



beyond the headlines



Can we build our way out of the housing crisis?

Source: San Diego Union-Tribune

The Union-Tribune examined if San Diego County can build more housing to slow the pace of rent and home price increases, concluding that zoning changes, a change in dwelling preference and reduced regulation are sorely needed if the current undersupply issue is to be properly addressed.

Making sense of the story:

- San Diego County is now rated as the 11th least affordable housing market worldwide, according to this year's Demographia International Housing Affordability Survey.
- Last year in San Diego County only about 10,000 housing units were approved, and most were for rent, not for-sale homes and condos.
- The price premium between San Diego and the national average has widened from 30.6 percent to 157.4 percent, census surveys show. Last year, the average value of a San Diego County house was listed at \$527,600, compared with \$477,500 statewide and \$205,000 nationwide.
- On the rental side, vacancy rates stand at only 2 or 3 percent in most neighborhoods when at least 5 percent is considered optimal for a balanced market.
- What actually gets built in San Diego is aimed at the upper end of the market in both rental and for-sale housing. That's where the most profit margin lies, given the restrictions imposed by lenders after the real estate collapse a decade ago.
- Since 2000, the county population has grown by 310,383 while the housing count is up by 161,468 units falling 40,500 homes short of what projected population growth would dictate. San Diego should be building 16,500 homes per year over the next decade to make up for the shortfall and cover continued growth
- Zoning changes, an emphasis on townhomes and reduced regulation would likely speed up construction, as would reducing opportunities for anti-development litigation. A streamlined permitting process and a change in parking requirements would also help resolve the situation.

Full story:

<http://www.sandiegouniontribune.com/business/real-estate/sd-fi-housing-crisis-solutions-20171203-story.html>

In other news...

Deeper debt isn't stopping millennial buyers

Source: National Association of Realtors (Realtor Mag)

Millennials are taking out the greatest share of all new mortgages and buying homes across price ranges. But a new study also shows they're going more into debt at an alarming rate.

Realtor.com®'s research team analyzed records for more than 3.2 million mortgages originated from January 2013 to October 2017 and divided it by age groups.

"It's a mixed bag for millennials," says Danielle Hale, realtor.com®'s chief economist. Young adults born between 1982 and 2000 continue to face not only student loan burdens but also higher home prices that are growing faster than wages.

Compared to other generations, millennials are narrowing the gap in the price of homes they're purchasing. In September, millennials obtained mortgages on homes with a median purchase price of \$237,000. Generation Xers (born between 1965 and 1981) purchased homes with mortgages on a median price of \$280,000, and baby boomers (born between 1946 and 1964) purchased at \$258,000.

Millennials are purchasing a greater share of homes in nearly all price tiers. They've been purchasing the most starter homes—those below \$200,000. They're purchasing the most low- to middle-tier homes in the \$200,000 to \$350,000 range. Realtor.com® also predicts that if the current trajectory continues, millennials are set to surpass Gen X by the end of 2018 for the most middle- to upper-tier home purchases (those between \$350,000 and \$700,000).

Full story:

<http://realtormag.realtor.org/daily-news/2017/12/07/deeper-debt-isn-t-stopping-millennial-buyers>

Fannie and Freddie Overhaul Plan Takes Shape on Capitol Hill

Source: Bloomberg

Congress still has a long way to go before resolving the most significant overhang that remains from the 2008 financial crisis. But a consensus is emerging around principles for overhauling Fannie Mae, Freddie Mac and the U.S. mortgage-finance system.

Senators Bob Corker and Mark Warner have been working on a bill for months, and they intend to start sharing ideas and legislative text with other senators and the Trump administration in the coming weeks, said people familiar with the matter. Their plan would preserve Fannie and Freddie but take steps to make it easier for investors or other companies to create competitors, the people said. The two lawmakers want to introduce a bill by early next year.

