



Comments on Forecasts

Kenneth T. Rosen

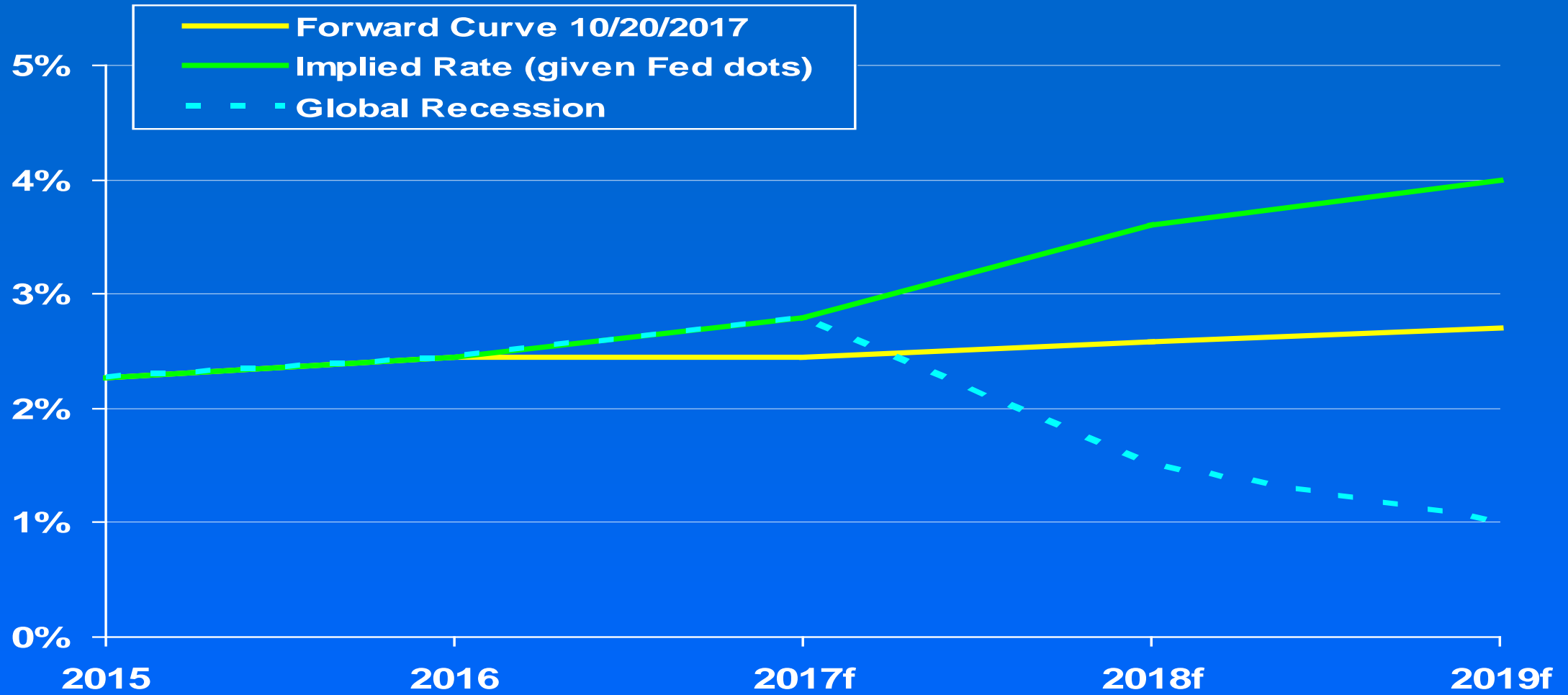
The Sky's The Limit Conference and Expo

November 3, 2017

Risks to Economic Outlook

- Tax cuts in a full employment economy and a global synchronized expansion leads to higher inflation and faster normalization of monetary policy. Asset prices adjust sharply.
- De-globalization; restrictive immigration, trade, tariffs, travel, and visa policies might negatively impact the economy in the medium term
- NAFTA negotiations collapse and restrictive trade policies proliferate.
- Geopolitical accident in North Korea or Middle East disrupts financial markets.
- 2018 election produces surprise democratic victories. Impeachment proceedings begin.

