.8 MILLION

SAN FRANCISCO, CA / 1.0 MILLION

Source: US Census Bureau, 2010 Census.

PEOPLE

ETHNIC MAKE-UP & POPULATION

AGE

36.0 YEARS
Median age

vs.

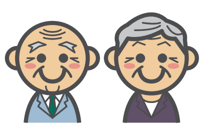
42.3 YEARS
for non-Hispanic whites

32% are in between 25-44
(most likely range that someone purchases a home)

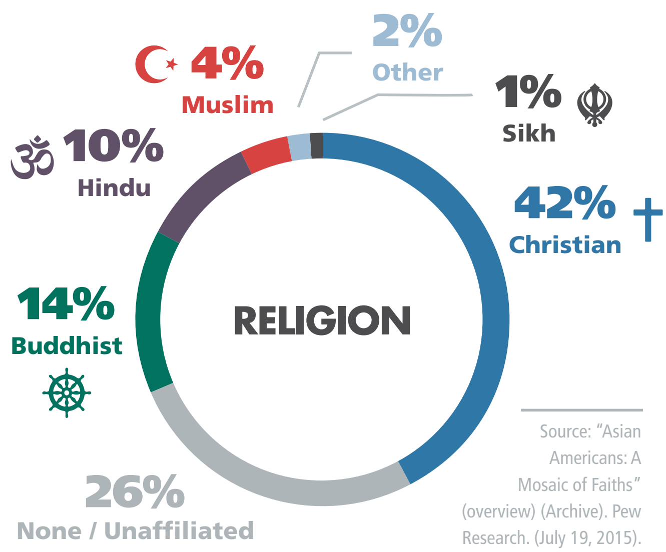
87.2 YEARS

Life Expectancy

+ Compared to 78.7 for non-Hispanic whites
+ Longest of any segment of US population



Source: 2013 Nielsen. "Significant, Sophisticated, and Savvy: The Asian American Consumer."



Source: "Asian Americans: A Mosaic of Faiths" (overview) (Archive). Pew Research. (July 19, 2015).

FAMILY STRUCTURE[11]

28%

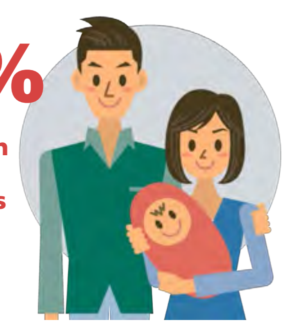
of Asian American households include two or more adult generations

Double the rate of non-Hispanic whites

80%

of Asian American children grow up with both parents

Compared to 63% US avg



55%

of Asian American households have at least two employed people

Compared to 45% US avg

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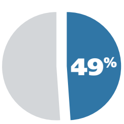
PEOPLE

INCOME & EDUCATION

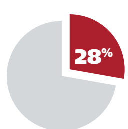
- AAPI have the highest per capita income, the highest average household income, and are the most educated minority group in the US[12]
- However, while many in the AAPI have enjoyed quite a bit of financial and educational success, many more have not.
- These numbers can be skewed by the great successes of a few. Millions of AAPI live below the poverty line[13], live in impoverished housing with numerous family members (thus skewing household income data), and do not have a high school diploma.

EDUCATION



49% of AAPI have at least a bachelor's degree

VS.



Compared to just 28% of US general population[14]

21.2%

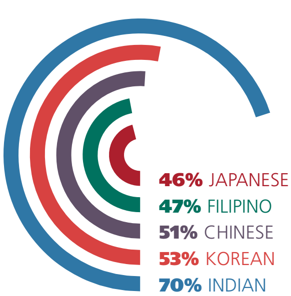
of AAPI have an advanced degree

(Ph.D, Master's, MD, JD)[15]

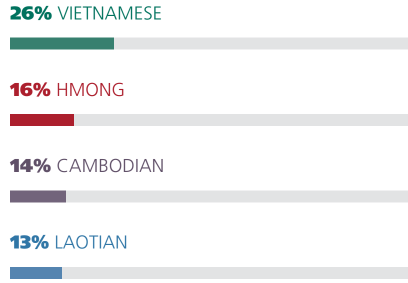
*Compared to just **10%** of US general population*

AAPI with at least a bachelor's degree
(% with one)

TOP



BOTTOM



Source: US Census Bureau, 2010 US Census.

Wealth Imbalance

Half of all income for AAPI goes to the top 20% of earners...

...while the bottom 40% take home just 13%.[16]

Many Southeast Asian ethnic groups and elderly AAPI have struggled to succeed. The Hmong ethnic group is among the poorest, least educated of any segment of the US population.[17]

PEOPLE

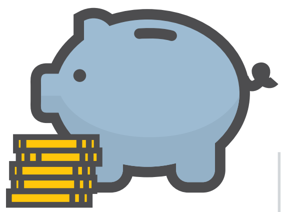
INCOME & EDUCATION

INCOME

Household Income[18]

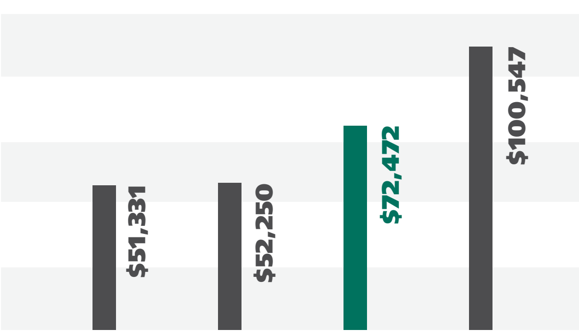
$72,472

median



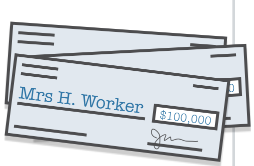
+ Highest of any racial group in US
+ **39% higher** than US avg of $52,250
+ Indian-Americans highest household income at $100,547
+ Bangladeshi-Americans lowest at $51,331

AAPI Median Household Income



Source: 2015 Nielsen. "Asian-Americans: Culturally Connected and Forging the Future."

+ **Household income grew by 97%** between 2000-2013[19]
+ **54% more likely** to have an income over $100,000 than average US household[20]



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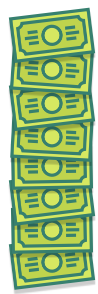
Median Personal Income Levels[21]



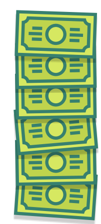
AAPI avg income is

$66,000

Compared to

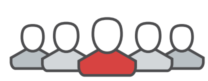
$49,800

US General Population average



86%

of Asian Americans have a savings account vs. 76% of the general population

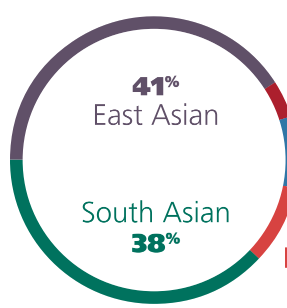


1 in 5

Asian Americans own stock

Source: 2013 Nielsen. "Significant, Sophisticated, and Savvy: The Asian American Consumer."

Where AAPI Fortune 500 Employees Come From[22]:



ECONOMIC IMPACT

SMALL BUSINESS / ENTREPRENEURSHIP

1,600,000+

Asian American Owned Businesses[23]

Represents **$500+ BILLION** in annual economic output

Employ nearly **3 MILLION** Americans

1 out of 10 Asian Americans own a business

↑40%

AAPI owned businesses increased by 40% from 2002-2007 according to a US Census Bureau Survey of Business Owners[24]

More than **2X** *the national average of 17%.*

PURCHASING POWER

+ Expected to top **$1 TRILLION** by 2018[25]
  - Would make AAPI the **19th largest economy in the world**[26]
    - ↳ Larger than Saudi Arabia and Switzerland
  - Would make it **4th largest state economy in US** (California, Texas, and New York)[27]

+ Experienced **180% GROWTH** in Purchasing Power between 2000-2014[28]
  - ↳ Nearly **TRIPLE** non-Hispanic whites (69%)

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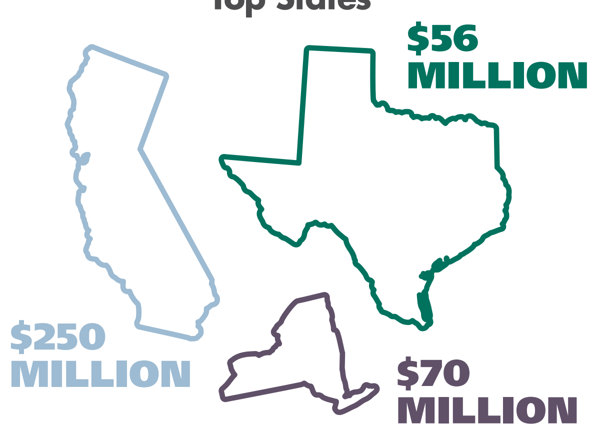
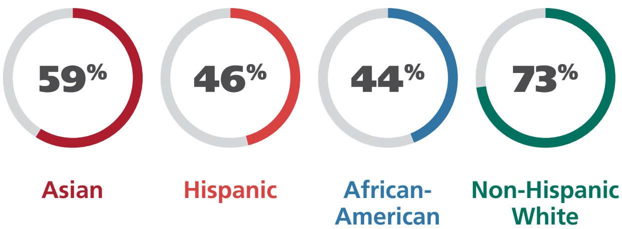
Asian American Buying Power – Top States[29]



ECONOMY

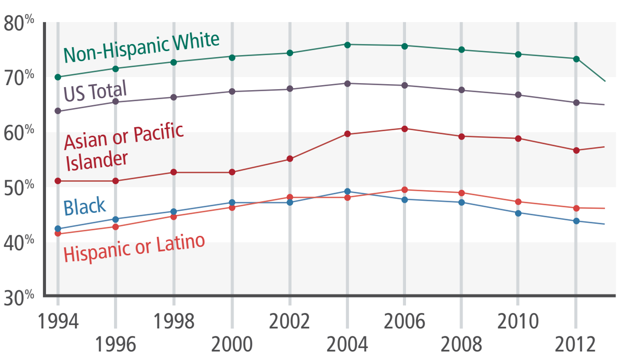
HOUSING & INVESTMENT

2014 Homeownership Rates by Race[30]



Ethnicity is Correlated with Ownership

(% Homeowners)



Source: Census Bureau CPS, 2013

+ The AAPI community applied for, and received, the **largest share of purchase money mortgages** of any minority group in terms of both number and monetary value.[31]
+ From 2000 to 2010, the number of home purchase **loans extended to AAPI increased by 15%**, nearly identical to non-Hispanic whites.[32]
+ In terms of borrower characteristics, AAPI generally have…
  - High credit scores
  - Low Debt-to-Income ratios
  - Low Loan-to-Value ratios
  - Low APRs
+ However, at the lowest income levels AAPI face **higher rates of mortgage application denial** than any other ethnic or racial group.[33]
+ Conversely, at the highest income levels, AAPI denial rates are indistinguishable from non-Hispanic whites.
+ According to research by Freddie Mac, AAPI are…
  - Generally averse to debt
  - More inclined to make large down payments

National Aggregate: Disposition of Loan Applications 1- To 4-Family and Manufactured Home Dwellings By Race of Applicant, 2014[34]

	Conventional Home-Purchase				FHA, FSA/RHS, and VA Home-Purchase				Refinance			
	Applications Received		Loans Originated		Applications Received		Loans Originated		Applications Received		Loans Originated	
Race	Number	$000's	Number	$000's	Number	$000's	Number	$000's	Number	$000's	Number	$000's
Asian	**231,893**	**$77,816,363**	**160,915**	**$54,159,574**	**33,380**	**$8,325,652**	**21,975**	**$5,521,635**	**192,606**	**$59,678,468**	**103,706**	**$33,457,144**
Black or African American	120,272	$19,150,992	59,568	$11,228,157	155,673	$28,887,357	97,658	$18,490,579	305,363	$49,706,211	118,675	$19,817,481
White	2,409,199	$549,705,303	1,721,606	$405,393,136	1,115,483	$201,485,253	798,416	$146,459,754	3,143,167	$641,096,665	1,730,003	$356,951,622
Hispanic or Latino	211,768	$37,810,303	123,048	$24,186,221	211,515	$38,419,968	139,982	$25,855,667	349,650	$62,859,399	158,053	$29,175,753
TOTAL	3,194,742	$768,213,351	2,216,030	$553,603,652	1,467,530	$273,122,306	1,018,635	$192,603,593	4,385,649	$921,179,755	2,301,410	$495,604,357

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Discrimination Against Asian Americans in Housing

Asian renters who contact agents about recently advertised housing units **learn about 10% fewer available units and are shown nearly 7% fewer units** than whites.

Asian homebuyers who contact agents about recently advertised homes for sale **learn about 15% fewer available homes and are shown nearly 19% fewer units** than whites.[35]

PROJECTED CHANGE IN NUMBER OF HOUSEHOLDS 2014-2024

NO CHANGE IN SEX-, AGE-, RACE-SPECIFIC HEADSHIP

	Non-Hispanic White	Black	Asian	Other	Hispanic	TOTAL
18-24	(344,549)	(108,530)	46,790	44,137	209,123	(153,030)
25-29	(293,308)	74,398	91,736	96,942	398,341	368,108
30-34	286,587	405,793	173,500	119,982	480,828	1,466,691
35-39	652,387	290,291	213,105	80,817	412,360	1,648,961
40-44	12,381	108,719	148,426	59,839	463,624	792,990
45-49	(1,079,505)	(46,215)	152,927	29,997	469,935	(472,861)
50-54	(1,858,462)	(112,461)	165,300	5,680	504,805	(1,295,138)
55-59	(1,418,867)	(15,103)	125,012	8,590	558,887	(741,480)
60-64	486,889	329,647	150,272	56,630	627,455	1,650,893
65-70	1,410,995	506,855	169,890	73,416	495,405	2,656,560
70-75	2,075,628	475,198	158,664	63,130	396,549	3,169,169
75-80	2,127,888	282,124	127,795	53,276	259,911	2,850,993
80+	1,335,886	225,741	87,051	40,679	252,149	1,941,506
TOTAL	3,393,949	2,416,457	1,810,469	733,115	5,529,371	13,883,363

Source: Housing Demand: Demographics and the Numbers Behind the Coming Multi-Million Increase in Households. Mortgage Bankers Association. July 2015.

HOUSING TRENDS OF NOTE

By 2024…

+ There will be **1.8 million more Asian households** formed
+ There will be **33% more new minority homebuyers** than non-Hispanic White
+ **88% of all new rental demand** will come from minority communities

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Source: Housing Demand: Mortgage Bankers' Association. "Housing Demand: Demographics and the Numbers Behind the Coming Multi-Million Increase in Households"

INVESTMENT[36]

Asian American households **spent 19% more than the US General Population** in many categories, including Housing.

AAPI are **30% more likely to invest** in Real Estate beyond their primary residence.

80% more likely to use both college-advantage tax-savings accounts and trust and estate planning services.

ASIA

GLOBAL INVESTMENT OUTLOOK

- Emerging economies in Asia, particularly Southeast Asia, continue to lead overall global economic growth.
- Though there has been a slight slowdown in growth from 2014, these economies are still projected to lead all global growth for the foreseeable future.
- Weaker than expected growth in the region has triggered greater levels of capital outflow, particularly to the US.[37]

Asia and Pacific's GDP is expected to grow by 5.6% in 2015, and accounted for nearly two thirds of global growth last year.

Source: 2015 International Monetary Fund. "Regional Economic Outlook: Asia and Pacific; Stabilizing and Outperforming Other Regions." April 2015.

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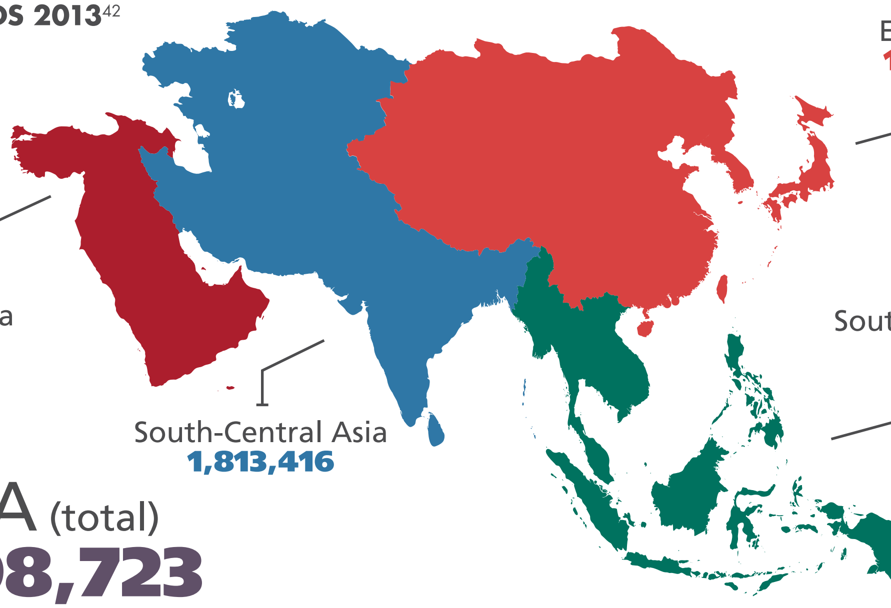
THE PAPER TIGER HAS CLAWS

- Asian investment, particularly from China, in US real estate has skyrocketed in the past few years, representing **nearly 25% of all cross-border capital investment** in the US in 2014.[38]
- Analysts project that Asian cross-border investment in the US will continue to increase over the next several years.[39]
- The first quarter of 2015 has already seen **$2.8B invested**.[40]
- **Office space still reigns supreme** in foreign investment, with Hotels and Retail rounding out the top three.[41]

POPULATIONS IN ASIA
IN THOUSANDS 2013[42]



ASIA (total)
4,298,723

COUNTRIES[43]

China
1,339,724,852

India
1,210,854,977

Indonesia
237,641,326

Bangladesh
144,043,697

Pakistan
130,579,571

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GROWTH 2012-2013[44]

MOST

Cambodia
+1.6%

Philippines
+1.7%

Pakistan
+1.6%

OF NOTE

China
+0.5%

Korea
+0.4%

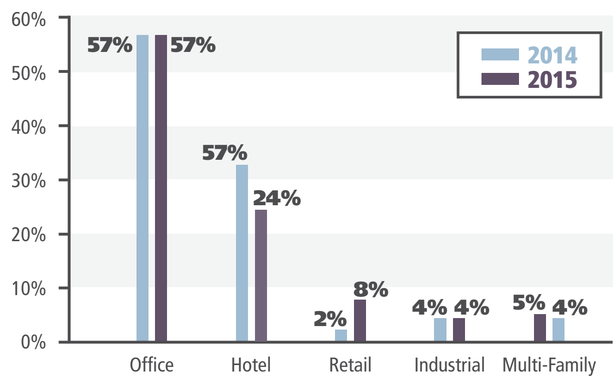
Japan
–0.2%

ASIA

GLOBAL INVESTMENT OUTLOOK

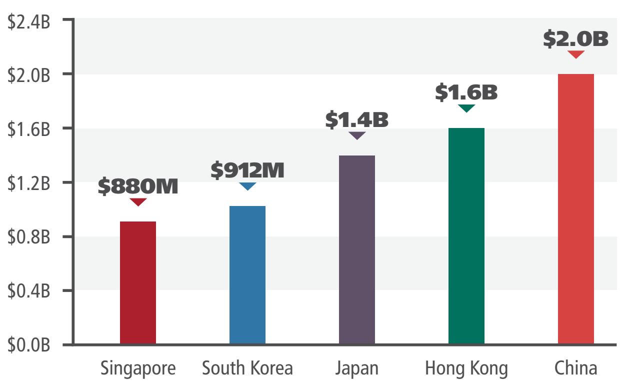
INVESTMENT

Asian Investment by Property Type



Source: 2015 CBRE. "Trans-Pacific Capital Flows: Asia Rises as Major Source of Cross-Border Capital for US Real Estate Investment." April 2015.

Biggest Sources of Asian Capital to US
Q1 2015



Source: 2015 CBRE. "Trans-Pacific Capital Flows: Asia Rises as Major Source of Cross-Border Capital for US Real Estate Investment." April 2015.

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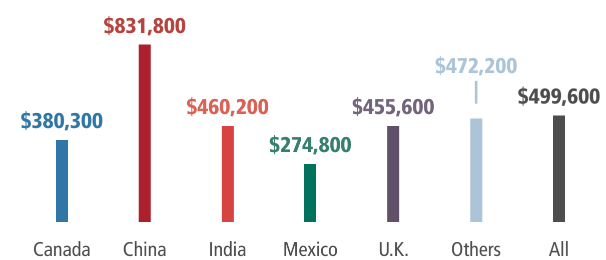
Asian Capital Investment: Top 10 US Geographical Markets by Total Deal Size
2013-2015

	US Market	Total Deal Size
1	Manhattan, New York	$10,793,130,221
2	Hawaii	$4,191,384,673
3	Los Angeles, California	$4,101,093,562
4	San Francisco, California	$1,322,776,752
5	Washington, D.C.	$1,038,300,000
6	Chicago, Illinois	$1,021,472,500
7	Houston, Texas	$835,400,000
8	East Bay, California	$636,648,924
9	Boston, Massachusetts	$532,197,000
10	Phoenix, Arizona	$429,245,788
TOTAL		$24,901,649,420

Source: Zhou, J. (2015). Asian capital investing in US real estate. Cornell Real Estate 13(1), 66-73. Retrieved from http://scholarship.sha.cornell.edu/crer/vol13/iss1/9

Average Home Purchase Price by Foreigners
12 Months Ending March 2015



Source: NAR 2015 Profile of Home Buying Activity of International Clients. June 2015.

SOCIAL

OBSTACLES & OPPORTUNITIES

THE BAMBOO CEILING

Asian Americans and Pacific Islanders are well represented with the ranks of America's Fortune 500 and 1000 companies. However, there is a large disparity between their percentage of employment, and their percentage of executive leadership positions.

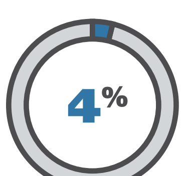
By the Numbers:

Source: Center for Work-Life Policy

- AAPI represent just over 6% of the US population
- 64% of AAPI aspire to top level positions
  - Compared to 51% of Caucasians
- Only 2% of Executive Leadership positions in Fortune 500 companies despite reportedly asking for raises (37% of AAPI) and promotions (28% of AAPI) at the same rate as Caucasians
- Wrongly attributed to AAPI being "too quiet" or "blending in"

AAPI Executive Leadership positions in Fortune 500 companies

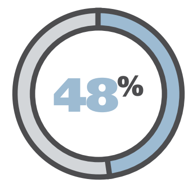
25% of AAPI respondents say they faced discrimination in the workplace



Only 4% of Caucasians said they believe AAPI face discrimination

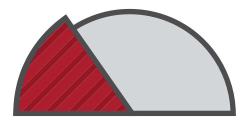
Source: Center for Work-Life Policy

CFPC Pg. 271



of AAPI said the biggest obstacle they face is conforming to prevailing Western leadership models

Source: Center for Work-Life Policy



30-31%

of AAPIs surveyed reported incidents of employment discrimination the largest of any group, with African Americans constituting the second largest at 26%.

Source: "New Gallup Poll On Employment Discrimination Shows Progress, Problems 40 Years After Founding of EEOC". U.S. Equal Employment Opportunity Commission. December 2005.