Such a move would begin what's sure to be a drawn out and contentious process to address one of the most critical components of the U.S. economy. Fannie and Freddie provide the grease for the housing market by guaranteeing nearly \$5 trillion in mortgage bonds. Reforming the companies will likely have broad implications for consumers' borrowing costs and the availability of home loans.

Full story:

<https://www.bloomberg.com/news/articles/2017-12-07/lawmakers-plans-to-overhaul-fannie-and-freddie-come-into-focus>

California Democrats warn billions could be lost for housing under Republican tax plan

Source: The Sacramento Bee

The Democratic-led assault on the GOP tax plan is intensifying this week, as California legislators lobby against the bill and activists launch a fresh wave of protests in home districts of congressional Republicans across the state.

Demonstrations are planned Friday in Clovis, targeting Rep. Devin Nunes, R-Tulare, as well as Hanford, where tax overhaul opponents will seek to pressure Rep. David Valadao into voting no on a final bill. A similar action was held Wednesday in Modesto singling out Rep. Jeff Denham, R-Turlock. All three voted for the House version of the bill, which passed last month.

Republicans are making an end-of-the-year push to send a final bill to President Donald Trump's desk by Christmas.

Assembly Democrats, meanwhile, are sounding the alarm over potential harm to California's economy. Assembly Speaker Anthony Rendon and Assemblyman David Chiu, D-San Francisco, are actively lobbying against the bill, telling low-income housing developers in San Francisco Wednesday that it could dampen the state's efforts to address its unprecedented housing affordability crisis.

Full story:

<http://www.sacbee.com/news/politics-government/capitol-alert/article188455649.html>

FHA to stop insuring mortgages with PACE loans

Source: Housing Wire

Last year, the Department of Housing and Urban Development announced, with much fanfare and controversy, that the Federal Housing Administration would begin insuring mortgages that also carry liens created by the Property Assessed Clean Energy program, also called PACE.

But that was last year. Things are much different now.

On Thursday, HUD announced that the Trump administration is reversing the Obama administration's decision to insure FHA mortgages with PACE liens.

In 30 days, the FHA will stop insuring mortgages on homes that also carry PACE liens.

Through the PACE program, homeowners can obtain financing to make improvements to their homes to increase the home's energy efficiency.

Under programs like PACE, single-family energy retrofit financing programs can be structured to make loans through the homeowner's property tax assessment and require that borrowers repay their loans as part of their property tax bill, but in some states the PACE liens are given super priority status above the home's mortgage.

But the FHA is concerned about the impact of the PACE liens.

Full story:

<https://www.housingwire.com/articles/42036-fha-to-stop-insuring-mortgages-with-pace-loans>

Home prices nearly doubled in this surprising California city

Source: *The Mercury News*

As home prices skyrocket across the state, there's one California city where they've shot up more than anywhere else in the U.S. — nearly doubling in the past five years.

No, it's not San Francisco, San Jose or Oakland. It's not even in the Bay Area.

It's Stockton, the Central Valley community twice dubbed America's "most miserable" city by Forbes Magazine because of its high rates of housing foreclosures, unemployment and violent crime.

The jump in home prices in Stockton and neighboring Lodi — up about 92 percent over the past five years — is dramatic evidence of the ripple effects of the Bay Area's tight housing market and the increasingly out-of-reach cost of living here. As people flee San Francisco and Silicon Valley in search of cheaper housing — heading to places like Stockton, Oakland and Sacramento — prices in those second-tier markets are rising.

Full story:

<http://www.mercurynews.com/2017/12/03/home-prices-nearly-doubled-in-this-surprising-california-city/>

What you should know

- Total mortgage applications rose 4.7 percent last week from the previous week.
- There was a 9 percent weekly jump in applications to refinance.
- Refinances are now down just 10 percent from a year ago because volume dropped by half for much of last year.
- The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances of \$424,100 or less decreased to 4.19 percent from 4.20 percent, with points increasing to 0.40 from 0.34, including the origination fee, for 80 percent loan-to-value ratio loans. The rate stood at 4.27 percent one year ago.