10-Year T-Bond Forecast



	2015	2016	2017f	2018f	2019f
Forward Curve 10/20/2017	2.27%	2.45%	2.44%	2.59%	2.70%
Implied Rate (Fed dots)	2.27%	2.45%	2.80%	3.60%	4.00%
Global Recession	2.27%	2.45%	2.80%	1.50%	1.00%

Economic Outlook for 2017-2019

	<u>2016</u>	<u>2017f</u>	<u>2018f</u>	<u>2019f</u>
Economic Growth				
• GDP Growth:	1.5%	2.1%	2.0%	1.7%
Employment				
• Unemployment Rate:	4.7%	4.3%	4.2%	4.6%
• Employment Growth:	1.6%	1.3%	1.1%	0.9%
• Jobs Created:	2.3 mil.	1.8 mil.	1.6 mil.	1.3 mil.
Interest Rates and Inflation				
• T-Bill:	0.5%	1.4%	2.4%	3.0%
• 10-Year T-Bond:	2.5%	2.8%	3.6%	4.0%
• CPI:	1.8%	2.5%	3.1%	3.3%
Single Family				
• Sales:	5.4 mil.	5.6 mil.	5.4 mil.	5.4 mil.
• Housing Starts:	782,000	820,000	865,000	850,000
• Price Appreciation:	5.9%	5.5%	4.8%	2.9%

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Rebuilding the American Dream: Strategies to Sustainably Increase Homeownership

Kenneth T. Rosen

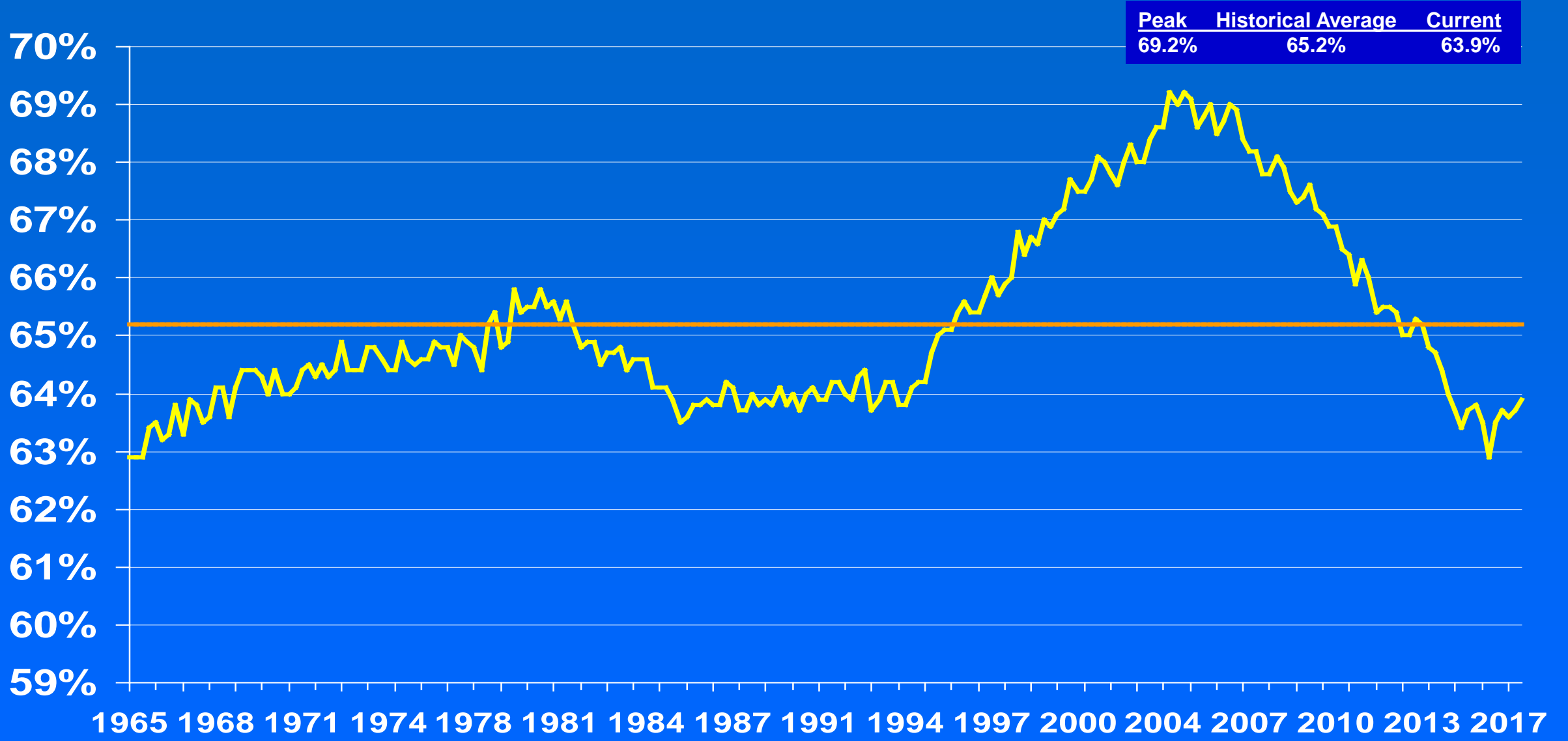
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Homeownership in Crisis:

- **Where are We Now?**
 - **Understanding the Barriers**
 - **Strategies to Sustainably Increase Homeownership**
-

U.S. Homeownership Rate



Note: Data not seasonally adjusted, latest data as of 3Q17
Source: Census

Homeownership Rates by Household Age

Household Age	Peak	Current	Percentage Point Change
Under 25 Years Old	25.7%	22.4%	-3.3%
25 to 29 Years Old	41.8%	32.7%	-9.1%
30 to 34 Years Old	57.4%	45.9%	-11.5%
35 to 44 Years Old	69.2%	59.3%	-9.9%
45 to 54 Years Old	77.2%	69.1%	-8.1%
55 to 64 Years Old	81.7%	75.0%	-6.7%
65 Years and Over	81.0%	78.9%	-2.1%



Homeownership Rates by Household Type

Household Type	Peak	Current	Percentage Point Change
White	76.0%	72.5%	-3.5%
African American	49.1%	42.0%	-7.1%
Hispanic	49.7%	46.1%	-3.6%

Homeownership Rates in Major Markets Ranked by Lowest Current Rate

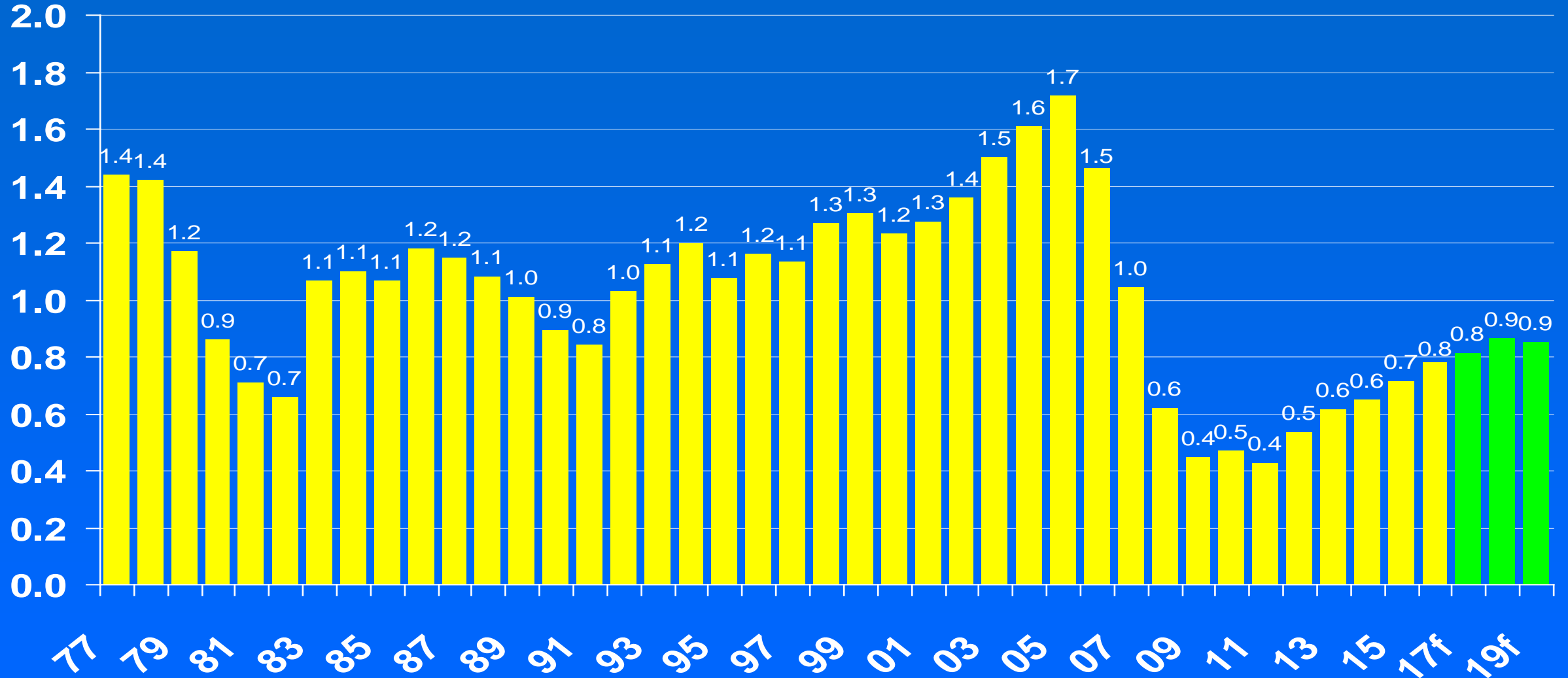
	<i>Prior Peak</i>	<i>Current</i>	<i>Percent Change</i>
Los Angeles	55.0%	46.6%	-8.4%
Honolulu	61.1%	49.9%	-11.2%
Silicon Valley	59.4%	49.9%	-9.5%
New York	54.7%	50.3%	-4.4%
Austin	66.7%	51.9%	-14.8%
Las Vegas	63.4%	52.4%	-11.0%
San Diego	65.7%	54.1%	-11.6%
San Francisco	59.4%	55.5%	-3.9%
Seattle	65.4%	59.5%	-5.9%
Denver	70.7%	61.0%	-9.7%
Orlando	71.8%	61.1%	-10.7%
Sacramento	64.2%	61.7%	-2.5%