SOCIAL

OBSTACLES & OPPORTUNITIES

SOCIOECONOMIC CHARACTERISTICS BY RACIAL/ ETHNIC AND ASIAN ETHNIC GROUPS

(Numbers are in percentages, except for income)

	Not Proficient in English	Less Than High School	College Degree	Advanced Degree	High Skill Occupation	Married, Spouse Present	Homeowner	Median Personal Income	Median Family Income	Living in Poverty	Public Assistance
Whites	0.7	15.3	25.3	3.0	21.4	64.5	78.2	$23,640	$48,500	9.4	1.3
Blacks	0.8	29.1	13.6	1.2	12.3	38.0	54.4	$16,300	$33,300	24.9	4.5
Latinos/Hispanics	30.3	48.5	9.9	1.6	9.6	56.3	52.4	$14,400	$36,000	21.4	3.5
Native American Indians	2.6	27.4	10.8	0.9	11.9	50.2	64.2	$14,500	$32,240	25.1	6.1
Indians	8.4	12.6	64.4	12.5	51.6	74.9	56.8	$26,000	$69,470	8.2	0.9
Cambodian, Hmong, or Laotian	**44.3**	**52.7**	**9.2**	**0.4**	**9.8**	**66.6**	**53.3**	**$16,000**	**$43,850**	**22.5**	**9.9**
Chinese	31.3	23.6	46.3	8.5	41.9	67.1	65.7	$20,000	$58,300	13.1	1.8
Filipinos	7.0	13.1	42.8	4.3	29.7	62.7	67.6	$23,000	$65,400	6.9	1.6
Japanese	10.0	9.5	40.8	4.6	32.0	60.7	70.8	$26,000	$61,630	8.6	0.9
Koreans	32.9	13.8	43.6	5.6	27.0	69.0	51.9	$16,300	$48,500	15.5	1.6
Pacific Islanders	7.1	21.7	13.6	1.6	13.8	61.4	48.1	$19,100	$50,000	16.7	4.4
Vietnamese	40.4	37.8	13.8	2.5	22.6	61.2	60.0	$16,000	$51,500	13.8	4.8

Source: Le, C.N. 2015. "Socioeconomic Statistics & Demographics" Asian-Nation: The Landscape of Asian America. <http://www.asian-nation.org/demographics.shtml> (July 22, 2015).

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THE MODEL MINORITY MYTH

While it is certainly true that some portions of the AAPI community have enjoyed quite a bit of success, it is important to note that this is simply not the case for a vast number of AAPI. Here are some facts that may help dispel this notion that AAPI are not in need of government assistance or protection.

+ **26% of AAPI** are considered low-income[45].
+ **AAPI face a 13% poverty rate** – the same as the US general population - according to the American Community Survey by the US Census Department.
+ **15% of AAPI have zero medical insurance** as of 2012 *(This number is sure to have risen as a result of ACA, but at the time of this writing, no such information was available)*
+ Laotians, Cambodians, and Hmongs have been far less successful than their Indian and Chinese counterparts (and that is not to say that *all* Chinese and Indians have been successful, either).

SEE DATA

These numbers prove that it can be very difficult, if not impossible, to speak of an "Asian American Experience." Because of the vast number of countries, languages, and cultures in what is referred to as "Asia", their experiences can only be expected to vary as much in the US as they do in their nations of origin.

INVISIBLE CREDIT

+ Many Asian cultures simply do not value traditional Western debt, and as such, have **very little to no credit history**. While many AAPI may be able to easily afford rent, utilities, and other expenses, because they tend to pay for things outright with cash, **it is difficult for them to establish a credit score** good enough to secure an affordable home loan.
+ Alternative credit scoring models would help with this issue by taking examining other data-sets that could predict credit worthiness (namely rent and utility payments). With the adoption of alternative credit models, which takes into account rent and utility payments, **280,000 AAPIs would be able to establish or improve their scores**[46] - allowing them to enter the housing market for the first time.

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AAPI have the lowest unemployment rate of any segment of the US population[47]**. However, almost half of the AAPI who are unemployed tend to be so for long term (six months or longer)**

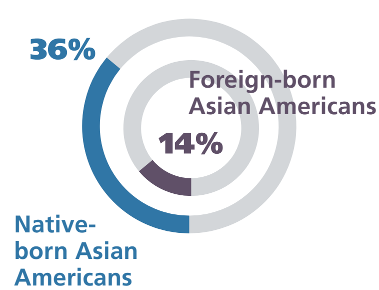
LONG TERM UNEMPLOYMENT IN 2013 PERCENT OF TOTAL UNEMPLOYED
By Race and Ethnicity[48]

Black	43.3%
AAPI	41.7%
Whites	35.8%
Hispanic	34.6%

percent of total unemployed

AAPI born in the US faced a much faster poverty growth rate than those who immigrated here.

GROWTH IN POVERTY AMONG AAPIs BY NATIVITY, 2000-2010
Average percent growth in poverty in the past 12 months, 10-year estimates[49]



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Wells Fargo Announces $125 Billion Lending Goal to Support NAHREP's Hispanic Wealth Project

Company also plans increase in Hispanic home mortgage consultants and $10 million to support financial education and counseling; NAHREP strives to triple Hispanic household wealth over 10 years

DES MOINES, Iowa, Sept. 15, 2015 – Wells Fargo Home Mortgage announced today, the first day of Hispanic Heritage Month, its support of the goals of the National Association of Hispanic Real Estate Professionals' Hispanic Wealth Project, which seeks to triple Hispanic household wealth over the next decade.Wells Fargo's goals over the next 10 years include a projected $125 billion in mortgage originations and a goal of $10 million to support a variety of initiatives that promote financial education and counseling for Hispanic homebuyers. In continued recognition of the importance of hiring and retaining a diverse workforce, Wells Fargo also plans to increase the number of Hispanic home mortgage consultants on its sales team.

"Homeownership is a vehicle through which many people build wealth and financial stability," said Brad Blackwell, head of portfolio lending for Wells Fargo Home Mortgage. "Homebuying and its downstream benefits can help improve neighborhoods, local businesses and the overall economy. As the nation's leading home mortgage lender to racially and ethnically diverse homebuyers, including Hispanics, we support NAHREP in this important mission and want to demonstrate our efforts to do more to increase homeownership to these communities."

The NAHREP Hispanic Wealth Project Blueprint focuses on three component goals to facilitate Hispanic wealth creation: a 50 percent or greater rate of U.S. Hispanic homeownership, a 50 percent increase in the first-year success rate of Hispanic-owned businesses, and a 25 percent increase in the number of Hispanic households owning non-cash financial assets such as stocks, bonds, mutual funds and 401(k) accounts.

NAHREP is the nation's fastest-growing Hispanic market-focused real estate housing industry trade association with more than 20,000 members across the country. "We are extremely pleased to see Wells Fargo's support of the Hispanic Wealth Project with new and existing programs that align with the project's goals," said Jerry Ascencio, chairman of the NAHREP Foundation. "We look forward to seeing the positive impact on local communities and the continuation of our long standing relationship to advance sustainable homeownership for Hispanic-Americans."

Diverse Segments Business Strategies Help Consumers Achieve Homeownership
Supporting the Hispanic Wealth Project is part of the larger work of Wells Fargo Home Mortgage to drive lending for minorities across the credit spectrum, first-time homebuyers and low- to moderate-income customers. The diverse segments business strategy focuses on four areas to help these groups achieve homeownership: increasing diversity of Wells Fargo team members, including Home Mortgage Consultants; increasing the company's presence in diverse communities; providing products, processes and programs that support diverse

homeownership; and working with referral sources like real estate agents and nonprofit credit counseling agencies. "Wells Fargo Home Mortgage has the resources to support the reach of the Hispanic Wealth Project's goals," said Cerita Battles, head of Diverse Segments for Wells Fargo Home Mortgage. "We want to seize the opportunity to help address challenges in income and credit policies, and provide access to homebuyer education and counseling to increase consumer confidence among minorities regarding the homebuying process."

Wells Fargo Support Expands Beyond Home Lending
The goals of the Hispanic Wealth Project align with many programs and initiatives already offered by Wells Fargo.

For example, as part of Wells Fargo Works *for Small Business℠*, Wells Fargo collaborated with the U.S. Hispanic Chamber of Commerce to develop the Chamber Training Institute that trains leaders of diverse-segment chambers of commerce on key business and leadership topics for their members. It is part of Wells Fargo's four-point plan to help diverse-owned small businesses become credit-ready and access credit.

According to the *Economics of Higher Education* report, people with a bachelor's degree will have a considerably higher income than those with a high school diploma. Wells Fargo Education Financial Services works with institutions of higher learning to raise awareness about how education can enhance the quality of life for individuals and communities. Initiatives like CollegeSTEPS, Go College! Now, and Get College Ready provide free financial education resources and tools to help students responsibly pursue their higher education goals.

Wells Fargo also is the leading supporter of Hispanic Scholarship Fund scholarships in the banking industry, having provided more than $3.6 million in scholarship support to 1,230 scholars since 2003.

"Wells Fargo is committed to helping Latinos build financial wealth and accomplish their dreams for their families and our communities," said Mariela Ure, head of Hispanic Segment Strategy at Wells Fargo. "Working with NAHREP to purposefully build and sustain momentum around this important initiative will further elevate our focus on meeting the financial needs of Latinos and create a path for financial success for generations to come."

About Wells Fargo
Wells Fargo & Company (NYSE: WFC) is a nationwide, diversified, community-based financial services company with $1.7 trillion in assets. Founded in 1852 and headquartered in San Francisco, Wells Fargo provides banking, insurance, investments, mortgage, and consumer and commercial finance through 8,700 locations, 12,800 ATMs, the internet (wellsfargo.com) and mobile banking, and has offices in 36 countries to support customers who conduct business in the global economy. With approximately 266,000 team members, Wells Fargo serves one in three households in the United States. Wells Fargo & Company was ranked No. 30 on Fortune's 2015 rankings of America's largest corporations. Wells Fargo's vision is to satisfy all our

customers' financial needs and help them succeed financially. Wells Fargo perspectives are also available at Wells Fargo Blogs and Wells Fargo Stories.

THE STATE OF THE NATION'S HOUSING 2015

JOINT CENTER FOR HOUSING STUDIES OF HARVARD UNIVERSITY

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OF HARVARD UNIVERSITY

HARVARD GRADUATE SCHOOL OF DESIGN

HARVARD KENNEDY SCHOOL

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- National Housing Endowment
- National Low Income Housing Coalition
- National Multifamily Housing Council

1 EXECUTIVE SUMMARY

The US housing recovery lost momentum in 2014 as homeownership rates continued to fall, single-family construction remained near historic lows, and existing home sales cooled. In contrast, the rental market remained a bright spot, fueled by strong growth in renter households. With rents rising and incomes well below pre-recession levels, though, the number of housing cost-burdened renters set another record, far surpassing public efforts to provide affordable housing. And despite the rebound in much of the nation, a number of minority and low-income neighborhoods remain severely distressed.

HOMEOWNERSHIP AT 20-YEAR LOWS

One telling indicator of the state of the nation's housing is the drop in the homeownership rate to just 64.5 percent last year, erasing nearly all of the increase in the previous two decades **(Figure 1).** The number of homeowners fell for the eighth straight year, signaling persistently weak demand in this key market segment. And the trend does not appear to be abating, with the national homeownership rate down to 63.7 percent in the first quarter of 2015.

The falloff is evident across nearly all age groups **(Figure 2).** In fact, the national homeownership rate remains as high as it is only because the baby boomers (born 1946–64) are now in the 50-plus age groups when homeownership rates are high, and because owners aged 65 and over have sustained historically high rates. In sharp contrast, it was generation X (also known as the baby bust, born 1965–84) that took most of the hit from the housing bust.

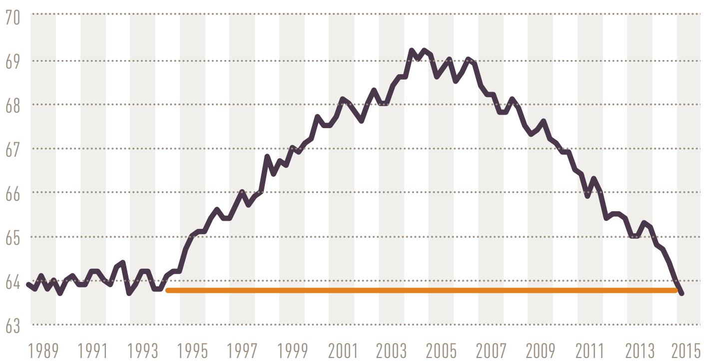
Just before the crash, younger gen-Xers were in the prime first-time homebuying years while older members of this generation were at the stage when households tend to trade up or make significant improvements to their existing homes. When prices plummeted, many of these owners had little or no equity to weather the recession. As a result, homeownership rates among gen-Xers—now mostly in the 35–44 and 45–54 year-old age groups—have fallen further than those of any other age group, and stand 4–5 percentage points below rates among same-aged households 20 years ago. Whether these households eventually catch up to the baby boomers in terms of homeownership is unknown.

With the gen-Xers accounting for such a significant share of the first-time and trade-up markets, the drop in their homeownership rates may well be a more critical factor in the ongoing weakness of the owner-occupied segment than the slow transition of the millennial generation (born 1985–2004) into homebuying. This is not to say, however, that the millennials do not face their own financial hurdles to homeownership. Over the span of just 10 years, the share of renters aged 25–34 with cost burdens (paying more than 30 percent of their incomes for housing) increased from 40 percent to 46 percent, while the share with severe

FIGURE 1

The National Homeownership Rate Has Fallen Back to 1993 Levels...

Homeownership Rate (Percent)

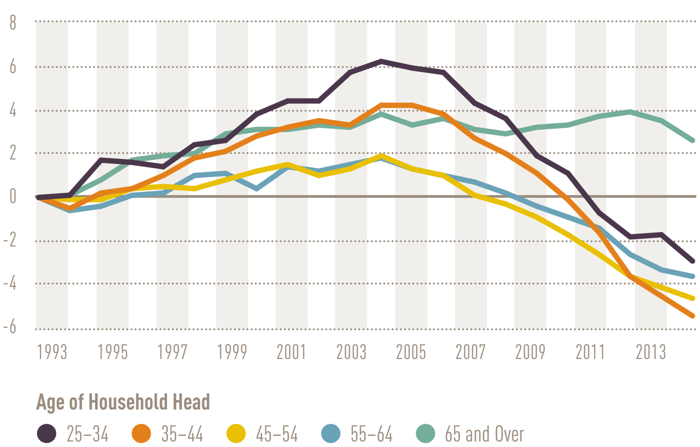


Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

FIGURE 2

...But Rates for Most Age Groups Are Well Below That Point

Change in Homeownership Rate (Percentage points)



Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

burdens (paying more than 50 percent of income) rose from 19 percent to 23 percent. During roughly the same period, the share of renters aged 25–34 with student loan debt jumped from 30 percent in 2004 to 41 percent in 2013, with the average amount of debt up 50 percent, to $30,700.

Several other factors have also contributed to the substantial decline in homeownership. Steady erosion of household incomes since the start of the recession is one key ingredient, and restricted access to financing is another. Facing heightened costs from delinquent loans, lenders are reluctant to lend to borrowers with less than stellar credit. Indeed, Urban Institute estimates for 2001–13 indicate a 37 percent drop in home purchase loans among borrowers with scores between 660 and 720, compared with a 9 percent decrease among borrowers with higher scores. While some of this stringency may arise from more prudent assessment of borrower creditworthiness, the magnitude of the declines—along with the pristine performance of recently originated loans—suggests that a significant portion reflects undue tightening of credit.

RENTAL MARKET BOOM

The flip side of falling demand for owner-occupied housing has been exceptionally strong demand for rental units. According to the Housing Vacancy Survey's count, renter household growth has averaged 770,000 annually since 2004. This makes 2004–14 the best 10-year period for renter growth since the late 1980s. While soaring demand is often attributed to the millennials' preference to rent, households aged 45–64 in fact accounted for about twice the share of renter growth than households under the age of 35. Similarly, households in the top half of the income distribution, although generally more likely to own, contributed 43 percent of the growth in renters.

To meet the surge in demand, the number of single-family detached homes in the rental market increased by 3.2 million on net between 2004 and 2013. This shift accommodated more than half of the growth in occupied rentals over this period, lifting the single-family share from 31 percent to 35 percent. Developers also responded to soaring demand by steadily expanding the multifamily housing supply, adding 1.2 million apartment starts to the mix since 2010.

Despite this massive expansion of the stock, rental markets continued to tighten in 2014. The national vacancy rate dipped to 7.6 percent, its lowest point in nearly 20 years. As a result, rents rose at a 3.2 percent rate last year—twice the pace of overall inflation **(Figure 3).** MPF Research estimates that vacancy rates for professionally managed apartments were even lower, at 4.6 percent, and fueled even larger rent increases of 3.8 percent.

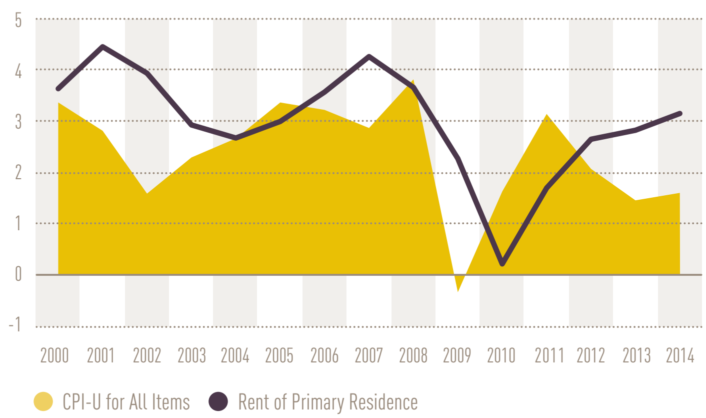
Based on these strong fundamentals, apartment building prices rose for the fifth consecutive year in 2014, up 15 percent. As measured by Moody's/RCA Commercial Property Price Index, last year's prices were 21 percent above their previous peak. Lending for multifamily properties followed suit, with the total value of multifamily loan originations also rising 15 percent in 2014. Banks and thrifts accounted for more than half of the increase in multifamily mortgage debt outstanding.

With no signs of a slowdown in renter household growth, rental markets are likely to remain tight in the near term. If strong job growth continues, rental demand could get another lift as increasing numbers of young adults move out of their parents' homes and into their own. Even so, the supply of new apartments should continue to grow as completions catch up with starts, which would help to moderate future increases in rents.

FIGURE 3

With Vacancy Rates on the Decline, Rent Increases Continue to Outpace Inflation

Percent Change



Source: US Department of Labor, Bureau of Labor Statistics.

THE LAGGING SINGLE-FAMILY RECOVERY

But the robustness of the multifamily market has not been enough to lift overall construction volumes anywhere near their historic average **(Figure 4).** A little over one million housing units were started last year—a significant threshold by today's standards. But until the recent downturn, this would have been the lowest total in the past half-century.

Virtually all of the weakness is due to low levels of single-family construction, with starts increasing only 5 percent for the year. In contrast, multifamily starts remained on a strong upward trajectory, rising 16 percent on top of substantial gains each year since 2010. In fact, more multifamily units were started in 2014 than in any year since 1989.

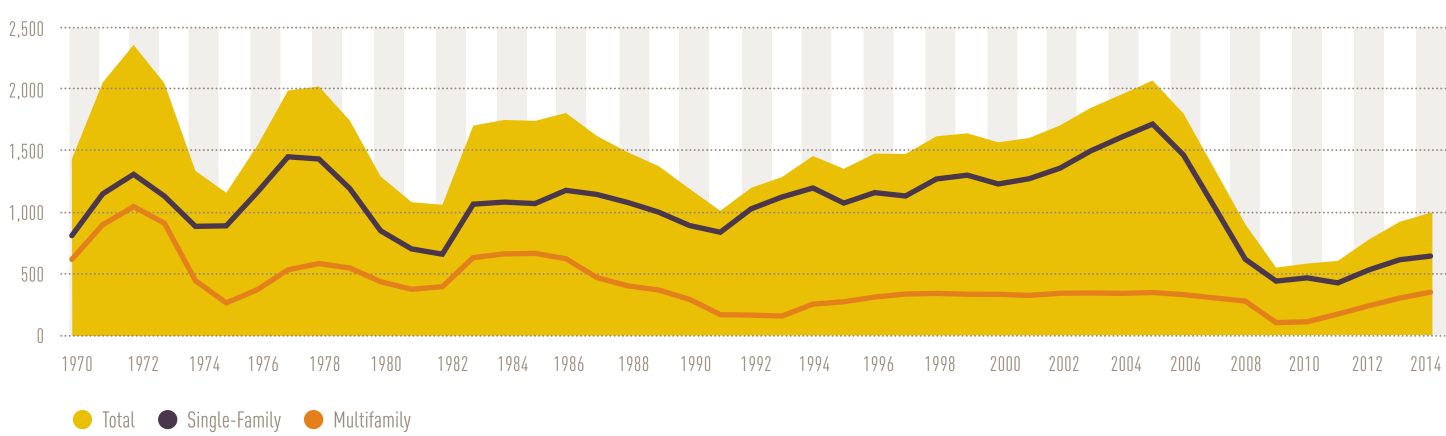
The softness in the owner-occupied market is also evident in the 3 percent drop in existing home sales in 2013–14. The silver lining, however, is a shift in the composition of sales, marked by a slowdown in distress-related sales and a modest uptick in traditional sales. Indeed, Metrostudy data show a 10 percent drop in cash sales and a 15 percent drop in sales of bank-owned properties, along with a 3 percent rise in mortgaged purchases of non-bank-owned homes.

Nevertheless, the lingering effects of the housing crash are clear. Despite the rebound in home prices, many homeowners are still left with negative or limited equity. CoreLogic pegs the number of

FIGURE 4

Despite the Strength of Multifamily Construction, Housing Starts Remain Near Historic Lows

Construction Starts (Thousands of units)



Source: US Census Bureau, New Residential Construction data.

owners with less than 20 percent equity at 15 million. Since these owners would be hard pressed to cover the costs of selling their homes and also come up with a downpayment on another property, they are effectively shut out of the housing market.

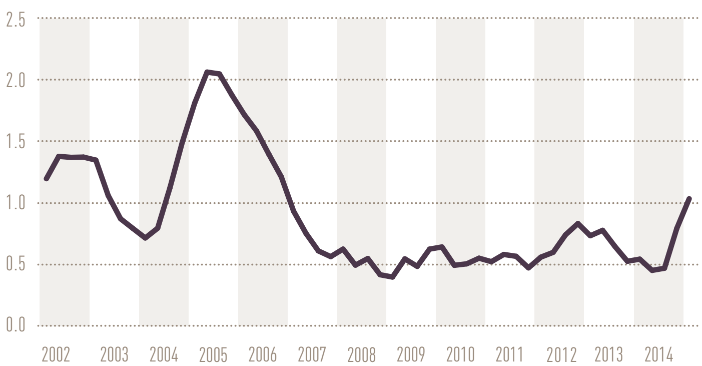
And with so many other would-be trade-up buyers constrained by tight credit conditions, it is no surprise that inventories of existing homes on the market are so limited. April 2015 marked the 32nd straight month that existing homes for sale held below a six-month supply, the traditional measure of a balanced market. And with home price appreciation slowing in 2014, growth in the number of owners that decide to sell may also decelerate. At the same time, though, more modest price appreciation will help to keep homeownership affordable, particularly if interest rates rise as the economy nears full employment. Of course, without more inventory, would-be homebuyers have limited opportunities to take advantage of these conditions. In assessing the state of the housing market recovery, the existing home inventory is a key metric to watch.

The weak single-family market reflects a number of short-term conditions, including harsh winter weather and higher interest rates in the early months of 2014, along with rising home prices over the course of the year. But the long-term decline in household income is a more critical factor. Despite steady job growth since 2010 and a drop in unemployment to less than 6 percent, the labor market recovery has yet to generate meaningful income gains. At last measure in 2013, median household income was $51,900—still 8 percent below the 2007 level in real terms and equivalent to 1995 levels. Still, there were encouraging signs in early 2015 that wage growth may be picking up, a trend that would clearly help to bolster all segments of the housing market.

