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Ward Morrison, President
August 1st, 2017

Affordable Housing
A Financing Perspective

August 1st, 2017

Financing Issues Impact Affordability

- Down payments difficult to save
- Bad credit events can have long-lasting negative impacts
- Limited financing options because of increased compliance regulation and CFPB concerns
- Lack of consumer knowledge on options
- City/County/State/Federal inconsistencies

Down payment assistance programs

- City, Counties, and States offer a variety of grant programs
- Consumers have lack of knowledge that these exists, better marketing and awareness
- Some programs continue to be difficult to understand or hard to meet the parameters around income and other qualification standards (too restrictive or inconsistent across city, county, state)
- Because they tend to be lower loan amounts banks and non-banks have less incentive to participate in these programs due to limited or capped compensation and regulation complexities

Alternative credit scoring

- 7% of U.S. households unbanked, 19.9% underbanked
- 40+ million people lack credit so they can’t buy homes, cars, or get credit cards via traditional methods
- FICO scores continue to be the industry standard, new alternative scoring types emerging but need more legislative acceptance
- Alternative credit includes payments for rent, utility bills, child-care, cellular/internet bills, etc.
- Those without credit are often pushed into Alt-A or Portfolio loans with higher rates (Immigrants and Millennials)

Low down payment loan programs

- Down payments are the biggest hurdle to home ownership
- Misinformation that low down payment programs already exist
- Private mortgage insurance is still costly when less than 20% down
- Low Down payment loan options do exist:
  - FHA - 3% Down, government insured, program works
  - VA - 0-3% Down, veterans only, government sponsored, program works
  - USDA - Rural market income based loans, program works
  - Lender Loans - Non-banks offer to cover 2% to get to 1% down, may be beneficial to explore options which expand and ease regulations surrounding these offerings

Investor Properties – A Solution

- Single family home rentals
  - Step towards home ownership
  - Rent to own programs should be encouraged
  - Incentives for upkeep and reinvestment
- Diminished neighborhood investment
  - Infrastructure and school improvements make investment welcome increasing rental options
- Unrelated party regulations
  - Typical regulation allows only 1-2 non-family members to rent in same location, relaxed rules could increase rentals
  - New trend of millennials renting rooms from non-investor boomer types who have unused rooms should be fostered

Banks, Mortgage banks, non-bank options – licensure and regulation

- Lender options need to be increased
- Fannie and Freddie or alternative needed to keep the market moving, going all private will increase lending costs
- Higher licensure requirements on mortgage brokers and non-bank loan originators than banks
- State licensure is inconsistent, onerous, and can be extremely lengthy for banks, wholesalers, and brokerages
- CFPB increased compliance regulations and heavy enforcement decreases entrants into the market place

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