Note: Peak from 2004 to 2007; latest data as of 3Q17; survey margin of error may account for MSA data fluctuations

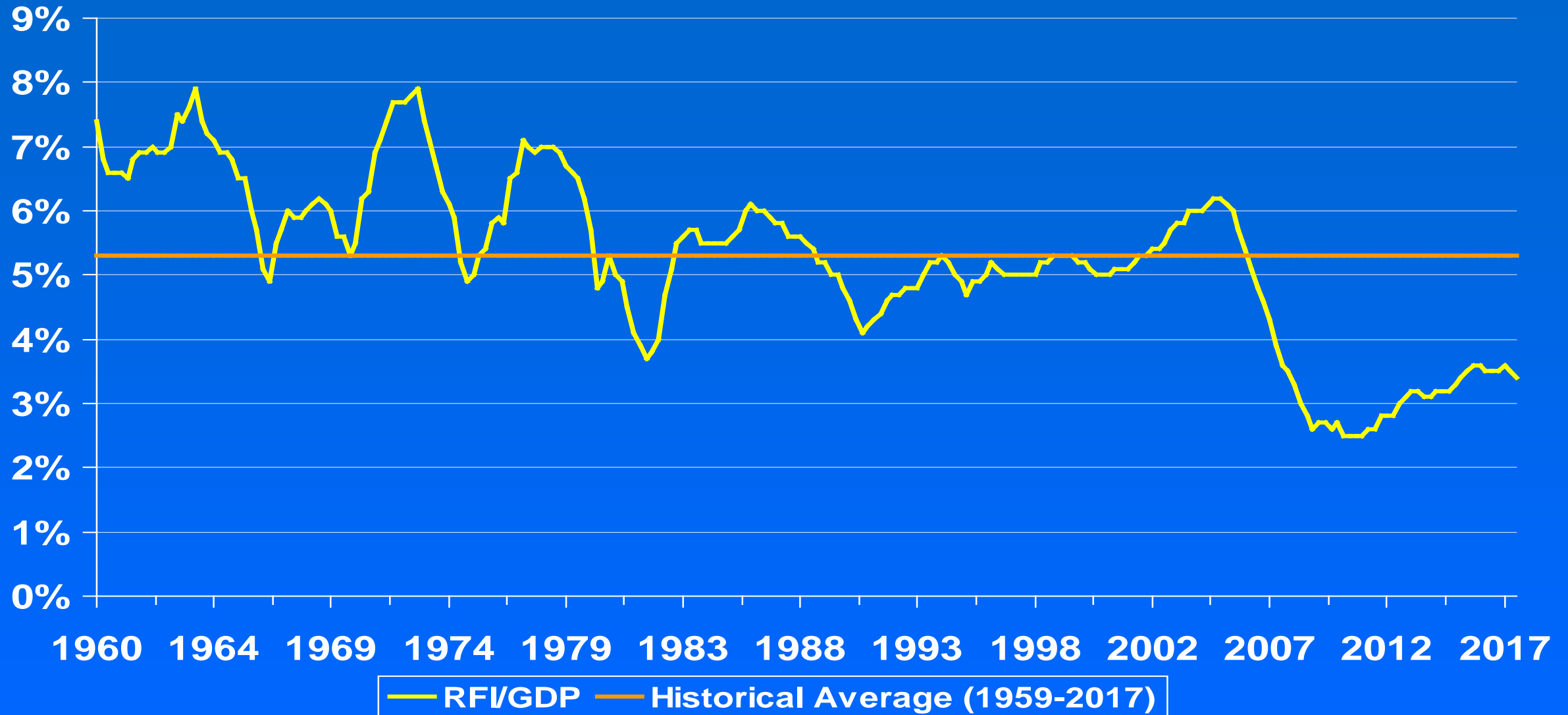
Source: Census

U.S. Single Family Housing Starts

Units (Millions)