FIGURE 5

Household Growth Appears to Be Picking Up

Annual Household Growth (Millions)



Note: Estimates are four-quarter rolling averages of year-over-year growth.
Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

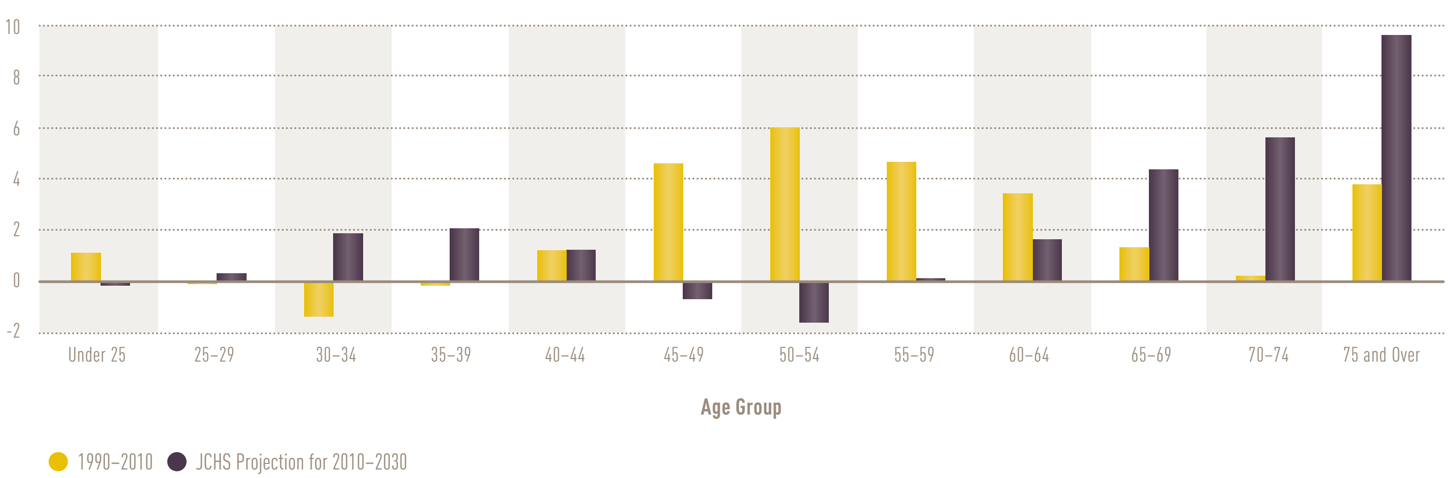
HOUSEHOLD GROWTH AND FUTURE HOUSING DEMAND

Despite conflicting reports from the major government surveys, household growth may be reviving. The timeliest of the sources,

FIGURE 6

The Changing Age Distribution of the Population Is Reshaping Housing Demand

Household Growth (Millions)

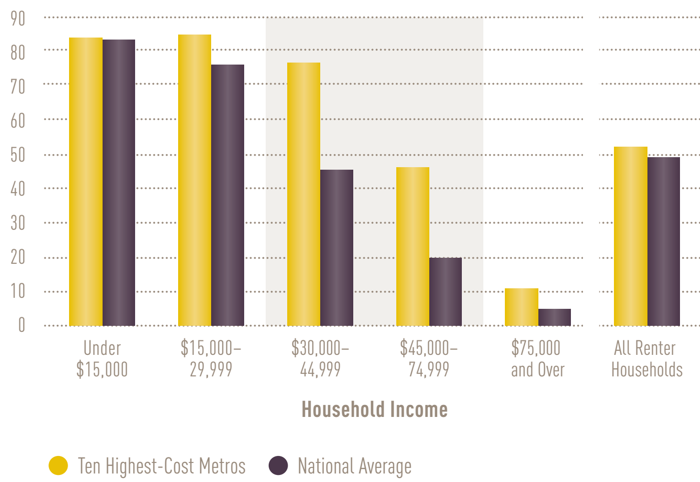


Sources: JCHS tabulations of US Census Bureau, Decennial Censuses; JCHS 2013 Household Projections.

FIGURE 7

Even Moderate-Income Renters Struggle to Afford Housing in High-Cost Metros

Share of Households with Cost Burdens (Percent)



Notes: Cost burdens are defined as housing costs of more than 30% of household income. Households with zero or negative income are assumed to have burdens, while renters paying no cash rent are assumed to be without burdens. The ten highest-cost metros are ranked by median monthly gross rents.
Source: Table W-4.

the Housing Vacancy Survey, indicates that after running at about a 500,000 annual pace for much of 2014, a strong fourth quarter brought household growth to about 800,000 for the year **(Figure 5).** While such a dramatic upturn in one quarter is unlikely, other indicators of strengthening rental demand over the course of the year are consistent with an uptick in household growth.

Moreover, two of the major trends contributing to the recent slowdown in household growth—declines in headship rates among young adults and in net immigration—appear to be reversing. Recent surveys suggest that the share of young adults moving into independent households is stabilizing. In combination with the aging of the millennials into their 20s and early 30s, this sets the stage for stronger household growth. Meanwhile, net immigration was close to the one-million mark in 2014 for the first time since 2007.

With headship rates firming and immigration resuming, the Joint Center for Housing Studies projects that household growth will return to its longer-run average of just under 1.2 million annually in 2015–25. The sheer size of the millennial generation—already larger than the baby-boom generation at the same stage of life—will drive most of this growth. Moreover, these projections assume no increase in today's lower headship rates for young adults. If rates of living independently among this age group do rebound, household growth will be even stronger in the decade ahead.

The millennials are now adding to the ranks of renters and will eventually spur demand for first-time homeownership. As the oldest members of this generation turn 30 this year and the economy continues to recover, that demand should begin to emerge more strongly. But given the diversity of the millennial generation and the persistently large gaps in white-minority homeownership rates, many of these households may find it difficult to make the transition from renting to owning.

Meanwhile, the baby boomers are moving into their retirement years **(Figure 6).** A large majority will likely remain in their single-family homes for the time being, implying lower turnover in the housing market and higher spending on remodeling of existing homes. In another decade, though, the oldest members of this generation will be in their late 70s, a time of life when living independently often becomes difficult. By 2025, the large and growing population of seniors is likely to drive up demand for alternative housing arrangements that offer a combination of affordability, accessibility, and supportive services.

THE SPREAD OF RENTER COST BURDENS

Even before the Great Recession, both the number and share of US households paying more than 30 percent of income for housing were on the rise. But the cost-burdened share of homeowners began to recede in 2010, not only because many over-leveraged households lost their homes to foreclosure, but also because low interest rates helped to reduce monthly mortgage costs. As a result, the cost-burdened share of homeowners fell 5 percentage points in 2010–13, to about one quarter.

The cost-burdened share of renters, in contrast, held near record highs in the face of stagnating incomes and steadily rising rents. In 2013, almost half of all renters had housing cost burdens, including more than a quarter with severe burdens (paying more than 50 percent of income for housing). Although these shares remained slightly below their peaks in 2013, the total number of renters with housing cost burdens increased over the year because the total number of renters increased.

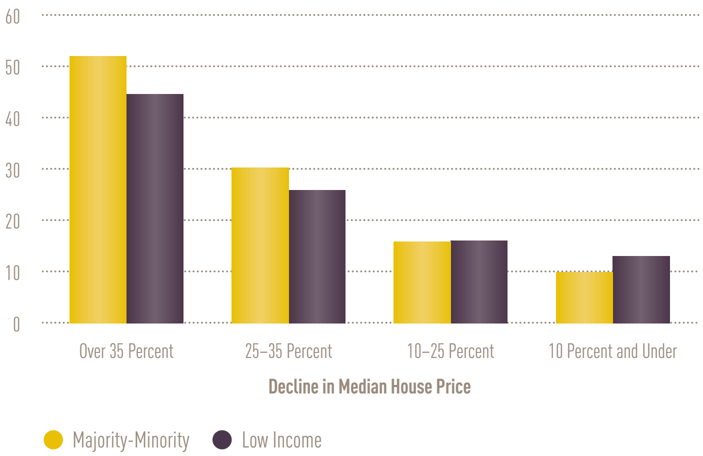
While long a condition of low-income households, cost burdens are spreading rapidly among moderate-income households **(Figure 7).** The cost-burdened share of renters with incomes in the $30,000–45,000 range rose 7 percentage points between 2003 and 2013, to 45 percent. The increase for renters earning $45,000–75,000 was almost as large at 6 percentage points, affecting one in five of these households. On average, in the ten highest-cost metros—including Boston, Los Angeles, New York, and San Francisco—three-quarters of renters earning $30,000–45,000 and just under half of those earning $45,000–75,000 had disproportionately high housing costs.

Much to their detriment, cost-burdened households are forced to cut back on food, healthcare, and other critical expenses. Affordable housing thus means a dramatic improvement in quality of life for households able to obtain it, but federal assis-

FIGURE 8

Neighborhoods with the Largest Price Declines Are Predominantly Minority and Low Income

Share of Zip Codes (Percent)



Notes: Data include only zip codes with populations of at least 500. Low-income zip codes have a median income of less than 80% of the state median.
Source: JCHS tabulations of US Census Bureau, 2009–13 Five-Year American Community Survey; Zillow's Home Value Index.

tance lags far behind need. Although funding for housing choice vouchers did increase in recent years, the cost of subsidies also rose, limiting growth in the number of federally assisted households. Meanwhile, severe cuts in the HOME program have hampered the ability of state and local governments to add new assisted units. To make matters worse, the affordability periods of more than 2 million assisted housing units are set to expire over the coming decade, and preserving this critically important resource will require a renewal of federal commitments. The Low Income Housing Tax Credit program—the key tool for both developing and preserving affordable rentals—is under increasing pressure from these competing needs.

PERSISTENT NEIGHBORHOOD DISTRESS

By a variety of measures, the national housing market has largely recovered from the worst of the downturn, but pockets of distress remain. For example, Zillow reports that home prices are within 11 percent of their previous peak nationally. In about a tenth of the nation's zip codes, however, prices are still more than 35 percent below peak. This has left 26 percent of homeowners in these neighborhoods underwater on their mortgages, roughly twice the share in the nation as a whole.

Similarly, mortgage delinquency rates nationwide have fallen by half since the foreclosure crisis peaked. But the remaining loans that are seriously delinquent (90 or more days past due or in foreclosure) are concentrated in relatively few neighborhoods. Indeed, the 10 percent of zip codes with the highest number of seriously delinquent loans accounted for about half of all such loans nationally in 2014. While located in states across the country, many of these communities are concentrated in Florida, New York, New Jersey, and Illinois.

Distressed neighborhoods have disproportionately large shares of minority and low-income residents. In more than half of the areas where house prices were still depressed by more than 35 percent, minorities make up the majority of households **(Figure 8).** The median poverty rate is also close to 19 percent, or about twice that of all neighborhoods.

In many of these communities, disinvestment was widespread even before the housing crisis hit. Neighborhood revitalization thus requires comprehensive efforts to improve public services and infrastructure related to education, transportation, public safety, and employment. But affordable, good-quality housing must still be the cornerstone of any efforts to stabilize these long-distressed areas.

THE OUTLOOK

Despite the slowdown in 2014, the housing market recovery could regain steam in 2015 if continued employment growth helps to lift household incomes. But the lingering effects of the housing crash and Great Recession continue to impede the recovery. Millions of owners still have little or no equity in their homes and/or damaged credit histories, dampening demand in both the first-time buyer and trade-up markets. Although members of the millennial generation are starting to find their footing in the job market and helping to propel rental demand, many of these young adults are saddled with rent burdens and student loan payments that will slow their transition to homeownership.

Looser mortgage lending criteria would help. Given that a substantial majority of US households desire to own homes, the challenge is not whether they have the will to become homeowners but whether they will have the means. In the past year, Fannie Mae and Freddie Mac, along with the Federal Housing Administration (FHA), have taken a number of steps to expand low-downpayment lending to borrowers with lower credit scores. Whether these changes can spur a meaningful increase in lending is still a question.

Meanwhile, the persistent strength of rental demand has fueled steadily rising rents and a surge in multifamily construction. With renter household growth continuing to climb, the growing supply of new market-rate units is unlikely to outstrip demand in most metros, although some markets may be closer to saturation than others. In contrast, the shortfall in affordable housing remains substantial as the number of cost-burdened low-income renters continues to rise. Reversing this trend will require a firm recommitment of the nation to the goal of secure, decent, and affordable housing for all.

2 HOUSING MARKETS

Although the news was mixed in 2014, housing markets made some advances that set the stage for moderate growth. Single-family construction continued to languish, but multifamily construction remained on a strong upward trajectory. New home sales were sluggish, but distress-related sales of existing homes fell sharply. In addition, rising home prices helped to reduce the share of underwater borrowers, and foreclosures were on the decline. Many homeowners with low-value houses, however, still faced the problem of negative equity.

HOUSING CONSTRUCTION TRENDS

Homebuilding activity continued to increase in 2014, with housing starts up 8.5 percent **(Figure 9).** But because growth was from such a low base, this gain amounted to fewer than 80,000 additional units. And despite surpassing the one-million unit mark, residential construction for the year still lagged below any level posted from 1959 through 2007.

The weakness centered once again on the single-family side. Starts increased by just 30,300 units in 2013–14, to 647,900—which, up until 2008, would have been the lowest annual level in the postwar era. By comparison, multifamily starts continued their run, rising by 48,100 units to 355,400. Indeed, growth in construction of multifamily units last year was a little under 16 percent.

Reflecting the low level of residential construction in general, and of single-family homes in particular, the housing sector contributed only modestly to the economy in 2014. Residential fixed investment (RFI)—which includes homebuilding as well as homeowner spending on improvements—accounted for just 3.2 percent of GDP, significantly less than the 4.5 percent averaged in records dating back to 1969.

Despite its relatively small share of the economy, residential fixed investment has at times generated 15–20 percent of annual GDP growth. Last year, however, housing's contribution decreased steadily as overall economic growth accelerated. For 2014 as a whole, RFI accounted for a negligible 0.05 percentage point of the 2.4 percent increase in GDP (about 2 percent), a significant drop from its 0.33 percentage point shares (about 14–15 percent) in 2012 and 2013.

With the weakness in construction, homeowner improvements continued to prop up residential spending. While government estimates vary, the Census Bureau and Bureau of Economic Analysis both report that homeowner outlays for improvements accounted for about a third of residential construction spending last year—down from nearly half at the 2011 peak, but still above the quarter averaged in 1993–2006.

FIGURE 9

After a Surge in 2013, Nearly All Major Housing Indicators Slowed in 2014

	2012	2013	2014	Percent Change 2012–13	Percent Change 2013–14
Residential Construction (Thousands of units)					
Total Starts	781	925	1,003	18.5	8.5
Single-Family	535	618	648	15.4	4.9
Multifamily	245	307	355	25.3	15.7
Total Completions	649	764	884	17.7	15.6
Single-Family	483	569	620	17.8	8.9
Multifamily	166	195	264	17.4	35.3
Construction Spending (Billions of dollars)					
Residential Fixed Investment	447	519	550	16.1	5.9
Home Sales					
New (Thousands)	368	429	437	16.6	1.9
Existing (Millions)	4.7	5.1	4.9	9.2	-2.9
Median Sales Price (Thousands of dollars)					
New	252.8	273.3	282.8	8.1	3.5
Existing	182.3	200.3	208.3	9.9	4.0

Notes: Components may not add to total due to rounding. Dollar values are adjusted for inflation by the CPI-U for All Items.
Sources: US Census Bureau, New Residential Construction and New Residential Sales data; National Association of REALTORS®, Existing Home Sales; Bureau of Economic Analysis, National Income and Product Accounts.

FALTERING HOME SALES

Behind the lackluster performance of single-family construction is the persistent weakness in new home sales. Sales of new single-family homes increased just 2 percent last year, a sharp slowdown from the 17 percent pace of 2013. At just 437,000 units, new home sales were still up more than 40 percent from the cyclical low in 2011, but roughly 30 percent below the annual averages in the 1970s, 1980s, and 1990s.

While not nearly as depressed as new home sales, existing home sales also lost momentum in 2014, falling to 4.9 million units. Indeed, the National Association of Realtors (NAR) reports a 2.9 percent drop for the year. Although significantly slower than in 2012 and 2013, the pace of existing home sales in 2014 was still almost 20 percent above the recessionary low in 2008.

The good news is that the softness in existing home sales largely reflects a decline in distress-related sales, suggesting that markets are stabilizing. Metrostudy data show dramatic declines in investor purchases as well as in all-cash sales and sales of bank-owned properties **(Figure 10).** At the same time, mortgaged home sales and regular (non-REO) re-sales to owner-occupants—the traditional foundation of the home sales market—were both up for the year.

Other sources confirm this trend. CoreLogic, for example, reports that the share of cash sales fell again in February 2015, marking 26 consecutive months of year-over-year declines. At 38 percent of home sales, cash sales were 9 percentage points below the 2011 peak, but still well above the 25 percent annual average before the housing boom and bust.

THE DRAG OF LOW INVENTORIES

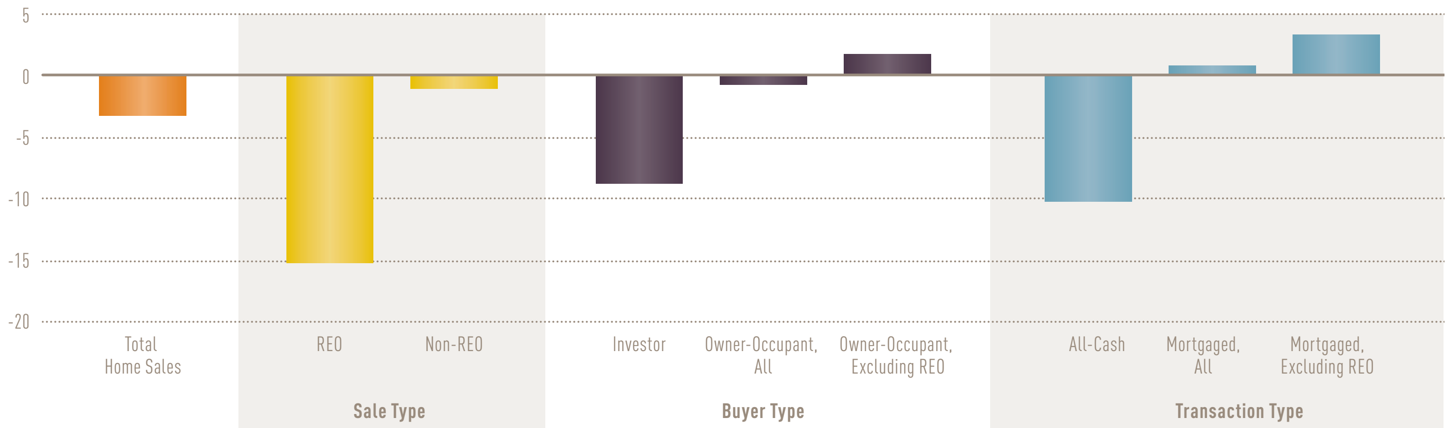
While the average number of homes for sale edged up 3.8 percent in 2014, the increase was apparently driven by the slowdown in sales rather than growth in the number of homes put on the market. Even so, the average supply increased to 5.2 months for the year, up from 4.9 months in 2013 but still under the 6.0 month level indicating market balance. Estimates through April, however, show that the for-sale inventory in early 2015 was back below year-earlier levels.

Several trends have combined to shrink the pool of homes available for sale. For one, many owners are unable to put their homes on the market because the price drop during the housing crash left them with little or no equity. According to CoreLogic, 10.8 percent of homeowners with mortgages were still underwater on their loans in the fourth quarter of 2014, and another 2.8 percent had less than 5 percent equity.

FIGURE 10

A Steep Drop in Distress-Related Sales Drove the Slowdown in Overall Home Sales Last Year

Percent Change 2013–14

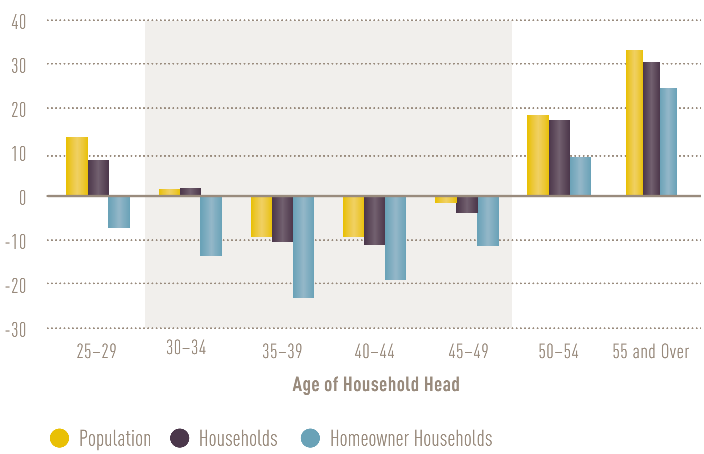


Note: REO sales are of real estate owned by lenders.
Source: JCHS tabulations of Metrostudy data.

FIGURE 11

The Aging of the Gen-X Population Has Reduced the Number of Homeowners Most Likely to Trade Up

Percent Change 2003–13



Source: JCHS tabulations of US Census Bureau, Current Population Surveys.

In addition, many homes remain stuck in the foreclosure process or held off market. The Mortgage Bankers Association (MBA) estimates that the number of homes in foreclosure nationwide exceeds 920,000 units. The Housing Vacancy Survey also shows no improvement in the share of vacant homes held off market in total or held off for "other reasons," including foreclosure.

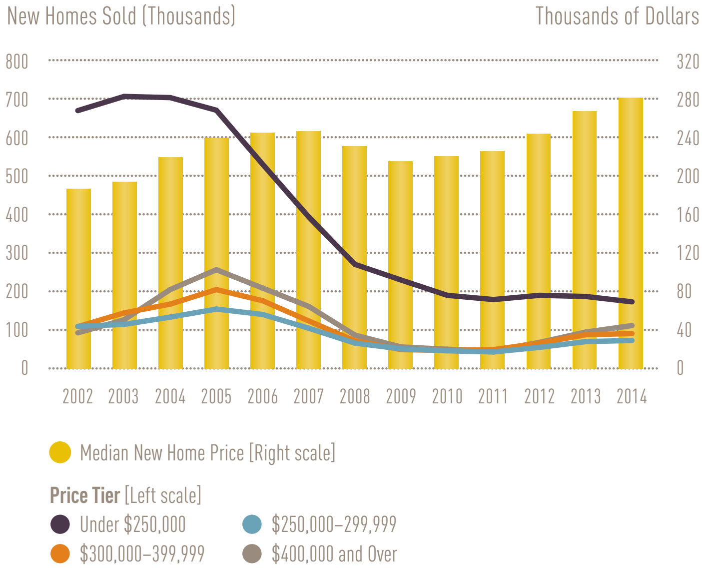
The lack of homes for sale also reflects decade-long trends. In particular, the aging of the population and declines in age-specific homeownership rates have drastically reduced the number of homeowners in their 30s and 40s—the age groups that traditionally account for more than half of all participants in the homebuying market. The replacement of the larger baby-boom generation by the smaller gen-X population in these key age groups has thus reduced the pool of owners most likely to put their homes on the market and to buy other properties. Indeed, the number of homeowners aged 35–39 (prime ages for new-home and trade-up buying) is down 23 percent from a decade ago **(Figure 11).**

At the same time, the changing age structure of the population implies lower residential mobility. Older households move less often than younger households, which means that fewer buy and sell homes. And while residential mobility rates have been falling for decades, the Great Recession accelerated the pace of decline, especially among homeowners. This trend extends to young adults, the age group with the highest propensity to move from one home to another.

Looking ahead, inventories of homes for sale could build as owners become more confident about the market. As it is, survey data from Fannie Mae indicate that 41 percent of respondents felt it was a good time to sell in the fourth quarter of 2014—a big improvement from the 11 percent share in the fourth quarter of 2011. In addition, many borrowers who lost their homes to foreclosure have had that blemish wiped from their credit reports, making them again eligible for FHA and other mortgages. This could provide a tailwind for the market. According to NAR estimates, up to 1.0 million such households have already restored their credit standing, and 1.5 million more could do so shortly. Still, several

FIGURE 12

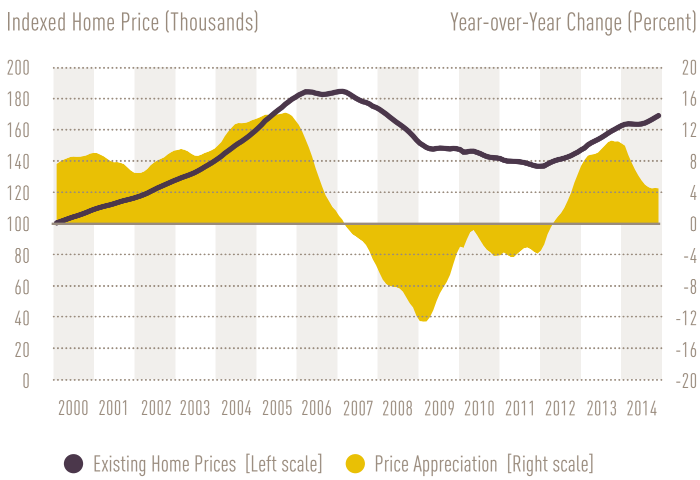
The Strength of New Home Prices Is Largely Due to the Weakness in Low-End Sales



Source: JCHS tabulations of US Census Bureau, New Residential Sales data.

FIGURE 13

While Existing Home Prices Continued to Rise in 2014, the Pace of Appreciation Slowed



Source: JCHS tabulations of CoreLogic Case-Shiller Home Price Indexes.

factors—such as rising interest rates, low equity, or ongoing credit impairment—could have a contrary effect, leaving owners stuck in their current homes and keeping for-sale inventories tight.

PRICES ON THE RISE

While the volume of new homes built is near record lows, the prices of those homes have hit a record high. Even with the slowdown in appreciation from 8.1 percent in 2013 to 3.5 percent in 2014, the median sales price of new homes stood at $283,000 last year—some 35 percent above the median sales price of existing single-family homes.

Rather than signaling a broadly healthy market, however, this record-setting price is largely due to changes in the size, quality, type, and location of new homes. Although the median price of new single-family homes sold last year was 31 percent above the 2009 cyclical low in nominal terms, the constant-quality price index for new homes was up only 14 percent. An increase in size appears to be the cause, with the typical new home 12.5 percent larger in 2013 than in 2009. This trend is especially evident in the Midwest, where the size of the typical new home increased nearly 25 percent in 2009–13, helping to give median prices a 43 percent lift over this period. Indeed, the rise in the median new home price reflects weak sales of moderately priced homes, which normally account for the majority of purchases **(Figure 12).** As a result, the median price of new homes could dip when sales of lower-end homes pick up again.

According to the National Association of Realtors, median prices for existing homes sold were up for the third consecutive year in 2014, rising 4.0 percent from 2013, to $208,300. As in the new home market, existing home prices benefited not only from low inventories but also from strong demand for higher-quality units. MBA survey data indicate that the average loan size for home purchase applications increased even faster than house prices in 2012–14, and hit a record high in March 2015. Meanwhile, the jumbo mortgage segment largely drove the increases in the MBA Mortgage Credit Availability Index last year.

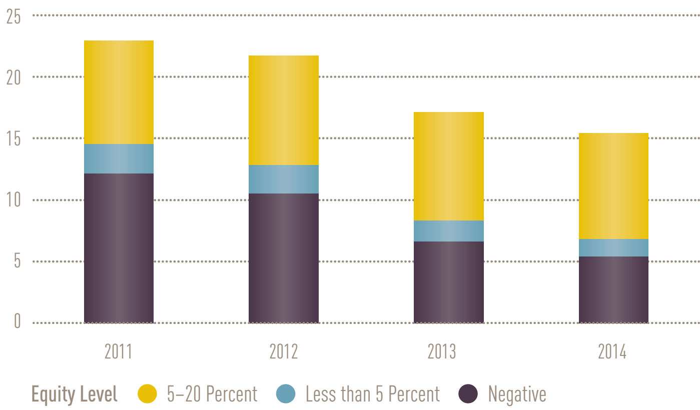
House price indexes that are less affected by changes in the mix of existing homes sold than the NAR measure also point to a slowdown in price appreciation in 2014. The CoreLogic Home Price Index, for example, shows a steady year-over-year cooling from 11.4 percent in January to 4.7 percent in December **(Figure 13).** Zillow reports a slightly smaller decline from 7.8 percent to 4.5 percent.

The relative easing of home price appreciation was apparent across the 20 metros tracked by the CoreLogic Case-Shiller indexes. At the high end, San Francisco posted a healthy 9 percent rise in prices for the year, albeit significantly below the 23 percent jump in 2013. Price increases in Las Vegas also slowed from 26 percent to 7 percent in 2014. Meanwhile, Chicago and Washington, DC, were at the bottom of the list for home price appreciation, joined by formerly high-flying Phoenix.

FIGURE 14

Although the Number of Underwater Homeowners Is Shrinking, Many Borrowers Still Have Little Equity

Households (Millions)



Note: Annual household counts are as of the fourth quarter.
Source: JCHS tabulations of CoreLogic data.

Price appreciation within the bottom tier of homes generally outpaced the rest of the market, in some cases significantly. For example, prices for the lowest tier of existing homes in Chicago were up 12 percent in 2014, compared with just 1 percent in the metro area as a whole. Similarly, bottom-tier home prices in Atlanta climbed 15 percent last year, three times the rate of the metro-wide increase. The high appreciation rate in this tier of the market likely reflects the decline in distress-related sales, as well as the widespread shortage of low-priced homes for sale.

NEGATIVE EQUITY PRESSURES

But despite their recent upturn, prices of low-tier homes remain far below their mid-2000s peaks, leaving many owners with negative equity. According to CoreLogic data, 16 percent of homeowners with mortgaged units valued at less than $200,000 were underwater on their loans at the end of 2014, compared with just 6 percent of owners of higher-valued homes. Zillow noted a similar pattern at year-end, finding that 27 percent of households with mortgages owning bottom-tier homes had negative equity, compared with 15 percent of those owning middle-tier homes and 9 percent of those owning top-tier homes.

Negative equity remains widespread in states where house prices fell the most during the downturn. Shares of underwater loans are predictably highest in states such as Nevada (24 percent), Florida (23 percent), and Arizona (19 percent), although they are also high (16 percent) in Illinois and Rhode Island. These five states alone account for more than a third of underwater mortgages. At the metro level, Tampa and Phoenix have the largest shares of negative equity loans, followed by Chicago.

Within metro areas, negative equity problems are highly concentrated in minority and low-income neighborhoods. In the 10 percent of zip codes with the highest rates of negative equity, the average minority share of the population is 51 percent and the typical household income averages just 83 percent of the state median. And at the household level, the 2013 American Housing Survey indicates that 29 percent of black and 25 percent of Hispanic homeowners were upside down on their mortgages, compared with 16 percent of white and Asian/other owners. Shares of negative equity loans are highest among homeowners aged 25–44 (19 percent), but also significant among homeowners aged 65 and over (a little over 11 percent).

Nationally, however, consistent increases in existing home prices have reduced the share of underwater owners from a peak of more than 25 percent in 2011 to 10.8 percent in the fourth quarter of 2014. This represents a drop from over 12 million homeowners to 5.4 million **(Figure 14).**

The number of homeowners with near-negative equity (less than 5 percent) also improved from 2.4 million in 2011 to 1.4 million in 2014. Like underwater homeowners, these households are stuck in place because they are unable to cover the costs of selling their homes. Indeed, even homeowners with low equity (5–20 percent) may not be able to afford to sell or qualify for additional financing to make home improvements or cover other needs. Troublingly, the number of households in this category has held between 8 million and 9 million since 2011. At the end of 2014, the total number of households with low, near-negative, and negative equity still exceeded 15 million.

REDUCTION IN DISTRESSED BORROWERS

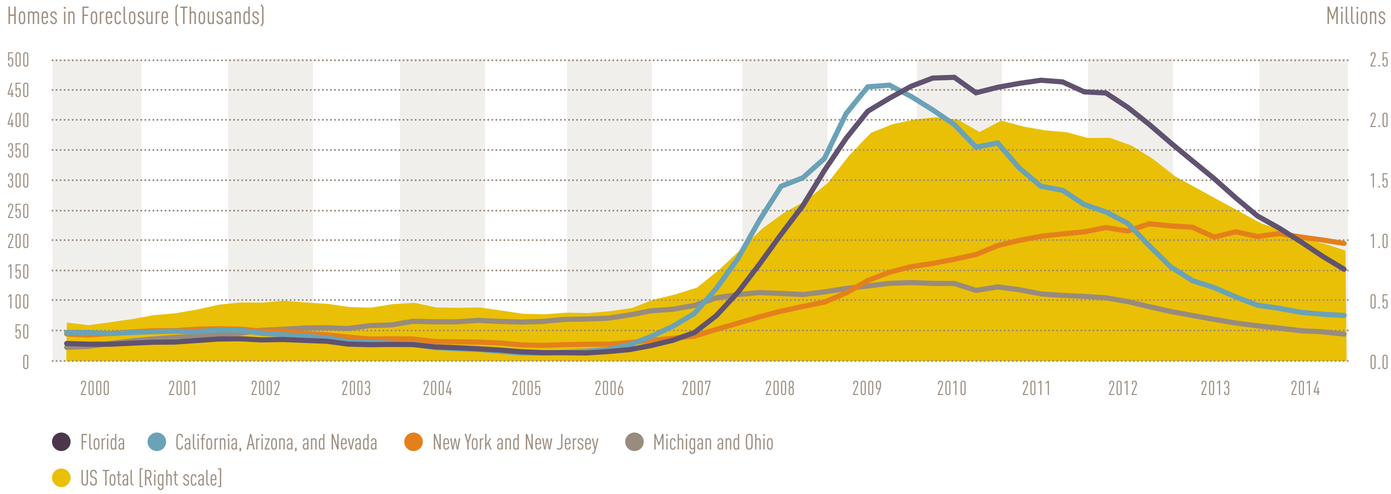
On the positive side, the share of loans entering the foreclosure process in 2014 was at its lowest level since 2006. In addition, the share of severely delinquent loans (90 or more days past due) or in foreclosure dropped 1 percentage point in the fourth quarter, to 4.5 percent. For the year overall, the number of severely delinquent loans was down 11 percent and the number of homes in foreclosure was down 20 percent, bringing the year-end total below two million for the first time since 2007.

Some of the states hardest hit by the foreclosure crisis led the drop **(Figure 15).** In Florida, the foreclosure inventory fell by 37 percent in 2014 and now stands 68 percent below the peak in 2010. The numbers of homes in foreclosure were also off 23 percent in Arizona and 17 percent in California, leaving inventories in both states more than 80 percent below peaks.

In contrast, progress in certain northern states has been slow, in part because of protracted foreclosure processes. In New York, the number of foreclosed homes shrank by 10 percent in 2014 but remained just 16 percent below peak levels. In New Jersey, the inventory of foreclosed homes was unchanged last year, stuck just 14 percent below the peak. As a result, New Jersey overtook Florida as the state with the largest share of mortgaged

FIGURE 15

Foreclosure Inventories Have Dropped Sharply, Especially in the Hardest-Hit States



Source: JCHS tabulations of Mortgage Bankers Association, National Delinquency Surveys.

homes in foreclosure. It should be noted, however, that New York and New Jersey have also posted below-average improvement in 60- and 90-day delinquencies and above-average rates of 30-day delinquencies, implying that high delinquency rates are a factor on their own.

THE OUTLOOK

Given how far housing markets have to go to regain even pre-boom levels, the slowdown in construction, sales, and price appreciation in 2014 set off some alarms. Indeed, the housing supply expanded less in the previous 10 years than in any decade since the 1940s, while existing home sales were running at late-1990s rates.

Even so, a deceleration from the robust house price appreciation of 2013 could be a sign that markets are returning to balance as a result of stable interest rates and fewer sales of distressed homes. With foreclosures and delinquency rates on the decline and steady job growth holding promise of wage gains, housing markets thus appear poised for a new phase of growth mirroring that of the overall economy. But like that of the economy, the recovery is likely to continue at only a moderate pace until income growth picks up and rising home prices help to reduce the number of underwater and distressed homeowners.

3 DEMOGRAPHIC DRIVERS

As the US population becomes both older and more diverse in the coming decades, the demand for alternative types of housing will increase. Although the baby boomers will continue to drive much of this shift, the millennial generation will play an increasingly large role in the rental and first-time buyer markets. In fact, household growth—the key driver of housing demand—among this younger generation finally appears to be picking up. Many of these new households, however, face stagnant incomes and high student debt that limit their opportunities to make the transition from renting to owning.

LONG-TERM TRENDS

Two long-term demographic trends have wide-ranging implications for housing demand: the overall aging of the US population and growth in the minority share of households. The median age of the population already stands at 37.8 years and is projected to reach 41.0 years in 2035 as the baby-boom generation (born 1946–64) replaces the much smaller silent generation in the older age groups **(Figure 16).** Over the next two decades, the number of adults aged 70 and over will thus increase by 91 percent.

The existing housing stock is unprepared to meet the needs of a large and growing senior population. Many older adults live alone, have at least one type of disability, and have limited resources to pay for suitable housing. As a result, the demand for units that are affordable, accessible, and provide social connection as well as supportive services will grow increasingly acute over the next two decades.

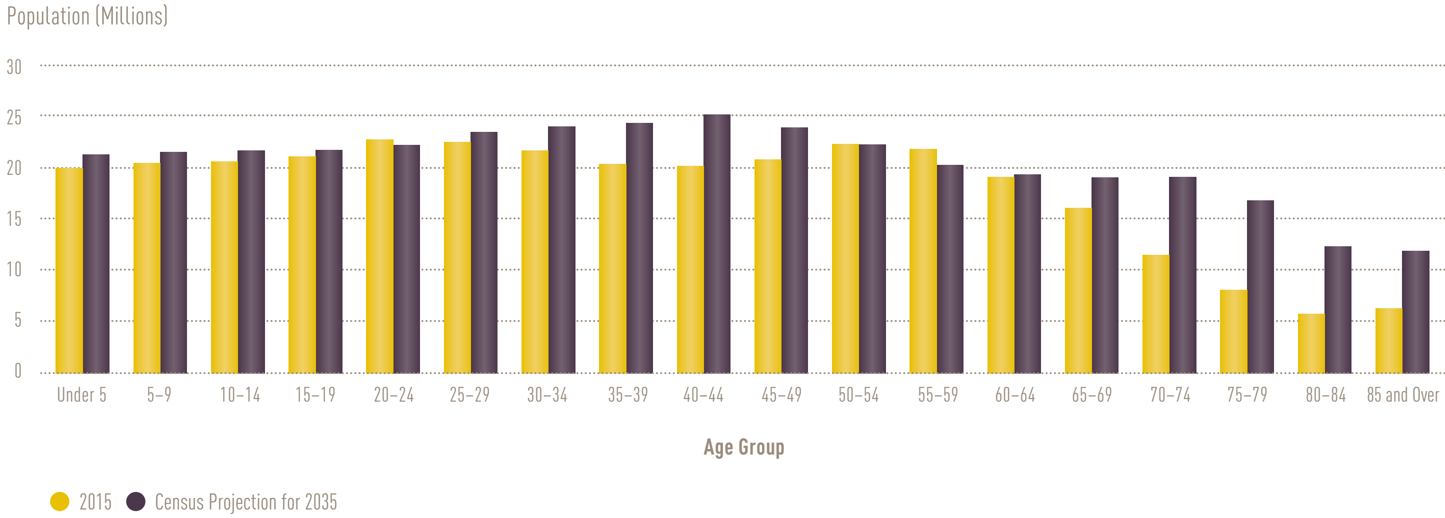
At the other end of the age spectrum, the large millennial generation (born 1985–2004) will have its own impact on housing markets. At more than 86 million, the number of people in this age group—already exceeding that of the baby boomers at similar ages—will increase over the next 20 years as immigration (typically of young adults) continues to pick up. Although they are only now beginning to live on their own, millennials will likely form even more households than the gen-Xers and even the baby boomers **(Figure 17)**.

Since renting is usually the first step in independent living, the millennials have already contributed to the robust growth in renter households over the past few years. Indeed, with their lower homeownership rates and slower transitions to marriage and childrearing, members of this generation will continue to have a profound impact on rental demand. But like generations before them, the millennials are likely to participate more fully in the first-time buyer and trade-up markets as they move into their 30s and 40s. Over the next two decades, the aging of the millennials will increase the population in the key 30–49 year-old age group by 17 percent.

Millennials are also driving the increase in racial and ethnic diversity. The minority share of this generation is already

FIGURE 16

The US Population Will Continue to Shift into Older Age Groups Over the Next Two Decades



Source: JCHS tabulations of US Census Bureau, Population Projections.

at 45 percent, significantly higher than the 40 percent share among gen-Xers and 28 percent share among baby boomers. Hispanics alone make up 22 percent of the millennial generation, compared with 19 percent of gen-X and 10 percent of the baby boom. Hispanic millennials also outnumber Hispanic baby boomers by more than two to one. And given that most of the households lost to death and other life events in the decades ahead are white, minorities are expected to drive 76 percent of net household growth over the next 10 years and fully 85 percent over the next 20.

The growing diversity of US households highlights the need for alternative types of housing that address a broad range of cultural preferences. For example, minority households are more likely to be multigenerational, suggesting increased demand for larger homes that accommodate these family groupings. In addition, if minorities continue to have lower incomes and wealth than white households, their growing presence in the market will increase the need for more affordable housing options as well as for mortgage products suited to their financial circumstances.

UPTURN IN IMMIGRATION

Much of the growing diversity of the US population reflects the wave of immigration that began in the 1970s and continues to this day. The foreign born represent a significant source of housing demand, accounting for about 40 percent of household growth in the second half of the 1990s and nearly a third of household growth in the 2000s.

Following a severe slowdown after the Great Recession, net international immigration revived from just 704,000 in 2011 to 996,000 in 2014. With this rebound, Asians now make up the largest share of immigrants while Hispanics—particularly from Mexico—continue to lose share. Although still below the 1.2 million annual average in 2000–07, the pace of immigration is projected to pick up in the decades ahead and add significantly to the growth in housing demand **(Figure 18).**

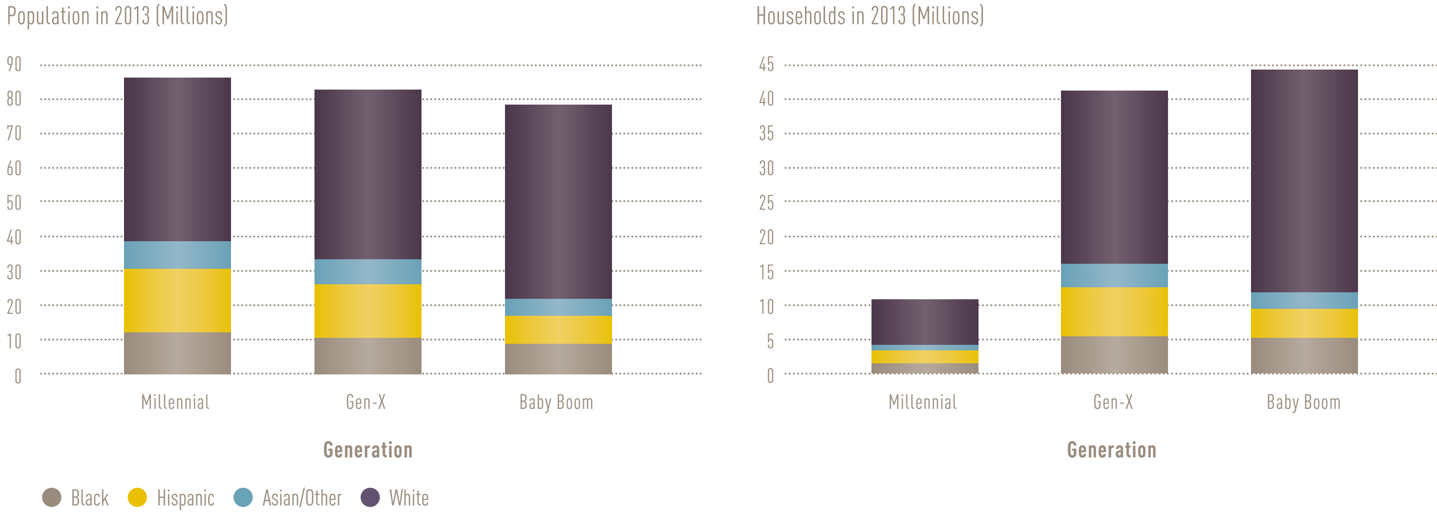
SIGNS OF STRONGER HOUSEHOLD GROWTH

While the three major Census Bureau surveys disagree on the exact number, household growth has held in the 600,000–800,000 range since 2008—far below the 1.2–1.4 million annual average of previous decades. Measures of household growth continued to show only modest increases for much of 2014. As the year came to a close, however, the Housing Vacancy Survey reported a marked pickup that brought the pace of growth closer to its long-run potential. While the magnitude of the sudden increase is suspect, other data—such as the increase in rental unit absorptions over the past year—also suggest that household growth is beginning to revive.

Among the demographic trends that should help to sustain stronger growth in households is the aging of the millennials into young adulthood, the phase when individuals are most likely to move out of their parents' homes into their own. Indeed, with the millennial population maturing and displacing the smaller gen-X population, the number of adults in the 20–29 year-old age group rose by 4.7 million between 2003

FIGURE 17

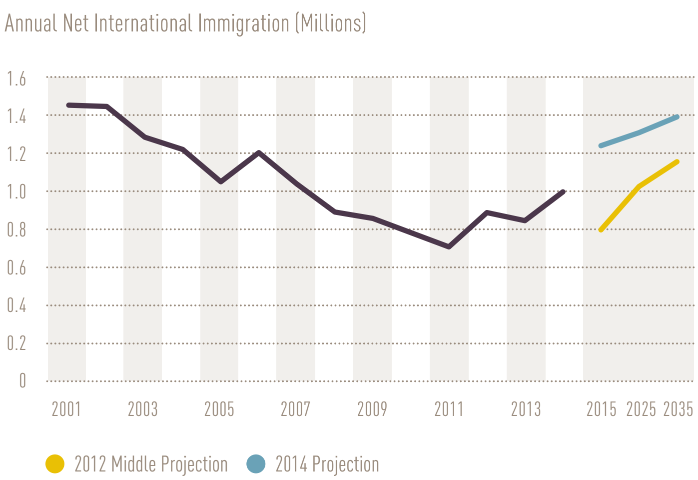
The Large, Diverse Millennial Generation Is Only Now Beginning to Form Households



Note: White, black, and Asian/other households are non-Hispanic. Hispanic households may be of any race.
Sources: JCHS tabulations of US Census Bureau, 2013 American Community Survey.

FIGURE 18

Growth in the Foreign-Born Population Is Approaching the Latest Census Bureau Projections



Source: JCHS tabulations of US Census Bureau, Population Projections.

and 2013. Assuming these young adults had formed independent households at the same rate as their predecessors in 2003, this increase would imply the addition of 1.8 million households. Instead, the housing crash and Great Recession reduced household growth among this age group to just 550,000—fully 1.2 million fewer than population growth alone would suggest.

But with the economy recovering and the labor market making steady gains, employment of younger adults is on the rise. In the first quarter of 2015, the unemployment rate for adults in their late 20s and early 30s was a full percentage point lower than a year earlier, and the number of employed adults in this age group was 1 million higher. This is good news for housing demand, given that employed younger adults are 50 percent more likely than unemployed younger adults to head independent households.

Income, of course, is also a critical factor. More than half of adults aged 25–34 taking home at least $45,000 a year head their own households, compared with just over a third of those earning less than $15,000. The pickup in wage growth among younger adults from 0.2 percent in 2013 to 2.4 percent in 2014 should thus continue to lift household formation rates among this key age group.

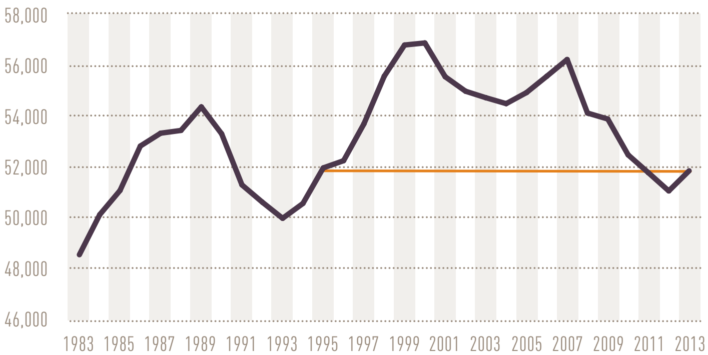
HOUSEHOLD INCOME INCHING UP

Six years after the recession's official end, households are just starting to see modest income growth. The latest estimates indi-

FIGURE 19

Median Household Income Has Receded to 1995 Levels in Real Terms

2013 Dollars



Note: Incomes are adjusted for inflation using the CPI-U for All Items.
Source: JCHS tabulations of US Census Bureau, Current Population Surveys.

cate that real median household income rose 2 percent between 2012 and 2013, to $51,900. More recently, average hourly earnings and the employment cost index both edged up in the first quarter of 2015. While many workers are still under-employed or have left the labor force, the drop in unemployment to less than 6 percent could help to put upward pressure on wages.

Full recovery in incomes, however, remains a long way off. At last measure in 2013, the real median household income was 8 percent below the 2007 peak and equivalent to inflation-adjusted levels in 1995 **(Figure 19).** And given that recent income growth has not been shared equally, the setbacks for some age groups have been larger than for others. For example, real incomes for households aged 25–34 are back to mid-1990s levels, while those for households aged 35–44 are at mid-1980s levels. Worse still, real incomes for households aged 45–54 are at their lowest level since the late 1960s.

And although households aged 55–64 did not experience the largest declines, they are the only age group that did not see income growth in 2013. Instead, their median income fell 3 percent last year to stand 7 percent below the 2003 level. Weak income growth among this age group is particularly concerning because these adults are at the stage in life when they should be saving for retirement.

Median incomes for each major racial/ethnic group have also fallen significantly. Although recovering the most (1 percent) in 2010–13, incomes of black households were still nearly 8 percent below their level in 2003. Incomes for Asian and other minority households were down just 1 percent over this period, leaving their incomes 6 percent below a decade earlier. In contrast, the incomes for whites (up less than 1 percent) and Hispanics (down 1 percent) both stand 4 percent below decade-earlier levels. Overall, the median household income of minorities in 2013 was $17,600 (30 percent) below that of whites.

The depressed incomes of households in general and of racial/ethnic minorities in particular reflect a shift in the income distribution. Even after accounting for inflation, the number of households earning under $25,000 rose 18 percent over the decade while the number earning $75,000 or more was up only 4 percent.

Part of the increase in the number of lower-income households reflects the 14 percent rise in the number of people living alone between 2004 and 2014. Last year, single persons accounted for just 6 percent of households in the top income decile, but fully 58 percent of those in the bottom decile. In contrast, nearly three-quarters of households in the top income decile included two or more earners. Of these top-income households, over 80 percent were married couples.

The trend toward longer work lives should help to lift incomes. More and more older adults are working past the traditional retirement age. As a result, the real median income of households aged 65 and over jumped 18 percent between 2004 and 2013, largely due to increased labor force participation. Some 18 percent of older households were headed by a working adult in 2014, an increase of 5 percentage points since the 1990s.

HOUSING EQUITY AND HOUSEHOLD WEALTH

With house prices on the upswing, home equity is again contributing to household net wealth. According to Federal Reserve Board flow of funds data and taking inflation into account, aggregate home equity was up 8 percent in 2014 and a whopping 60 percent since 2010. By comparison, household net wealth rose 3 percent in 2014 and 22 percent since 2010.

Like income growth, the increases in net wealth have not been equally shared. The Survey of Consumer Finances reports that median household wealth actually fell 1 percent from 2010 to 2013, suggesting that growth was concentrated among households at the top of the distribution. At just $81,400, median net household wealth is down 40 percent from the 2007 peak in real terms and at its lowest level in more than two decades.

This decline is largely due to the housing market crash. Median home equity in 2013 was 32 percent below the 2007 peak and back to levels in the late 1990s. Hispanics were hit hardest with a 48 percent drop in housing wealth in 2007–13—significantly worse than the 28–30 percent decline among black and white owners. As a result, the real median housing wealth of Hispanic homeowners in 2013 stood 5 percent below the level in 1992.

This drop clearly demonstrates how outsized dependence on home equity as a financial cushion can leave owners—particularly low-income and minority owners—vulnerable to falling prices. Indeed, home equity contributes a disproportionate share (81 percent) of net wealth among the typical owner in the lowest income quartile, compared with just under a quarter (24 percent) among those in the highest income quartile. Housing wealth also represents a much larger share of the net worth of the typical black or Hispanic homeowner (58 percent) than of the typical white homeowner (37 percent).

Even so, home equity remains a key source of household wealth, accounting for $80,000 of the $195,500 median net wealth of homeowners in 2013. By comparison, the median net wealth of renters was just $5,400. The difference in net wealth between owners and renters is particularly stark among low-income and minority households **(Figure 20).**

DECLINING MORTGAGE DEBT

Homeowners continued to pare down their mortgage debt in 2014. The Federal Reserve Board's flow of funds data show that real aggregate mortgage debt totaled about $9.4 trillion last year, a 2 percent decline from 2013 and a 13 percent drop from 2010. While reflecting in part the ongoing decline in homeownership, the outstanding mortgage balance of the typical owner also fell in 2013, down to $115,000, or 4 percent below the recent peak.

Older homeowners are one group for which high mortgage debt is still a concern because they are entering their retirement years with declining incomes. More than a third (38 percent) of owners aged 65 and over had mortgages in 2013, up from a little over a quarter in 2001. Moreover, the median amount of debt they carried doubled over this period in real terms. At the same time, the real median equity of older owners in 2013 was down to $125,000—lower than in any year since 1998. Having less equity and large mortgage payments late in life is a troubling prospect for households on fixed incomes.

STUDENT DEBT ON THE RISE

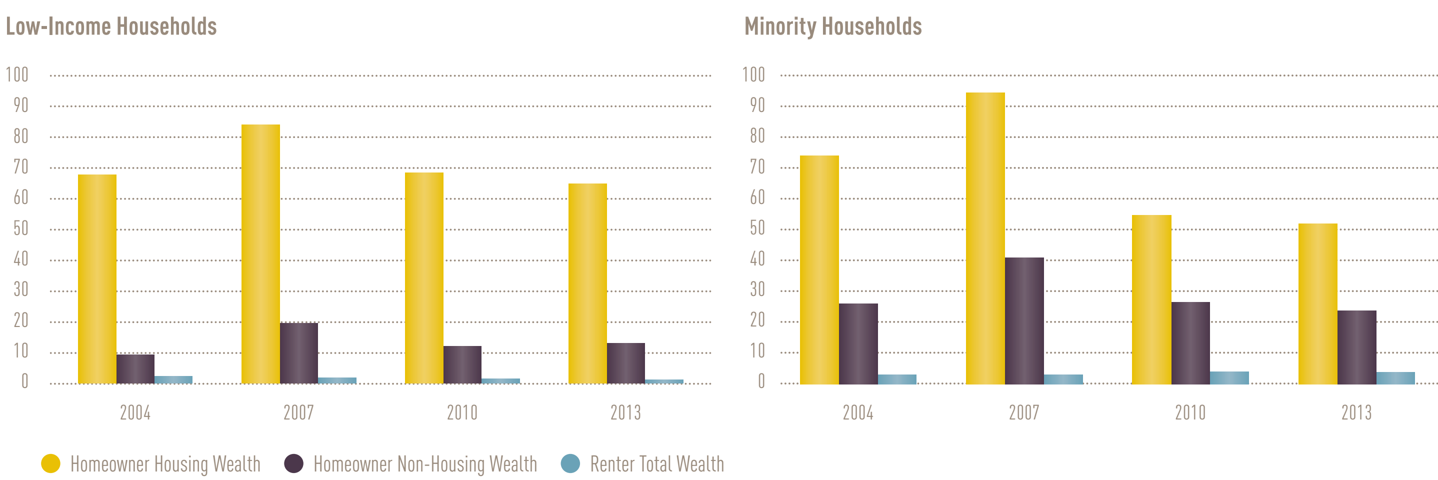
Even as households shed mortgage debt, consumer debt balances continued to climb last year. According to the Federal Reserve Bank of New York, non-housing debt climbed 6 percent to $3.0 trillion in 2014—a 12 percent increase from 2004 in real terms.

Student loans account for virtually all of this growth. Fully 20 percent of all US households carried student loan debt in 2013, more than double the 9 percent share in 1989. Most of the growth, however, was among younger adults. In 2001, 22 percent of households aged 20–39 carried an outstanding student loan balance. In 2013, that share was 39 percent **(Figure 21).** While nearly two-thirds (64 percent) of younger adults with student loan debt owed less than $25,000 in 2013, a fifth (19 percent) had balances of at least $50,000—more than three times the share in 2001.

FIGURE 20

Despite the Downturn, Housing Remains the Primary Form of Wealth for Low-Income and Minority Households

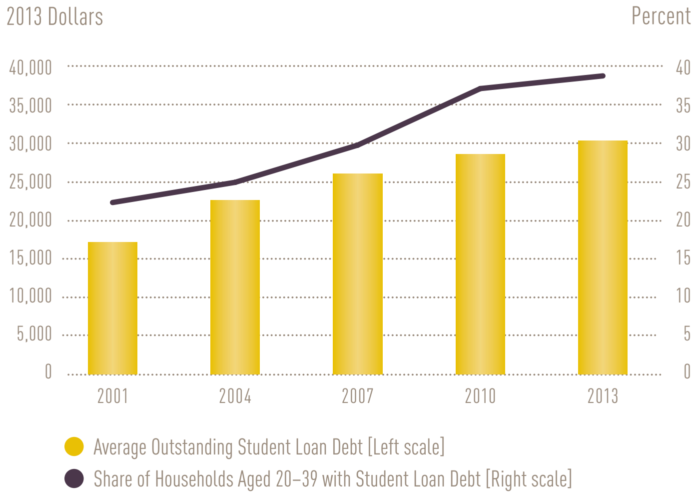
Median Net Wealth (Thousands of 2013 dollars)



Notes: Non-housing wealth includes cash savings, savings in retirement accounts, and stocks and bonds. Low-income households are in the bottom income quartile based on equal fourths of all households. Values are adjusted for inflation using the CPI-U for All Items.
Source: JCHS tabulations of Federal Reserve Board, Surveys of Consumer Finances.

FIGURE 21

Growing Shares of Young Households Are Carrying Higher Levels of Student Loan Debt



Notes: Student debt is reported for the entire household. Average outstanding student loan balances exclude households without debt.
Source: JCHS tabulations of Federal Reserve Board, Surveys of Consumer Finances.

Student loan payments often take a significant bite out of household finances. In 2013, 8 percent of all households repaying their student loans had high debt burdens (payments exceeding 14 percent of monthly income). The share of renters aged 20–39 with these debt burdens was especially high at 19 percent. Given that renters already have very modest cash reserves, the growth in student debt burdens further undermines their ability to build savings for emergencies, retirement, or downpayments on homes.

Another concern is the substantial growth in the number of young households with student debt but lacking a degree. Over half of households in their 20s and 30s with student loan debt in 2013 did not have four-year college degrees, and fully 15 percent were in the highly burdened category. Moreover, households are more likely to carry student loan debt later in life. Between 2001 and 2013, the share of households in their 40s still saddled with student loans increased from 11 percent to 23 percent, while the share in their 50s increased from 4 to 9 percent.

THE OUTLOOK

Even if the low household formation rates of 2011–13 persist, changes in the size and age distribution of the adult population imply growth of about 1.2 million households per year in 2015–25. Over this period, the median millennial will move from the 20–24 year-old age group (where just one in every four persons has formed an independent household) to the 30–34 year-old age group (where half of the population lives independently). By 2035, given headship rates similar to those of previous generations, the millennials are expected to form more than 30 million new households. In the near term, though, high student loan debt loads and weak income growth will constrain the ability of these younger households to afford housing, whether they choose to rent or buy.

Meanwhile, the aging baby boomers will lift the number of older households aged 65 and over 42 percent by 2025, and double the number aged 80 and over by 2035. This unprecedented growth in the number of senior households will test the ability of the nation's housing stock to address the spiraling need for affordable, accessible, and supportive units. For those seniors that choose to age in place, rising debt and wealth constraints may leave many retired homeowners struggling to meet their mortgage payments.

HOMEOWNERSHIP

The downtrend in homeownership stretched to a decade in 2014. Rates fell across nearly all age groups, incomes, household types, and markets despite the affordability of first-time homebuying. Recent trends point to continued declines in the share of households owning homes, although signs of a turnaround in household income growth and some easing of lending constraints may mean that the pace of decline is set to slow.

HOMEOWNERSHIP TRENDS

The national homeownership rate slid for the 10th consecutive year in 2014, off 0.6 percentage point to 64.5 percent **(Figure 22).** The downtrend continued in early 2015 with a first-quarter reading of just 63.7 percent—the lowest quarterly rate since early 1993. The 233,000 drop in homeowner households last year brought the total decline since the 2006 peak to 1.7 million.

The weakness in homeownership extends across all regions of the country and nearly all metropolitan areas, including inner cities, suburbs, and non-metro areas. And while recent estimates suggest that homeownership rates may be firming in some areas, there is no evidence so far of a significant rebound.

With the exception of Detroit, major metros with the largest declines in homeownership are all within the Sunbelt states, where high foreclosure rates amplified the impacts of the Great Recession. At the top of the list are Las Vegas and New Orleans (both with an 8.5 percentage-point drop in homeownership), and Bakersfield (with an 8.3 percentage-point drop). The worst-hit markets generally experienced a much sharper cycle in home prices and incomes than metros that were more sheltered from the housing boom and bust.

NEIGHBORHOOD LOSSES

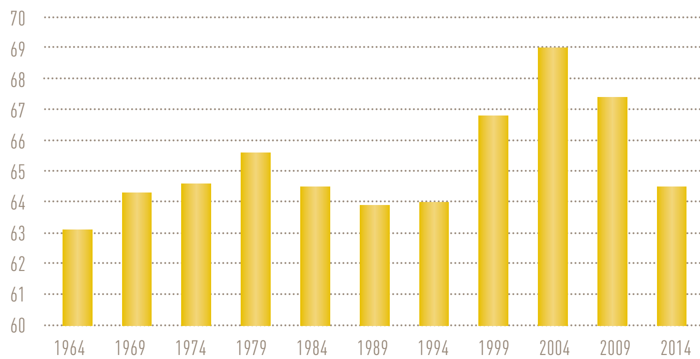
Of the nearly 50,000 census tracts for which consistent data are available, roughly one-tenth saw at least a 10 percentage-point drop in homeownership between 2009 and 2013, with the average neighborhood in this category posting a 14 percentage-point decline. Although starting out slightly above the national average, homeownership rates in these neighborhoods ended the period at just 54 percent. As a result, these 5,000 or so communities accounted for nearly 95 percent of the decline in homeowner households in 2009–13.

While found across the country, more than a quarter of the communities with outsized homeownership declines are located in the populous states of California, Texas, and New York. The states with the highest shares, however, are those hardest hit by the foreclosure crisis, including Nevada, Arizona, and Georgia **(Figure 23).**

FIGURE 22

The Recent Homeownership Rate Decline Has Erased the Increases in the 1990s and 2000s

US Homeownership Rate (Percent)

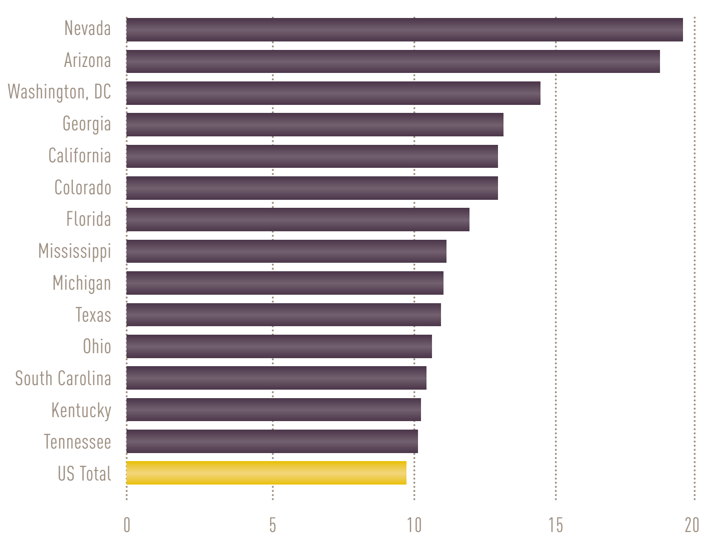


Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

FIGURE 23

Nevada and Arizona Had the Highest Concentration of Neighborhoods with Severe Homeownership Rate Declines

Share of Tracts with Homeownership Rate Declines of at Least 10 Percent (Percent)



Note: Data include only census tracts with consistent geographic boundaries and at least 500 people in both survey periods.
Source: JCHS tabulations of US Census Bureau, 2005–9 and 2009–13 Five-Year American Community Surveys.

Communities with the largest losses of homeowners were formerly similar to the typical US neighborhood. For example, the high-distress areas had only slightly higher average vacancy rates (12.2 percent vs. 10.9 percent), slightly lower median household incomes ($54,000 vs. $59,000), slightly lower median home values ($238,000 vs. $254,000), and identical shares of single-family homes (69 percent). The biggest difference, however, is that these neighborhoods had a significantly higher share of minority residents. Given the concentration of risky lending and foreclosures in these neighborhoods, it is no surprise that minority communities suffered the most severe losses in homeownership after the downturn.

A large decline in homeowner households in any community is clearly cause for concern. Not only does it reflect the uprooting of a substantial share of existing residents, but the financial stresses that both produced and resulted from the foreclosure crisis further undermine neighborhood stability. Indeed, with the sharp falloff in owning, these communities have experienced the greatest declines in incomes and increases in poverty since the crash. Coupled with large losses of household wealth, these neighborhoods have also seen a great reduction in buying power to support local businesses and invest in the housing stock. In consequence, there is a continued need for policy responses to mitigate the lingering effects of the housing crisis at both the household and community levels.

DECLINES AMONG KEY HOUSEHOLD GROUPS

While the national homeownership rate is now back to its 1993 level, rates for key household groups have receded even further **(Figure 24).** Indeed, the rate for 35-44 year olds is down 5.4 percentage points from the 1993 level and back to a level not seen since the 1960s. These households were in the prime first-time homebuying years just before the housing crisis hit, and therefore particularly vunerable to the drop in home values. With household incomes falling as the recession began, many homeowners in this age group were unable to keep up with their mortgage payments. For those who had not yet bought homes, the ensuing decade was a challenging time to enter the market.

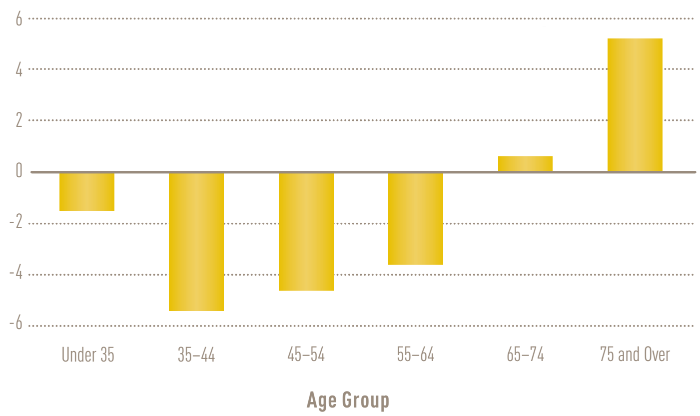
In contrast, homeownership rates among older households have held nearly steady and remain above levels from the mid-1990s. In combination with their growing numbers, consistently high homeownership rates among households aged 65 and over have helped to prop up the national rate. Indeed, if not for the aging of the population, the overall homeownership rate would have dropped even further than it has.

Meanwhile, the growing minority share of the population is exerting a downward pull on the US homeownership rate because of their lower rates of owning. In addition, homeownership rates among minority households fell much more sharply after the housing market crash, reversing some of the modest progress made toward closing the white-minority homeownership gap since the early 1990s. As of 2014, the homeownership rate for minorities as a group remains 25.5 percentage points

FIGURE 24

The Drop in Homeownership Among 35–44 Year Olds Has Been Especially Severe

Change in Homeownership Rate 1993–2014 (Percentage points)

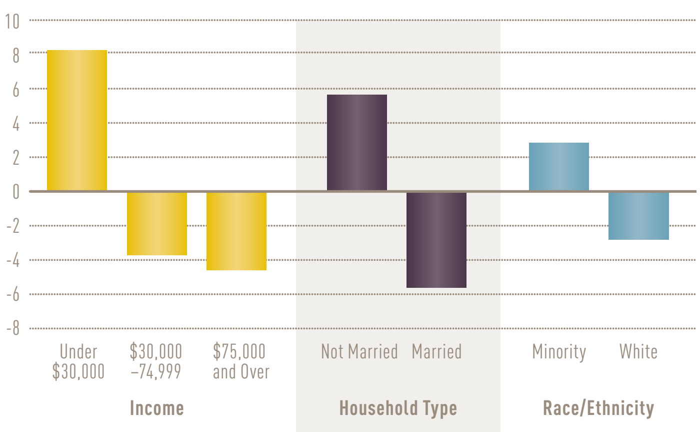


Source: JCHS tabulations of US Census Bureau, Housing Vacancy Surveys.

FIGURE 25

Today's Younger Households Are Increasingly Likely to Have Characteristics Associated with Lower Homeownership Rates

Change in Share of 25–34 Year-Old Households 2003–13 (Percentage points)



Source: JCHS tabulations of US Department of Housing and Urban Development (HUD), American Housing Surveys.

lower than that of whites. Nonetheless, despite falling homeownership rates in recent years, the numbers of Hispanic and Asian/other households owning homes have continued to rise as their shares of all households have climbed.

Homeownership losses even extend to married couples with children, one of the household types most likely to own homes. Indeed, the rate among these households fell some 6.1 percentage points from its mid-2000s peak, outrunning the decline for any other household type and pushing homeownership rates back to early 1990s levels as well.

THE SLOWDOWN IN FIRST-TIME HOMEBUYING

Homeownership rates among households aged 25–34 have plunged by more than 9 percentage points since 2004, and now stand 3 percentage points below the 1993 level. Since members of this age group typically make up just over half of all first-time homebuyers, the market remains particularly weak. Indeed, the National Association of Realtors reports that the first-time buyer share of home purchases fell from 38 percent in 2013 to 33 percent in 2014—near historic lows and well below the 40 percent share typical before the bust. This decline is particularly striking given the movement of the large millennial generation into this age group and the relative affordability of homebuying.

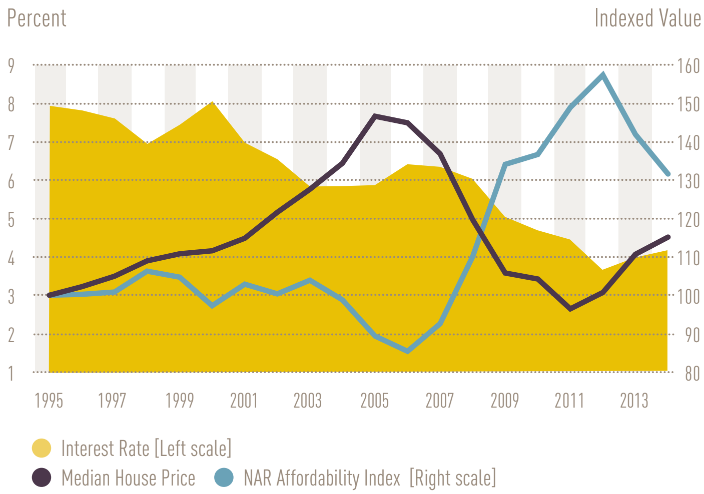
But many young adults are under severe financial pressure. The real median household income of 25–34 year olds in 2013 was down 5 percent from 2004. At the same time, nearly half of renters in this age group face housing cost burdens and almost as large a share are saddled with student loan debt, making it next to impossible to save for even a modest downpayment.

Other long-term demographic trends are part of the explanation **(Figure 25).** In particular, age at first marriage and childbearing has been on the rise, especially since the recession. Given that first-time homeownership often follows these life events, these delays have helped to depress homebuying overall. In addition, the millennials are the most racially and ethnically diverse generation in history, with minorities making up 45 percent of individuals aged 10–29. The lower homeownership rates of minorities, combined with their growing presence in the housing market, have thus contributed to the lower share of today's young adults owning homes.

Now that the millennials are adding to the populations of several cities, there is some evidence that more young adults will continue to prefer urban settings and be less likely to buy single-family homes than members of previous generations. The higher rentership rates among young adults and more rapid growth of core counties in metropolitan areas relative to rates from a decade ago are consistent with this view. But no distinct trend toward urban or higher-density living is evident among households buying homes for the first time. In fact, recent buying patterns are roughly consistent with those of a decade ago, with nearly half of first-time buyers purchasing homes in

FIGURE 26

Low Interest Rates Continue to Hold Down the Costs of Homeownership



Note: Prices are adjusted to constant 2013 dollars using the CPI-U for All Items.
Sources: JCHS tabulations of NAR Affordability Index and NAR Single-Family Median House Price, annualized by Moody's Analytics; US Census Bureau, Current Population Surveys; Freddie Mac Primary Mortgage Market Surveys.

suburban areas and 31 percent buying homes in center cities. Moreover, the vast majority (91 percent) of first-time buyer households purchased single-family homes.

CHANGES IN AFFORDABILITY

Despite rising prices, homebuying in most parts of the country remained more affordable in 2014 than at any time in the previous two decades except right after the housing crash **(Figure 26).** In 110 of the 113 largest metros for which at least 20 years of price data are available, payment-to-income ratios for the median-priced home were still below long-run averages. And in nearly a third of these metros, ratios were 20 percent or more below those averages.

Based on the NAR standard that mortgage payments cannot exceed 25 percent of income, the median household could afford the median home in all but 10 metros in 2014. Moreover, as of the end of the year, Trulia estimates indicate that the cost of owning was cheaper than renting in all of the 100 largest metro areas.

But conventional measures of affordability may underestimate the challenges of first-time homebuying and overestimate the pool of qualified homebuyers. Under the Consumer Financial Protection Bureau's qualified mortgage rule, the maximum debt-to-income ratio (including payments for property taxes, insurance, and non-housing debt) is 43 percent. By this measure, only 36 percent of renters in the 168 large metros with 2014 price data could afford a 30-year fixed-rate mortgage on a median-priced home in their areas, assuming a 5 percent downpayment. Among the key 25–34 year-old age group, the share was somewhat higher at 42 percent. Nevertheless, given that their median net wealth was less than $5,000, typical renters in this age group would be able to meet the 5 percent downpayment requirement in only 5 of the 168 metros.

MISSED REFINANCING OPPORTUNITIES

Many homeowners have taken advantage of currently low interest rates to refinance their mortgages. As of the 2013 American Housing Survey, nearly 41 percent of owners with mortgages report having refinanced, and the majority of those who did had refinanced within the previous five years.

With the help of these refinancings, the average mortgage interest rate reported by owners declined from 6.0 percent in 2009 to 4.7 percent in 2013. According to Freddie Mac's Refinance Report, the average refinancing in the fourth quarter of 2014 meant a 1.3 percentage point reduction in the mortgage interest rate, cutting the borrower's monthly interest by 23 percent or $104 for every $100,000 borrowed.

But even though the interest rate on a 30-year fixed-rate mortgage was below 4 percent throughout 2012 and into the first five months of 2013, about a third of owners with mortgages in 2013 still paid rates above 5 percent. Many of these households would benefit from refinancing. Indeed, 38 percent of owners with mortgages that have moderate housing cost burdens, as well as 43 percent of those that have severe burdens, pay relatively high interest rates. And despite the availability of assistance through the Home Affordable Refinance Program (HARP), 40 percent of owners with negative equity also pay more than 5 percent interest on their mortgages.

Minority and lower-income homeowners are more likely to pay these high rates. More than 40 percent of Hispanic and black households with mortgages report paying interest rates above 5 percent, compared with less than a third of white and Asian/other minority households **(Figure 27).** Higher interest rates are partly due to the fact that these owners are the most likely to be highly leveraged and unable to refinance outside of HARP, with 25 percent of Hispanic borrowers and 29 percent of black borrowers in negative equity positions. Lower-income households, along with owners of lower-value homes, are also much more likely to have high-rate mortgages.

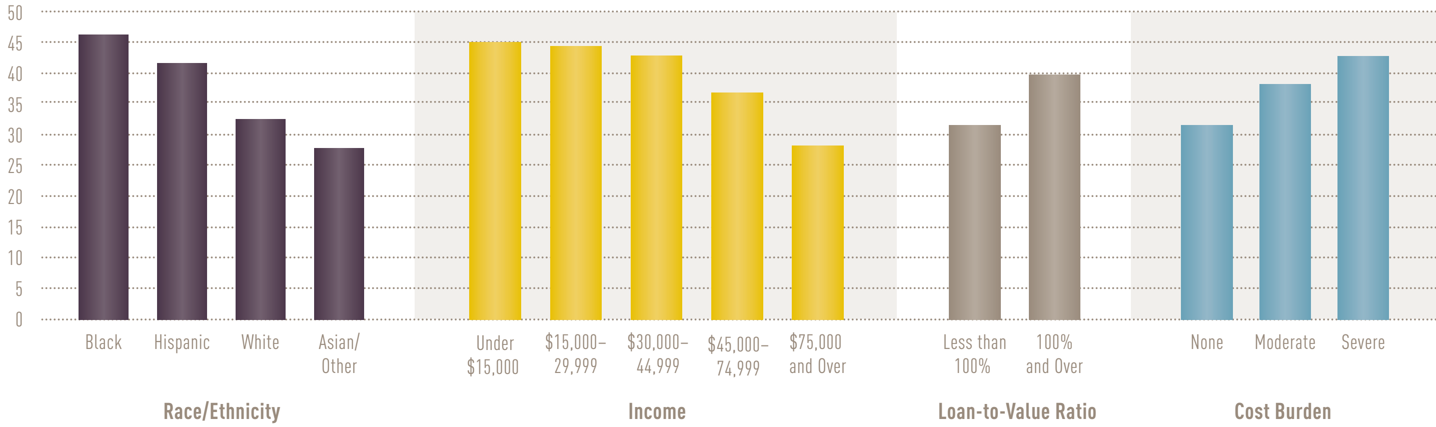
CONTINUING CREDIT CONSTRAINTS

To capitalize on today's low interest rates, households need access to credit. But for current owners and potential first-time buyers alike, tight underwriting standards have made mortgage credit hard to come by. After taking record losses in the mort-

FIGURE 27

Many Minority and Low-Income Homeowners Are Missing Out on the Opportunity to Refinance

Share of Owners Paying More than 5% Interest on Their Mortgages (Percent)

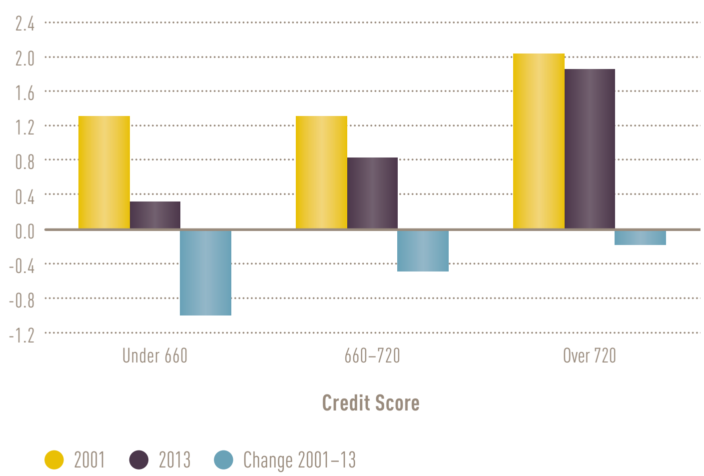


Notes: White, black, and Asian/other households are non-Hispanic. Hispanic households may be of any race. Moderate (severe) cost burdens are defined as housing costs of 30–50% (more than 50%) of household income.
Source: JCHS tabulations of HUD, 2013 American Housing Survey.

FIGURE 28

Lending to Borrowers with Even Moderate Credit Scores Has Dropped Below Pre-Boom Levels

Number of Purchase Loans Originated (Millions)



Source: Urban Institute.

gage market meltdown, lenders now face greater risk of having to buy back loans that default and of paying much higher servicing costs for delinquent borrowers. As a result, they have overlaid their own more stringent credit requirements with even stricter standards for borrowers.

Indeed, purchase lending to applicants with low and even moderate credit scores is lower than in 2001 **(Figure 28).** Since lending to borrowers with top scores declined much less, the share of loans going to this segment increased from 44 percent in 2001 to nearly 62 percent in 2013. Of course, the fallout from the recession—declining incomes, impaired credit, and mounting student loan debt—has also served to dampen demand for home loans over this period.

In an effort to expand credit access, the Federal Housing Finance Agency took steps in 2014 to change the conditions under which lenders are liable for defaulted loans sold to Fannie Mae and Freddie Mac. In addition, the government sponsored enterprises extended the availability of guarantees for loans with 97 percent loan-to-value ratios. State housing finance agencies have also expanded their programs providing low- and no-downpayment loans to low-income, minority, and younger borrowers. Finally, FHA substantially reduced the upfront mortgage insurance premium on loans it insures. So far, though, continuing concerns about being hit with penalties for defaulted loans may be dampening lender willingness to offer these loans, which are a key source of financing for the first-time buyer market.

In the wake of these changes and the ongoing recovery in home prices, credit constraints may be loosening modestly. Although the majority of institutions polled by Fannie Mae suggest that credit standards remained relatively steady in 2014, a Federal Reserve Board survey indicates that more bank officers reported easing than tightening credit in the second half of 2014 and the first quarter of 2015.

A variety of measures have been developed in recent years to more precisely gauge the availability of mortgage credit. For example, the MBA's Mortgage Credit Availability Index, which essentially weighs lender guidelines on acceptable loans with different loan terms and purposes, suggests that credit standards have eased since early 2012. Even so, the index remains well below levels in the early 2000s.

Alternatively, an Urban Institute index relies on the estimated probability of default for newly originated loans, which indicates the degree of risk that lenders are willing to tolerate. By this measure, loans originated in the first three quarters of 2014 posed about a 5 percent risk of default—well below the level evident in 2001–03 before the riskiest lending practices took hold in the market. In fact, the degree of risk in 2014 was even lower than in 2010–13, suggesting that credit by this measure continued to tighten last year.

Yet another yardstick of mortgage credit availability is the denial rate on loan applications reported under the Home Mortgage Disclosure Act (HMDA). Although denial rates reflect borrowers' willingness to attempt to obtain loans as well as lender underwriting, they do provide some indication of which borrowers have a more difficult time securing financing. According to 2013 HMDA data, 12 percent of applicants for home purchase loans were denied financing. The rate was especially high (20 percent) for African-American applicants—nearly twice that for white borrowers. Hispanics fared slightly better, with a 17 percent denial rate. Meanwhile, low-income borrowers were denied purchase loans 2.5 times more often than upper-income borrowers.

The geographic concentration of minority loan applicants has meant that many communities have been disproportionately affected by tight credit. Although purchase loan originations rose across all types of census tracts in 2012–13, the growth rate in majority-minority areas was just 8 percent—half that in areas with mixed or predominantly white populations.

THE OUTLOOK

As troubled as the market has been in the last few years, most households—regardless of race/ethnicity, age, and lifestyle—still consider homeownership a positive goal. According to Fannie Mae's National Housing Survey for the fourth quarter of 2014, 82 percent of respondents thought that owning made more financial sense than renting. Even among renters, 67 percent agreed with this statement. Both shares have changed little from results in the fourth quarter of 2010.

Although most want to own a home someday, younger renter households perceived a variety of financial barriers ahead. Among those aged 18–39, 92 percent expected to buy homes eventually, but 62 percent thought it would be difficult to get a mortgage. The main obstacles they anticipated to obtaining home loans include insufficient savings to make a downpayment and pay for closing costs (42 percent) and an insufficient credit history (47 percent).

Given the consistently strong preference for owning, future trends in the national homeownership rate will depend on whether households have the means to achieve this goal. Demand for homeownership should pick up as the economic recovery continues, but whether mortgage credit will be widely available to satisfy stronger demand remains to be seen. And as long as homeownership remains the primary vehicle for low-income and minority households to build wealth, it will be vital to provide opportunities to keep homebuying within reach of those with both the desire and ability to succeed at this goal.

5 RENTAL HOUSING

The share of US households that rent their housing now stands at a 20-year high. While most of the recent increase in the stock has come from conversion of owner-occupied single-family homes to rentals, multifamily construction has also picked up pace. Meanwhile, falling vacancy rates have lifted rents, improving the financial performance of rental properties but straining the budgets of millions of households unable to find units they can afford.

RECORD GROWTH IN DEMAND

Although estimates vary, the major Census Bureau surveys agree that 2014 marked the 10th consecutive year of robust renter household growth. By the Housing Vacancy Survey's count, the pace of growth accelerated to an average of 900,000 annually in 2010–14. This puts the 2010s on track to be the strongest decade for renter growth in history **(Figure 29).**

Part of the extraordinary growth in rental demand has come from households in certain age, income, and family groups that are traditionally more likely to own. While younger adults are most likely to rent their housing, the number and share of older renters have risen significantly over the last decade with the changing age distribution of the population. Although making up just 25 percent of renters in 2014, households aged 55 and over contributed fully 42 percent of renter household growth over the preceding decade **(Figure 30).** Within the 55–64 year-old age group, population growth drove more than half of the increase in renters while declines in homeownership were responsible for the remainder. Within the 65-and-over age group, however, population growth alone accounted for all of the growth in renter households.

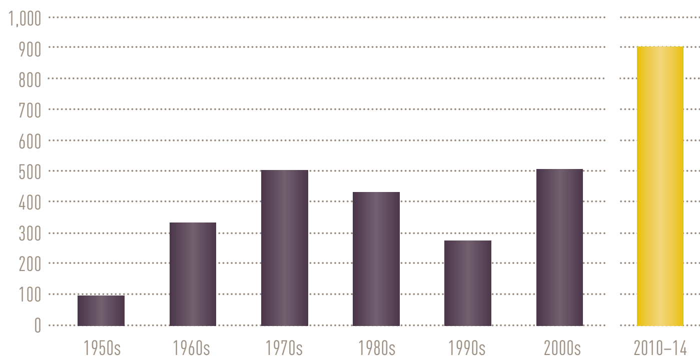
The income distribution among renter households is also shifting. After a net decline in 1994–2004, households in the highest income quartile accounted for almost one in five net new renters in 2004–14, and nearly one in three net new renters in 2011–14. While some of these upper-income renters may have faced economic challenges that prevented them from attaining or maintaining homeownership, more were simply opting to rent rather than own their housing. Even so, only 11 percent of renters were in the top income quartile in 2014, and nearly 40 percent were in the bottom income quartile.

While single persons still make up the largest share of renter households, the numbers of renters of all family types rose over the decade. The reasons for these increases differ, however. For example, growth in the number of single-person renters primarily reflects growth in the overall number of single-person households. In contrast, growth in the number of married-couple renters—particularly those with children—is due primarily to higher rentership rates. Regardless of the reasons, though, all

FIGURE 29

So Far in the 2010s, Annual Renter Household Growth Has Outstripped the Pace in Any Previous Decade

Average Annual Change in Renter Households (Thousands)

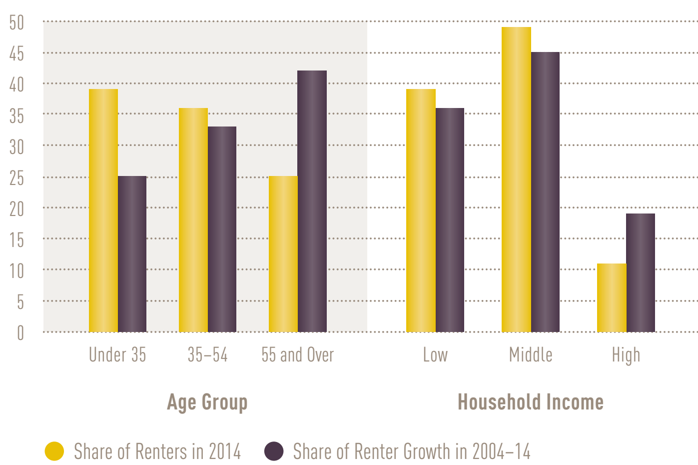


Source: JCHS tabulations of US Census Bureau, Decennial Censuses and Housing Vacancy Surveys.

FIGURE 30

Older and Higher-Income Households Have Increasingly Turned to Renting

Percent



Note: Low/middle/high household incomes are in the bottom/middle two/top quartiles based on equal fourths of all households.
Source: JCHS tabulations of US Census Bureau, Current Population Surveys.

of these changes in the characteristics of renters have served to increase the diversity of an already diverse set of households.

CONTINUED STRENGTH OF MULTIFAMILY CONSTRUCTION

With rental housing demand still on the rise, construction of multifamily units continued to ramp up last year. From a historic low of just under 110,000 in 2009, the number of multifamily starts rose steadily to nearly 360,000 units in 2014—more than in any year in the 1990s or 2000s. And in a marked shift, more than 90 percent of multifamily units started last year were intended for the rental market, up from less than 60 percent in the mid-2000s. Indeed, starts of multifamily rentals in 2014 hit their highest level since 1987 **(Figure 31).**

Meanwhile, the number of rental units completed last year was well below the number of starts, at just 280,000. With the long lag between starts and completions, the pipeline of new rental housing will continue to fill over the next few years. As a result, the number of new rental units brought to market will continue to rise even if starts level off.

Although the growing supply of multifamily housing will help to meet soaring demand, new units are primarily built for the high end of the market. In 2013, the median asking rent for newly constructed multifamily units was $1,290, equivalent to about half of the median renter's monthly household income. At that rent level, over two-thirds of today's renter households could not afford this new unit at the traditional 30-percent-of-income standard.

The rebound in multifamily construction activity is evident in markets across the country. Over the past year, 18 of the top 25 metros issued more multifamily permits than in an average year in the 2000s. The increases in Chicago, Houston, and Phoenix were particularly large, with permitting of at least 50 percent more multifamily units than in 2013. Over the past five years, however, Austin, San Jose, and Nashville have led the list of metros for growth, with annual permitting of at least 30 percent more units than the 2000s average.

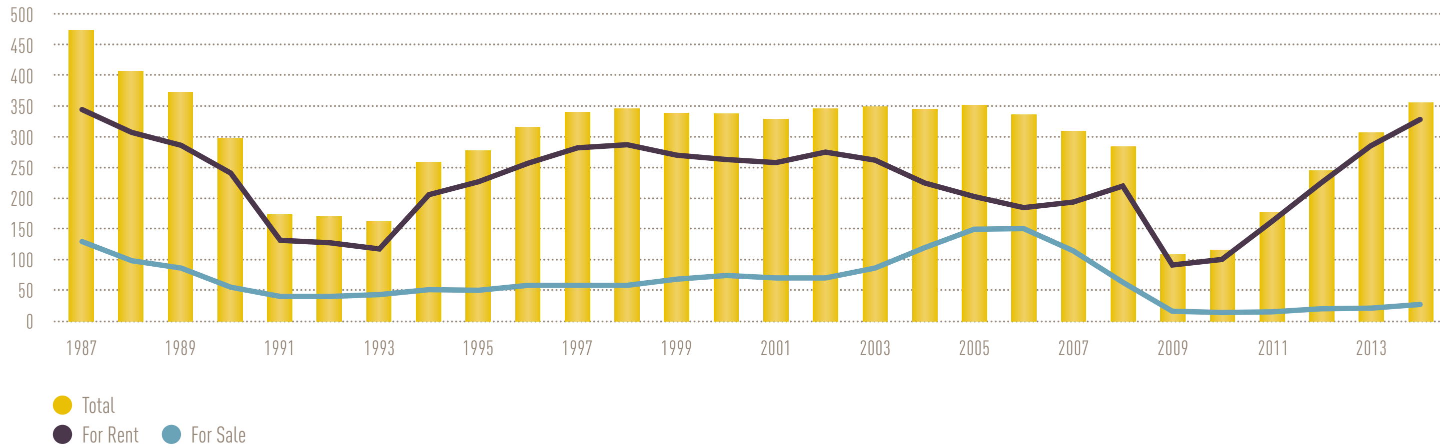
EXPANDED ROLE OF SINGLE-FAMILY RENTALS

Single-family rentals have absorbed an increasingly large share of renter household growth since the mid-2000s. Indeed, after averaging just 73,000 units annually in the 1990s, growth in the number of occupied single-family rentals accelerated to 138,000 units per year in the early 2000s. But by the end of the decade, the number of single-family rentals was increasing at an average annual rate of some 513,000 units **(Figure 32).** According to the American Community Survey, the number of renters in single-family detached homes increased by 3.2 million on net between the homeownership rate peak in 2004 and 2013, accounting for nearly half of the gain in rentals. In contrast, large multifamily buildings (with five or more units) housed about one-third of net new renters over this period, while attached single-family

FIGURE 31

Multifamily Construction Has Recovered to Pre-Crisis Levels, Driven Almost Entirely by Rentals

Multifamily Starts (Thousands of units)

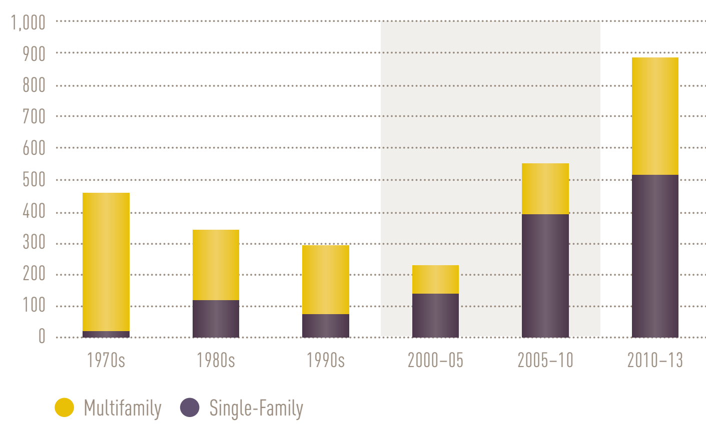


Source: JCHS tabulations of US Census Bureau, Surveys of Construction.

FIGURE 32

The Recent Growth of Single-Family Rentals Is Unprecedented

Average Annual Change in Occupied Rental Units (Thousands)



Note: Data exclude mobile homes.
Source: JCHS tabulations of US Census Bureau, Decennial Censuses and American Community Surveys.

units and small multifamily structures (with two to four units) accounted for another 13 percent.

A major factor behind the recent growth of single-family rentals is the surge in single-family development in the 1990s and 2000s. More than 12 million single-family homes were added in the 2000s alone, the highest level in any decade since the 1970s. When rental demand began to climb after the housing bust, conversions of owner-occupied single-family homes to rentals accommodated much of this growth. These shifts also helped to stabilize for-sale markets, especially in the Sunbelt metros with the largest inventories of distressed and vacant single-family homes.

While the single-family sector has traditionally housed about 30 percent of the nation's renters, its share of the market now stands at 35 percent. This increase brings the number of households living in single-family rentals to 14.8 million. Including mobile homes, single-family housing makes up nearly 40 percent of the overall rental stock and provides homes for 16.7 million households. At the state level, the single-family share of rentals ranges widely from nearly half in Oklahoma, Kansas, and Idaho to less than a fifth in New York, Massachusetts, Rhode Island, and Washington, DC.

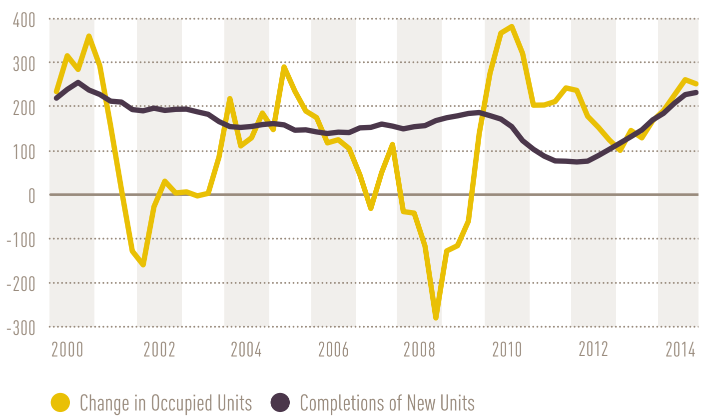
In general, the single-family rental stock differs from the owner-occupied inventory in age, size, and location. The typical single-family rental unit is 10 years older and 26 percent smaller than the typical owner-occupied home. Single-family rentals are also more likely to be found in urban neighborhoods, with more than 30 percent located in center cities, compared with about 20 percent of owner-occupied single-family homes.

The renters of single-family homes are much like renters everywhere, although they are more apt to be middle-aged. They are also more likely to be married couples with children, as well as married couples without children and single-parent families. Persons living alone, however, do make up a sizable share (21 percent) of single-family renters. Finally, white households are more apt to rent single-family homes than minority households. Indeed, 38 percent of white renters live in single-family units,

FIGURE 33

Apartment Supply and Demand Continue to Rise in Tandem

Annual Change (Thousands)

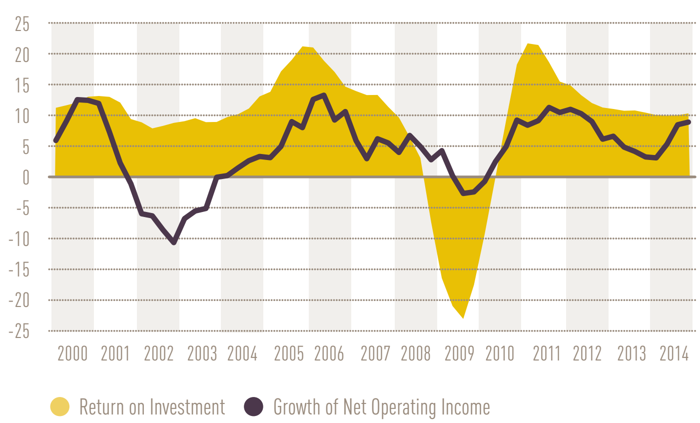


Note: Data are for investment-grade multifamily properties.
Source: JCHS tabulations of MPF Research data.

FIGURE 34

Rental Properties Have Generated Solid Returns Since Mid-2010

Annual Rate (Percent)



Notes: Data are for investment-grade multifamily properties. Net operating income is defined as gross rental income plus any other income less operating expenses.
Source: JCHS tabulations of National Council of Real Estate Investment Fiduciaries (NCREIF) data.

compared with 33 percent of Hispanic renters, 32 percent of black renters, and 28 percent of Asian/other renters.

TIGHTENING MARKETS

Rental markets tightened again in 2014 as the national vacancy rate fell by nearly a full percentage point to 7.6 percent—its lowest point in two decades. Data from MPF Research show that the vacancy rate for professionally managed properties with five or more apartments was even lower, averaging 4.6 percent for the year and running at a rate not seen since before the housing market downturn.

Rental markets are particularly tight at the low end. According to JCHS tabulations of Housing Vacancy Survey data, the number of vacant units with rents under $800 per month dropped some 12 percent between 2013 and 2014—contributing more than 90 percent of the decline in rental vacancies.

Meanwhile, new construction of professionally managed apartments has not quite kept up with demand **(Figure 33).** At the end of 2013, new apartments were coming on line at an annual rate of 170,000 units, essentially matching the pace of growth in tenants. By the end of 2014, though, new apartment additions increased to 232,000 units a year while net growth in tenants hit 252,000.

With demand rising and vacancies declining, rents came under increasing pressure last year. The consumer price index for contract rents climbed 3.2 percent in 2014, the largest increase since 2008 and double the overall inflation rate of 1.6 percent. Rents for professionally managed properties were up even more sharply, with the annual increase rising from 3.0 percent in 2013 to 3.8 percent in 2014. Indeed, rent increases picked up pace in the fourth quarter, hitting a 4.6 percent year-over-year rate even as overall inflation cooled.

All but 2 of the 93 metro areas tracked by MPF Research saw rents rise last year. Increases were at least 4 percent in more than a third of metros and at least 3 percent in just under half. At the high end, rents in San Jose, Honolulu, San Francisco, and Denver rose 10 percent or more in 2014.

The 20 hottest rental markets (where rents rose more than 5 percent last year) were all located in the West or South. Rent increases in metros of the Northeast and Midwest were more modest, with only a few major areas—including Boston and Chicago—registering a rise of more than 3 percent.

Occupancy rates were high in the majority of markets where rents were increasing the fastest. At year end, the rental occupancy rate in 2014 exceeded 95 percent in well over half of the 20 hottest markets. Occupancies edged up slightly in the already tight New York and Portland markets, to the 97–98 percent range, but jumped by more than a percentage point in Indianapolis, Cleveland, Phoenix, and Sacramento. In contrast, rental occupancy rates in Charlotte, Austin, and Miami fell slightly despite a solid increase in rents.

STRONG PERFORMANCE OF APARTMENT PROPERTIES

Apartment properties performed well again in 2014. The National Council of Real Estate Investment Fiduciaries reports that the net operating income of commercial-grade apartment buildings rose an impressive 9 percent last year, far exceeding the 6 percent annual average over the preceding decade **(Figure 34).**

Apartment prices, as measured by Moody's/RCA Commercial Property Price Index, also rose 15 percent in 2014—the fifth consecutive year of strong growth. These consistent price gains make 2011–14 comparable in strength to 2004–05, the height of the last real estate cycle. Based on changes in net operating incomes as well as property values, the annual rate of return for commercial-grade properties came in at 10 percent last year, much the same as in 2013.

Strong market fundamentals and low interest rates helped to drive growth in multifamily lending, pushing the Mortgage Bankers Originations Index up 15 percent for 2014 as a whole and 39 percent in the fourth quarter alone. Total loans outstanding (including both originations and repayment/writeoffs of existing loans) rose by $60 billion, led by a $35 billion jump in loans held by banks and thrifts. While this increase brought the bank and thrift share back to its pre-crisis average of 30 percent, federal sources still hold or guarantee fully 44 percent of mortgage debt outstanding.

Meanwhile, multifamily loan delinquencies continue their decline. In the fourth quarter of 2014, the share of seriously delinquent multifamily loans (at least 90 days past due) at FDIC-insured institutions dipped below 0.5 percent, approaching average levels before the mortgage crisis. The delinquency rate for commercial/multifamily loans held by life insurance companies was even lower, at less than 0.1 percent.

The share of multifamily loans held in commercial mortgage backed securities (CMBS) that were at least 60 days past due, in foreclosure, or REO also fell in 2014. But even after four consecutive years of declines, the share still stood at 8.6 percent—well above the pre-crisis average of less than 1.0 percent. Similarly, delinquency rates for multifamily loans backed by Freddie Mac and Fannie Mae also declined last year, but to levels that were even below average in the early 2000s.

THE OUTLOOK

Rental markets continue to adapt to the unprecedented surge in demand that began in the mid-2000s. Although initially ignited by the bust in housing and mortgage markets, rental growth is likely to remain strong as members of the huge millennial population enter the housing market. According to the latest JCHS projections, individuals that are currently under age 30 will form over 20 million new households between 2015 and 2025, and most of these households will be renters. There will also be a large increase in renters over age 65 as more members of the large baby-boom generation cross this threshold over the coming decade.

To keep rents from rising even more sharply, it will be essential to ensure that an adequate supply of rental housing is available to accommodate this upcoming wave of demand. To that end, the growing pipeline of new multifamily rentals is a positive trend. Of course, some markets could face an oversupply of rental units if the ramp-up in multifamily construction goes on for too long. So far, though, there is no evidence that this is an imminent threat.

The rental market plays a critical role in meeting the housing needs of an expanding mix of households. Even so, rental housing continues to be home to a large majority of the nation's low-income households, challenging the market's ability to provide good-quality units that are within financial reach of renters of modest means. Closing the gap between what it costs to produce this housing and what economically disadvantaged households can afford to pay requires the persistent efforts of both the public and private sectors.

6 HOUSING CHALLENGES

Six years after the official end of the recession, the number of renters living in housing they cannot afford continues to set new records. Federal assistance efforts have struggled to keep up with need, while funding cuts limit new construction of affordable housing as well as preservation of existing subsidized units. Aside from affordability, the nation also faces the challenge of revitalizing the many distressed neighborhoods where the housing recovery has failed to take hold. Reducing energy costs and the large carbon footprint of the residential sector are also important priorities.

PERVASIVE COST BURDENS

According to the most recent American Community Survey, the overall number of households paying more than 30 percent of income for housing declined for the third consecutive year, receding from 40.9 million in 2012 to 39.6 million in 2013. The share of cost-burdened households also fell from 35.3 percent to 34.1 percent.

Almost all of this improvement came on the homeowner side, where income gains and interest-rate-driven reductions in mortgage costs—along with foreclosures among some of the most distressed—pushed the shares of both moderately and severely burdened owners to the lowest levels in a decade. Even so, more than one in four homeowners still paid over 30 percent of income for housing and about one in ten paid over 50 percent.

The number of cost-burdened renters, in contrast, set a new high in 2013 of 20.8 million, totaling just under half of all renter households. Although the number of severely burdened renters edged down slightly, the number of moderately burdened renters climbed by a larger amount.

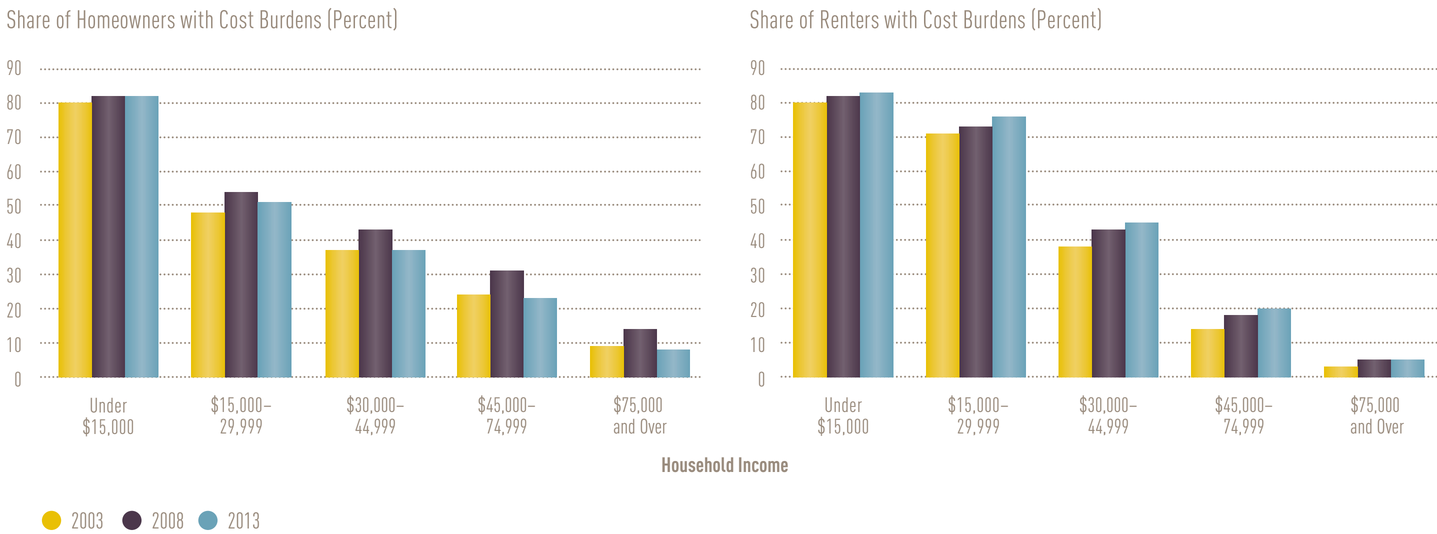
Regardless of tenure, over 80 percent of households with incomes under $15,000 (equivalent to full-time pay at the federal minimum wage) were cost burdened in 2013 **(Figure 35).** Just over half of homeowners and three-quarters of renters with incomes between $15,000 and $29,999 were also housing cost burdened. Even those earning $30,000–44,999 commonly face cost burdens, including 37 percent of owners and 45 percent of renters.

Minorities and certain types of households are especially likely to have severe housing cost burdens. Indeed, 26 percent of black households, 23 percent of Hispanic households, and 20 percent of Asian and other minority households were severely burdened in 2013, compared with just 14 percent of white households. Nearly a third of single-parent families also had severe burdens, compared with a tenth of married couples with children. Finally, more than half of households headed by an unemployed individual in 2013 were severely housing cost burdened.

The cost-burdened share of households is particularly high in expensive coastal markets, including Los Angeles, New York,

FIGURE 35

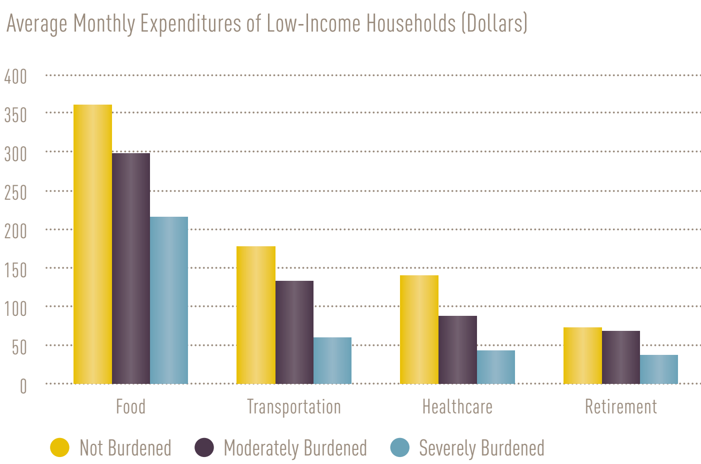
While Homeowners Have Had Some Relief, More and More Renters Are Cost Burdened



Notes: Cost burdens are defined as housing costs of more than 30% of household income. Incomes are adjusted to 2013 dollars using the CPI-U for All Items.
Source: JCHS tabulations of US Census Bureau, American Community Surveys.

FIGURE 36

When Low-Income Households Have to Dedicate Most of Their Income to Housing, They Cut Back on Other Vital Needs



Notes: Low-income households are in the bottom quartile of all households ranked by total spending. Moderate (severe) burdens are defined as housing costs of 30–50% (more than 50%) of household incomes.
Source: JCHS tabulations of US Bureau of Labor Statistics, 2013 Consumer Expenditure Survey.

and Honolulu. In 2013, 41 percent of households living in the 10 highest-cost major metros had cost burdens, far exceeding the 34 percent in the nation as a whole. Nevertheless, even in lower-cost metros like Miami, Las Vegas, and Orlando, 40 percent or more of households had cost burdens. Moreover, affordability pressures in the 10 most expensive markets reach further up the income scale. In fact, nearly half (48 percent) of households with incomes of $45,000–74,999 were housing cost burdened in these metros—more than twice the share (22 percent) nationally. As a result, the nearly 20 million households living in the 10 highest-cost metros must earn well above the national median income of $51,900 to live in housing they can afford.

Meanwhile, the affordable options for lower-income households are extremely limited in all market areas. In 98 of the 100 largest metros, more than three-quarters of households with incomes below $15,000, and more than half of those with incomes between $15,000 and $29,999, were housing cost burdened in 2013.

CONSEQUENCES OF HIGH-COST HOUSING

On average, severely cost-burdened households in the bottom expenditure quartile (a proxy for low income) spent almost three times as much on housing in 2013 as those living in affordable housing. When paying for housing takes at least half of household income, families have little left over for other vital needs. For example, severely cost-burdened households in the bottom expenditure quartile spent 70 percent less on healthcare and 40 percent less on food than their counterparts with housing they could afford **(Figure 36)**. In addition to diminished quality of life for a particular household, such significant cutbacks reduce spending in the economy as a whole.

Where households make the biggest spending cuts depends on their stage in life, with both short- and long-term implications for health and well-being. Severely cost-burdened households under age 65 in the bottom expenditure quartile contributed 52 percent less to their retirement savings than those in affordable housing. Same-aged households in the next highest expenditure quartile contributed 41 percent less. In contrast, severely cost-burdened households aged 65 and over in the lowest expenditure quartile spent 60 percent less on healthcare and 41 percent less on food than otherwise similar households with affordable housing.

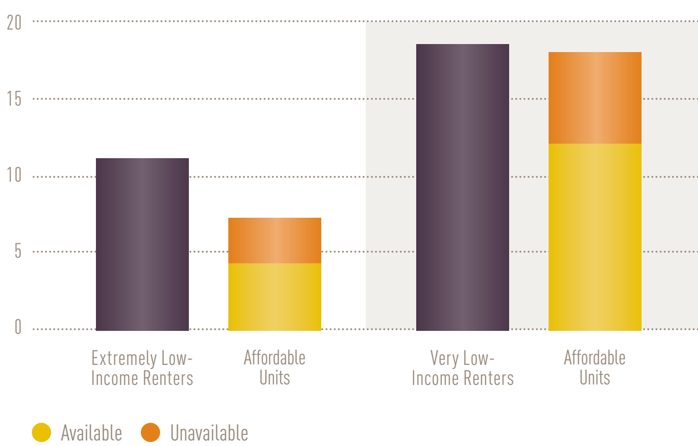
Paying large shares of income for housing does not guarantee the units will be adequate or safe. Housing deficiencies related to plumbing, electrical, and heating systems or to structural integrity affect a much larger share of renters (9 percent) than owners (3 percent). Moreover, the incidence of such problems among owners declined over the past 20 years, but remained unchanged among renters. The share of households earning less than $15,000 that live in inadequate housing is especially high at 10 percent.

Inadequate housing is found primarily in urban areas, accounting for 7.5 percent of central city units. But inadequacy is also a significant concern in many rural areas, where 5.3 percent of units are inadequate. These problems are particularly evident in Native American lands in the Southwest, *colonias* along the Mexican border, and locations throughout Appalachia. According to an analysis by the Housing Assistance Council, the share of housing units that lack complete plumbing is only 0.5 percent nationwide, but 5.3 percent on Native American lands, 1.1 percent along the Mexican border, and 0.8 percent in rural areas of central Appalachia.

FIGURE 37

Low-Income Renters Far Outnumber the Supply of Available Units They Can Afford

Millions



Notes: Extremely (very) low-income households earn no more than 30% (50%) of area median income. Affordable is defined as housing costs of no more than 30% of household income on a unit size-adjusted basis.
Source: JCHS tabulations of HUD, *Worst Case Housing Needs: 2015 Report to Congress.*

SUPPLY AND DEMAND FOR AFFORDABLE UNITS

Extremely low-income households (earning up to 30 percent of area median) have increasingly few housing choices. In 2013, 11.2 million renters with incomes this low competed for 7.3 million affordable units, leaving a shortfall of 3.9 million **(Figure 37).** Excluding units that were structurally inadequate or occupied by higher-income households, there were only 34 affordable units for every 100 extremely low-income renters. Despite a slight improvement in recent years, the gap between the number of extremely low-income renters and the supply of units they can afford nearly doubled from 2003 to 2013.

When considering all very low-income households (earning up to 50 percent of area median), the absolute shortage of affordable units is smaller, but a large share of these households still have to live in units they cannot afford. Overall, 18.5 million very low-income renters competed for 18.0 million affordable units in 2013. But given that a third of those units were occupied by higher-income households and another 7 percent were inadequate, only 58 affordable units were left to serve every 100 very low-income renters.

URGENT NEED FOR HOUSING ASSISTANCE

Since the private sector cannot profitably supply very low-cost units, the government must play a critical role in ensuring that the nation's most disadvantaged families and individuals have good-quality, affordable housing. Very low-income households qualify for a variety of federal rental assistance programs supported primarily by the US Department of Housing and Urban Development. As of 2013, HUD programs accounted for 4.8 million assisted renters, with just under half supported through housing choice vouchers, 1.1 million in public housing developments, and 1.6 million in privately owned developments. US Department of Agriculture (USDA) programs subsidize an additional 406,000 rentals.

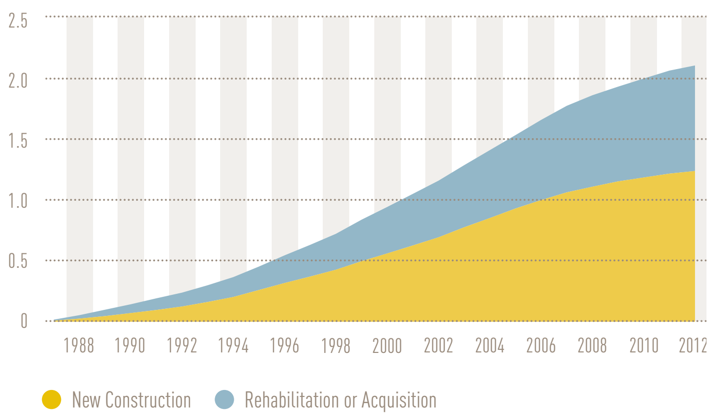
The Low Income Housing Tax Credit (LIHTC) program—administered by state agencies, often with financing from mortgage revenue bonds—provides the primary support for construction and preservation of affordable rentals. Since its inception in 1986, the program has financed construction or rehabilitation of 2.1 million units affordable to lower-income households **(Figure 38).** While LIHTC subsidies alone cannot bring rents within reach for extremely low-income households, affordable housing developers often combine the tax credits with assistance from the housing voucher and project-based programs to serve these renters.

Federal housing assistance supports the nation's most vulnerable families and individuals. As of 2013, the average annual income of a HUD-assisted household was about $12,900, while that of a USDA-assisted household was $12,000. These pro-

FIGURE 38

The LIHTC Program Remains the Primary Source of Financing for Both the Construction and Preservation of Affordable Housing

Cumulative Low-Income Units Placed in Service (Millions)

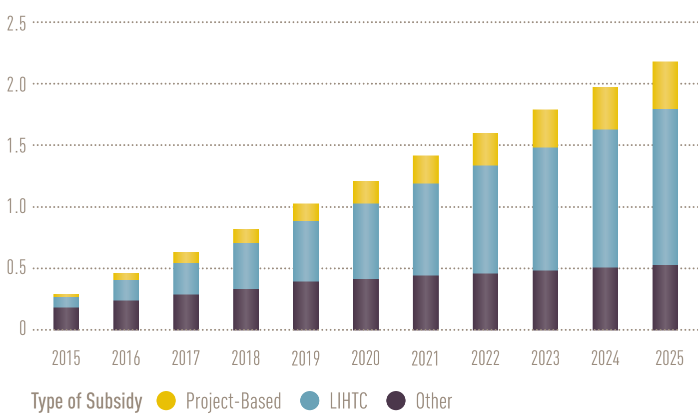


Note: Data include only units financed with 9% and 4% credits by year placed in service.
Source: JCHS tabulations of HUD, Low Income Housing Tax Credit Database.

FIGURE 39

Millions of Units Subsidized with Project-Based Rental Assistance or Tax Credits Are at Risk of Loss

Cumulative Number of Units with Expiring Affordability Periods (Millions)



Notes: Data include properties with active subsidies as of February 20, 2015. Other units are funded by HOME Rental Assistance, FHA insurance, Section 202 Direct Loans, and USDA Section 515 Rural Rental Housing Loans.
Source: JCHS tabulations of National Housing Preservation Database.

grams also serve large shares of older adults, especially those with disabilities. Indeed, a third of HUD-assisted households in 2013 were headed by an adult aged 62 and over, while another third were working-age households that included a person with disabilities. More than 60 percent of USDA-assisted renters were seniors or people with disabilities.

The growing need for housing aid continues to overwhelm the capacity of federal, state, and local governments. According to HUD estimates, the number of very low-income renters qualifying for subsidies increased by 18 percent between 2003 and 2013, from 15.7 million to 18.5 million. At last measure in 2013, however, just over a quarter (26 percent) of eligible very low-income households received rental assistance.

Unmet need has continued to grow despite real increases in federal appropriations for two of HUD's largest programs—housing choice vouchers and project-based rental assistance—between FY2005 and FY2015. But instead of serving more households, most of the increased funding was offset by the higher costs of assistance due to rising market rents.

Meanwhile, appropriations for programs subsidizing construction of affordable housing have fallen well below levels a decade ago. For example, funding for USDA's Section 515 program was down 77 percent in real terms between FY2005 and FY2015. After adding 533,500 rental units to the affordable rural stock between 1963 and 2011, the program has supported no new construction since. Appropriations for HUD's Section 202 program, which over its lifetime funded production of 400,000 supportive housing units for older adults, were also cut 55 percent over this period, and included no funds for new construction in recent years.

Federal budget cuts due to limits on non-defense discretionary spending established by the 2011 Budget Control Act have also taken a toll on other key supports for affordable housing. Funding for the HOME program, an important source of gap financing for affordable housing developments as well as other housing programs, dropped 62 percent between FY2005 and FY2015. In addition, funding for the CDBG program, which provides funds for a wide range of local community development activities, also fell by half over this period.

PRESERVING THE AFFORDABLE STOCK

Amid declining subsidies and rising development costs, preservation of the existing stock of affordable housing has taken on new urgency. As it is, nearly 2.2 million assisted units are at risk of removal over the coming decade **(Figure 39).**

More than 1.2 million of these at-risk rental units are in LIHTC developments whose compliance periods are set to end. At that point, developers may find it difficult to keep the units affordable if they lack the funds to make necessary upgrades. Their options are to refinance their loans, apply for another round of tax credits, or sell their stake in the property or partnership.

Of the remaining at-risk units, 530,000 are in privately owned developments with rents subsidized under federal contracts. Once those contracts expire, property owners can opt out of the program and raise their rents. Owners with properties in high-rent neighborhoods earning below-market rents for their assisted units have the most incentive to opt out. Half of the stock with expiring project-based subsidy contracts are in this category.

In other cases, affordability is tied to the mortgage backing the property. These units may be lost from the affordable stock when the mortgage comes to term, the property owner prepays the loan, or if refinancing is not paired with additional project-based subsidies to protect tenants against large rent increases. These conditions affect more than 200,000 affordable units financed through HUD's Section 202 program, USDA's Section 515 program, and FHA mortgage insurance programs.

A number of preservation initiatives are under way. In 2010, HUD received authorization to provide rental assistance contracts for Section 202-financed senior housing projects that are refinanced or recapitalized, thus preventing displacement of income-eligible tenants. In 2012, HUD implemented a pilot program that expedites approvals for the purchase or refinance of LIHTC properties through FHA's Section 223 program.

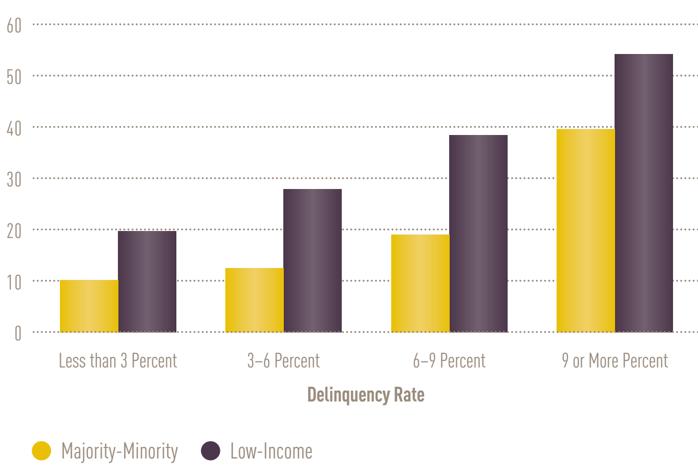
In addition, Congress recently approved expansion of HUD's Rental Assistance Demonstration (RAD) program from 60,000 units to 185,000 units. The RAD program, which converts existing financial support of HUD-assisted properties into long-term contracts for rent subsidies to expand access to private financing, primarily aims to foster reinvestment in the public housing stock, but is also open to three legacy programs for privately owned subsidized housing. Meanwhile, USDA's Multifamily Housing Preservation and Revitalization demonstration program offers a variety of assistance to owners or buyers of Section 515 properties, although the scale of these efforts is small relative to need.

In almost all of these cases, however, the LIHTC program is a critical source of investment capital that will be necessary to keep the units affordable. These competing demands—for new construction as well as for preservation—have put the tax credit program under extreme pressure and raised the question of whether it ought to be expanded.

FIGURE 40

Neighborhoods with the Highest Loan Delinquencies Are Typically Minority and Low Income

Share of Zip Codes (Percent)



Notes: Data include only zip codes with populations of at least 500. Low-income zip codes have median incomes of less than 80% of the state median. Delinquent loans are 90 or more days past due.

Sources: JCHS tabulations of CoreLogic delinquency data; US Census Bureau, 2009–13 Five-Year American Community Survey.

PROGRESS IN REDUCING HOMELESSNESS

The lack of affordable housing in the United States continues to leave nearly 600,000 people homeless. More than a third are people in families, including 130,000 children under the age of 18. By comparison, chronically homeless individuals (those who have been without a place to live for at least a year or have had repeated episodes of homelessness over the past few years) account for a much smaller share (15 percent) of the homeless population.

Recent increases in federal funding have aided progress in reducing both homelessness overall and among the most vulnerable groups. Indeed, the number of beds in permanent supportive housing expanded 60 percent between 2007 and 2014, to over 300,000. Beds for the chronically homeless accounted for just over half of this increase. As a result, total homelessness fell 11 percent in 2007–14, the number of homeless veterans dropped 19 percent, and the number of chronically homeless individuals was down by 30 percent. At the same time, however, the number of homeless people in families declined by only 8 percent.

But the national reduction in homelessness is not apparent in all markets. Rising rents and a dwindling supply of affordable rentals continue to put people at risk, especially in high-cost locations. Indeed, total homelessness jumped by 29 percent in New York and 40 percent in Massachusetts between 2007 and 2014. The increase in the District of Columbia was even larger, at 46 percent. Family homelessness is particularly acute in major cities, which were home to 45 percent of this population in 2014. New York City headed the list with 41,600 homeless people in families, or nearly 20 percent of the national total.

REVITALIZING DISTRESSED NEIGHBORHOODS

By many measures, the US housing market has made a substantial recovery from the crash. According to Zillow, national home prices rebounded in 2014 to within 10.4 percent of their previous peak, reducing the share of owners with mortgages that have negative equity from 31.4 percent in early 2012 to

16.9 percent. Meanwhile, CoreLogic reports that the share of seriously delinquent loans fell to 3.9 percent in early 2015, the lowest level since 2008.

But the degree of recovery varies widely across locations. Indeed, housing market distress remains extremely high in certain communities, particularly those where risky lending was rampant during the housing boom. Among the more than 10,000 zip codes for which data are available, house prices in the bottom tenth of neighborhoods were still 34 percent below their 2006 levels in 2014 and the share of underwater homeowners remained at 26 percent. Although accounting for less than one in five zip codes, majority-minority communities make up half of the neighborhoods where house prices and home equity remain furthest behind.

The pattern is similar when looking at loan delinquencies. According to CoreLogic data on more than 25,000 zip codes, 3.7 percent of loans in the median community were 90 or more days past due or in foreclosure last year. But the share of troubled loans was at least 9 percent in about a tenth of these neighborhoods. Again, four out of ten neighborhoods were majority-minority and more than half had household incomes below 80 percent of the statewide median **(Figure 40).**

The extent of persistent housing market distress makes it clear that public efforts to remediate the effects of the housing crash must continue. The Treasury Department's recent decision to extend its homeowner relief programs through 2016 is a step in the right direction. But the country's most highly stressed communities face a host of economic and social challenges that no single strategy can address. Indeed, reducing blight and enhancing economic opportunity in these areas require comprehensive, integrated efforts to engage residents and link resources. To this end, HUD is working to improve collaboration with other federal agencies and to encourage local partnerships through such initiatives as the Choice Neighborhoods program.

FOSTERING GREENER HOUSING

Improving the efficiency of the residential stock would help to make housing more affordable for lower-income households. As it is, the typical household earning less than $15,000 spent 18 percent of that income on residential energy needs in 2013—more than twice the 8 percent share among households earning $15,000–29,999 and more than three times the 5 percent share among those earning $30,000–44,999.

With residential buildings generating about 20 percent of US carbon emissions, efficiency improvements would also go a long way to reducing greenhouse gases. Retrofits of older homes have in fact yielded steady efficiency gains over the past several decades, with the typical pre-1970 house using nearly 30 percent less energy per square foot in 2009 than a similar-aged home in 1980. Newer homes are also more efficient thanks to improvements in space heating, air conditioning, insulation, and major appliances. Indeed, homes built in the 2000s consume almost 18 percent less energy per square foot than those built previously.

Encouragingly, Harvard's Center for Green Buildings and Cities finds that support for green building is gaining traction at the local level. Based on information from the US Green Building Council, the American Institute of Architects, and the websites of local governments, 185 of the 715 US cities with populations above 50,000 have green building programs. Of this group, 124 cities have programs specifically for residential construction. Most green building programs take the form of ordinances that set standards for newly constructed or renovated structures, although some include incentives, zoning codes, tax abatements, or action plans to encourage high-performance building practices.

Most of the cities that have adopted green policies for residential buildings are on the coasts. California leads with 45 programs, while Florida has 22. Given that these two states are home to much of the nation's population and account for a large share of new residential construction, their adoption of green standards may help pave the way for broader implementation by other states and by the homebuilding industry.

THE OUTLOOK

While the past year brought some relief, fallout from the housing crash and Great Recession lingers on. Large shares of low-income households—and renters in particular—continue to spend unreasonable shares of their income on housing. With income growth failing to keep pace with rents, affordability pressures are unlikely to ease noticeably in the near future.

And with such large shares of households struggling with housing cost burdens, fewer are able to save adequately for emergencies, retirement, or to buy homes, thereby limiting their wealth-building potential as well as shrinking the first-time homebuyer market. Meanwhile, the number of affordable units for lowest-income households falls far short of need, and preserving the stock that does exist must take priority.

The long-delayed capitalization of the National Housing Trust Fund would be an important step in addressing these intractable housing challenges. Indeed, this trust fund would support the first production program to target extremely low-income households since the launch of the Section 8 program in 1974. And unlike current rental assistance programs, the trust fund would not be subject to annual appropriations but instead have a predictable stream of funding.

7 APPENDIX TABLES

The following tables can be downloaded in Microsoft Excel format from the Joint Center's website at www.jchs.harvard.edu.

TABLE A-1

Housing Cost-Burdened Households by Tenure and Income: 2003, 2008, 2012, and 2013

Thousands

	2003			2008			2012			2013		
Tenure and Income	Moderate Burden	Severe Burden	Total	Moderate Burden	Severe Burden	Total	Moderate Burden	Severe Burden	Total	Moderate Burden	Severe Burden	Total
Owners												
Under $15,000	911	2,848	4,683	876	3,122	4,847	943	3,425	5,351	902	3,464	5,317
$15,000–29,999	2,024	2,044	8,458	2,081	2,489	8,481	2,278	2,486	9,189	2,237	2,316	8,954
$30,000–44,999	2,385	1,136	9,457	2,462	1,628	9,504	2,572	1,330	9,929	2,412	1,195	9,730
$45,000–74,999	3,419	777	17,308	4,036	1,433	17,727	3,413	923	17,385	3,081	807	17,244
$75,000 and Over	2,516	312	32,518	4,041	706	34,783	2,541	348	32,373	2,164	300	32,689
Total	11,254	7,117	72,424	13,496	9,378	75,342	11,748	8,512	74,227	10,797	8,082	73,933
Renters												
Under $15,000	952	5,202	7,679	1,047	5,806	8,350	1,163	7,144	9,993	1,118	7,017	9,769
$15,000–29,999	3,280	2,456	8,117	3,431	2,787	8,494	3,935	3,280	9,566	3,947	3,326	9,576
$30,000–44,999	2,163	397	6,699	2,351	554	6,817	2,581	654	7,268	2,669	670	7,353
$45,000–74,999	933	112	7,622	1,250	162	7,788	1,394	172	8,165	1,480	193	8,463
$75,000 and Over	186	11	5,886	271	14	6,310	298	10	6,750	334	09	7,196
Total	7,514	8,178	36,004	8,349	9,323	37,760	9,371	11,261	41,742	9,549	11,216	42,358
All Households												
Under $15,000	1,863	8,050	12,362	1,924	8,928	13,197	2,106	10,569	15,344	2,021	10,481	15,086
$15,000–29,999	5,304	4,500	16,575	5,511	5,277	16,975	6,213	5,766	18,755	6,184	5,642	18,530
$30,000–44,999	4,548	1,533	16,157	4,812	2,182	16,322	5,153	1,984	17,197	5,081	1,865	17,083
$45,000–74,999	4,351	890	24,930	5,286	1,595	25,515	4,808	1,096	25,550	4,562	1,000	25,707
$75,000 and Over	2,702	323	38,404	4,312	719	41,093	2,840	359	39,123	2,498	309	39,885
Total	18,768	15,295	108,428	21,846	18,701	113,101	21,119	19,773	115,970	20,345	19,297	116,291

Notes: Moderate (severe) burdens are defined as housing costs of 30-50% (more than 50%) of household income. Households with zero or negative income are assumed to be severely burdened, while renters paying no cash rent are assumed to be unburdened. Income cutoffs are adjusted to 2013 dollars by the CPI-U for All Items.

Source: JCHS tabulations of US Census Bureau, American Community Surveys.

TABLE A-2

Housing Market Indicators: 1980–2014

Year	Permits [1] (Thousands)		Starts [2] (Thousands)			Size [3] (Median sq. ft.)		Sales Price of Single-Family Homes (2013 dollars)	
	Single-Family	Multifamily	Single-Family	Multifamily	Manufactured	Single-Family	Multifamily	New [4]	Existing [5]
1980	710	480	852	440	222	1,595	915	185,596	178,270
1981	564	421	705	379	241	1,550	930	179,440	172,213
1982	546	454	663	400	240	1,520	925	170,008	166,083
1983	901	704	1,068	636	296	1,565	893	178,978	165,965
1984	922	759	1,084	665	295	1,605	871	182,052	164,735
1985	957	777	1,072	670	284	1,605	882	185,473	165,800
1986	1,078	692	1,179	626	244	1,660	876	198,720	173,358
1987	1,024	510	1,146	474	233	1,755	920	217,772	178,333
1988	994	462	1,081	407	218	1,810	940	225,129	178,503
1989	932	407	1,003	373	198	1,850	940	229,099	180,050
1990	794	317	895	298	188	1,905	955	222,608	175,394
1991	754	195	840	174	171	1,890	980	208,578	177,335
1992	911	184	1,030	170	211	1,920	985	205,014	177,257
1993	987	213	1,126	162	254	1,945	1,005	207,246	177,347
1994	1,068	303	1,198	259	304	1,940	1,015	207,663	180,068
1995	997	335	1,076	278	340	1,920	1,040	207,998	179,934
1996	1,069	356	1,161	316	363	1,950	1,030	211,237	183,902
1997	1,062	379	1,134	340	354	1,975	1,050	215,349	188,860
1998	1,188	425	1,271	346	373	2,000	1,020	221,486	196,021
1999	1,247	417	1,302	339	348	2,028	1,041	228,778	199,293
2000	1,198	394	1,231	338	250	2,057	1,039	232,337	200,728
2001	1,236	401	1,273	329	193	2,103	1,104	234,196	206,537
2002	1,333	415	1,359	346	169	2,114	1,070	246,869	218,697
2003	1,461	428	1,499	349	131	2,137	1,092	250,889	229,424
2004	1,613	457	1,611	345	131	2,140	1,105	276,965	241,634
2005	1,682	473	1,716	353	147	2,227	1,143	292,011	263,636
2006	1,378	461	1,465	336	117	2,259	1,192	289,461	260,554
2007	980	419	1,046	309	96	2,230	1,134	283,044	246,070
2008	576	330	622	284	82	2,174	1,089	255,205	215,264
2009	441	142	445	109	50	2,103	1,124	239,123	190,340
2010	447	157	471	116	50	2,151	1,137	240,801	187,540
2011	418	206	431	178	52	2,267	1,093	239,116	173,583
2012	519	311	535	245	55	2,310	1,051	252,827	181,251
2013	621	370	618	307	60	2,460	1,099	273,262	199,112
2014	640	412	647	356	64	2,414	1,080	282,800	207,125

Notes: All value series are adjusted to 2014 dollars by the CPI-U for All Items. All links are as of April 2015. na indicates data not available.
(a) 2014 permits from new 2014 universe.
Sources:
1. US Census Bureau, New Privately Owned Housing Units Authorized by Building Permits, http://www.census.gov/construction/nrc/xls/permits_cust.xls.
2. US Census Bureau, New Privately Owned Housing Units Started in the United States by Purpose and Design, http://www.census.gov/construction/nrc/xls/quarterly_starts_completions_cust.xls; Shipments of New Manufactured Homes, http://www.census.gov/construction/mhs/xls/shiphist.xls & http://www.census.gov/construction/mhs/xls/shipmentstostate11-15.xls. Data from 1980-2010 retrieved from JCHS historical tables. Manufactured housing starts are defined as shipments of new manufactured homes.
3. US Census Bureau, New Privately Owned Housing Units Started in the United States by Purpose and Design, http://www.census.gov/construction/nrc/xls/quarterly_starts_completions_cust.xls and JCHS historical tables.

Vacancy Rates [6] (Percent)		Value Put in Place [7] (Millions of 2014 dollars)			Home Sales (Thousands)	
For Sale	For Rent	Single-Family	Multifamily	Owner Improvements	New [8]	Existing [9]
1.4	5.4	152,043	48,002	na	545	2,973
1.4	5.0	135,335	45,472	na	436	2,419
1.5	5.3	101,716	38,118	na	412	1,990
1.5	5.7	172,356	53,354	na	623	2,697
1.7	5.9	196,851	64,302	na	639	2,829
1.7	6.5	192,183	62,790	na	688	3,134
1.6	7.3	224,923	67,042	na	750	3,474
1.7	7.7	244,272	53,041	na	671	3,436
1.6	7.7	240,324	44,622	na	676	3,513
1.8	7.4	230,873	42,582	na	650	3,010
1.7	7.2	204,470	34,867	na	534	2,917
1.7	7.4	172,819	26,329	na	509	2,886
1.5	7.4	205,817	22,094	na	610	3,155
1.4	7.3	229,565	17,674	93,824	666	3,429
1.5	7.4	259,274	22,493	103,261	670	3,542
1.5	7.6	238,468	27,789	88,103	667	3,523
1.6	7.8	257,694	30,666	100,158	757	3,795
1.6	7.7	258,387	33,752	98,285	804	3,963
1.7	7.9	289,615	35,690	105,093	886	4,496
1.7	8.1	318,069	38,983	106,618	880	4,650
1.6	8.0	325,530	38,850	111,482	877	4,602
1.8	8.4	332,962	40,510	113,653	908	4,732
1.7	8.9	349,892	43,363	128,770	973	4,974
1.8	9.8	399,588	45,181	129,103	1,086	5,444
1.7	10.2	473,167	50,059	144,622	1,203	5,958
1.9	9.8	525,486	57,332	158,905	1,283	6,180
2.4	9.7	488,499	62,006	170,190	1,051	5,677
2.7	9.7	348,449	55,900	158,823	776	4,398
2.8	10.0	204,270	48,752	132,104	485	3,665
2.6	10.6	116,236	31,491	123,631	375	3,870
2.6	10.2	122,212	15,944	121,121	323	3,708
2.5	9.5	113,851	15,826	127,260	306	3,786
2.0	8.7	136,122	23,210	129,971	368	4,128
2.0	8.3	173,538	32,854	135,270	429	4,484
1.9	7.6	191,644	43,602	113,771	437	4,344

4. New home price is the median price from US Census Bureau, Median and Average Sales Price of New One-Family Houses Sold, www.census.gov/construction/nrs/xls/usprice_cust.xls
5. Existing home price is the median sales price of existing single-family homes determined by the National Association of Realtors®, obtained from and annualized by Moody's Analytics.
6. US Census Bureau, Housing Vacancy Survey, http://www.census.gov/housing/hvs/data/ann13ind.html.
7. US Census Bureau, Annual Value of Private Construction Put in Place, http://www.census.gov/construction/c30/historical_data.html; data 1980-1993 retrieved from past JCHS reports. Single-family and multifamily are new construction. Owner improvements do not include expenditures on rental, seasonal, and vacant properties.
8. US Census Bureau, Houses Sold by Region, http://www.census.gov/construction/nrs/xls/sold_cust.xls.
9. National Association of Realtors®, Existing Single-Family Home Sales obtained from and annualized by Moody's Analytics, and JCHS historical tables.

TABLE A-3

Monthly Housing and Non-Housing Expenditures by Households: 2013

Dollars

Share of Expenditures on Housing	Housing Expenditures	Non-Housing Expenditures							
		Total	Transportation	Food	Clothes	Healthcare	Personal Insurance and Pensions	Entertainment	Other
Quartile 1 (Lowest)									
Less than 30%	251	1,061	178	361	22	140	73	60	227
30–50%	528	819	133	298	21	88	68	50	161
Over 50%	742	489	60	216	14	43	37	33	86
All	448	863	139	310	20	102	64	51	176
Quartile 2									
Less than 30%	489	2,022	363	527	47	254	238	114	478
30–50%	947	1,526	270	476	39	135	224	90	291
Over 50%	1,416	1,018	169	366	25	82	144	62	171
All	754	1,735	308	492	42	192	224	100	377
Quartile 3									
Less than 30%	748	3,194	546	694	83	374	484	187	827
30–50%	1,459	2,427	417	628	68	217	425	145	526
Over 50%	2,360	1,540	239	467	36	179	233	87	298
All	1,042	2,881	492	663	76	318	453	169	711
Quartile 4 (Highest)									
Less than 30%	1,294	7,480	2,090	1,013	165	574	1,029	431	2,178
30–50%	2,772	4,597	650	923	143	406	905	293	1,277
Over 50%	4,487	3,114	422	742	87	283	618	208	754
All	1,699	6,758	1,748	985	158	531	990	396	1,950

Notes: Quartiles are equal fourths of households ranked by total expenditures. Housing expenditures include mortgage principal and interest, insurance, taxes, maintenance, rents, and utilities.
Source: JCHS tabulations of the US Bureau of Labor Statistics, 2013 Consumer Expenditure Survey.

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____

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