Residential Fixed Invest Share of Real GDP



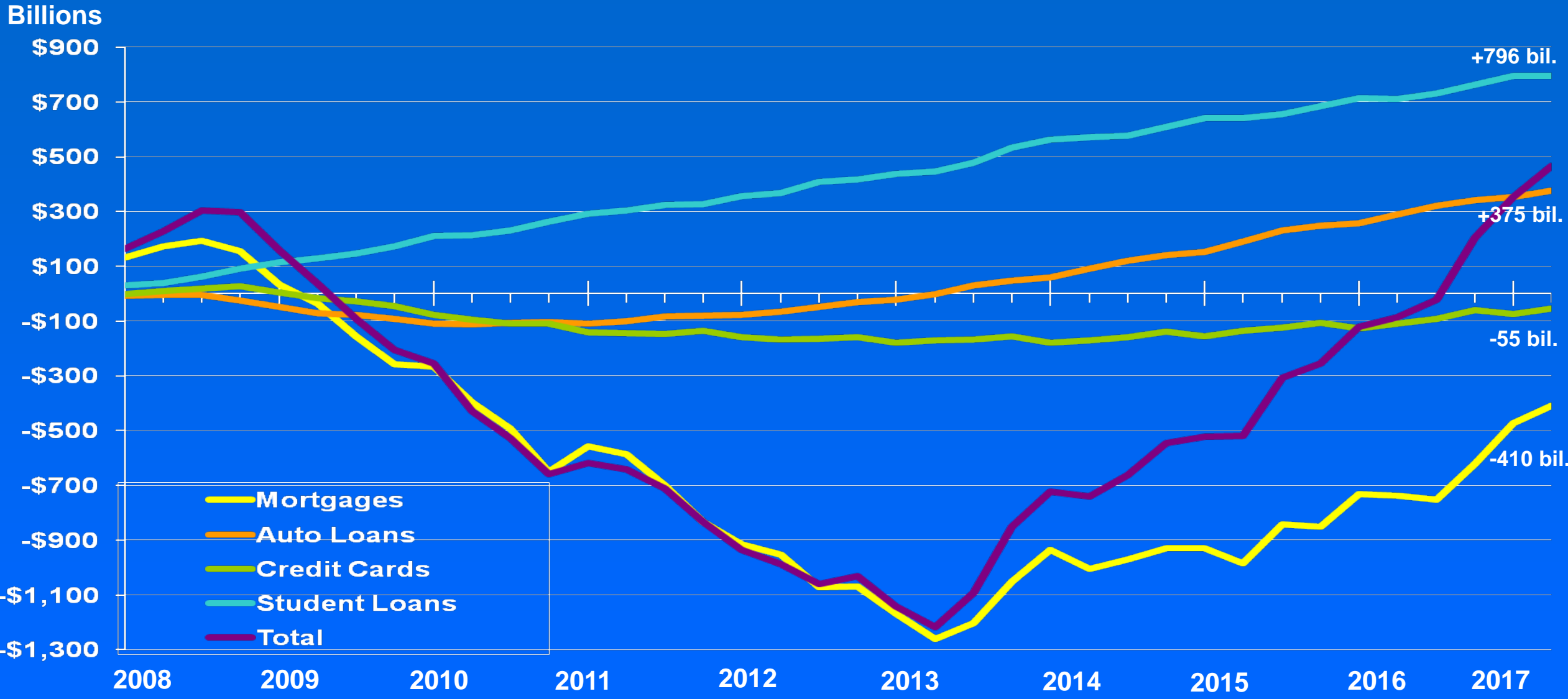
Note: Data seasonally adjusted, latest data as of 3Q17

Source: Census

Hurdles to Homeownership

- **Tight Mortgage Credit Conditions**
- **Post-Foreclosure Lending Aversion**
- **Student Debt Burden**
- **Post-Foreclosure Stress Disorder**
- **Affordability**
- **Supply Barriers**

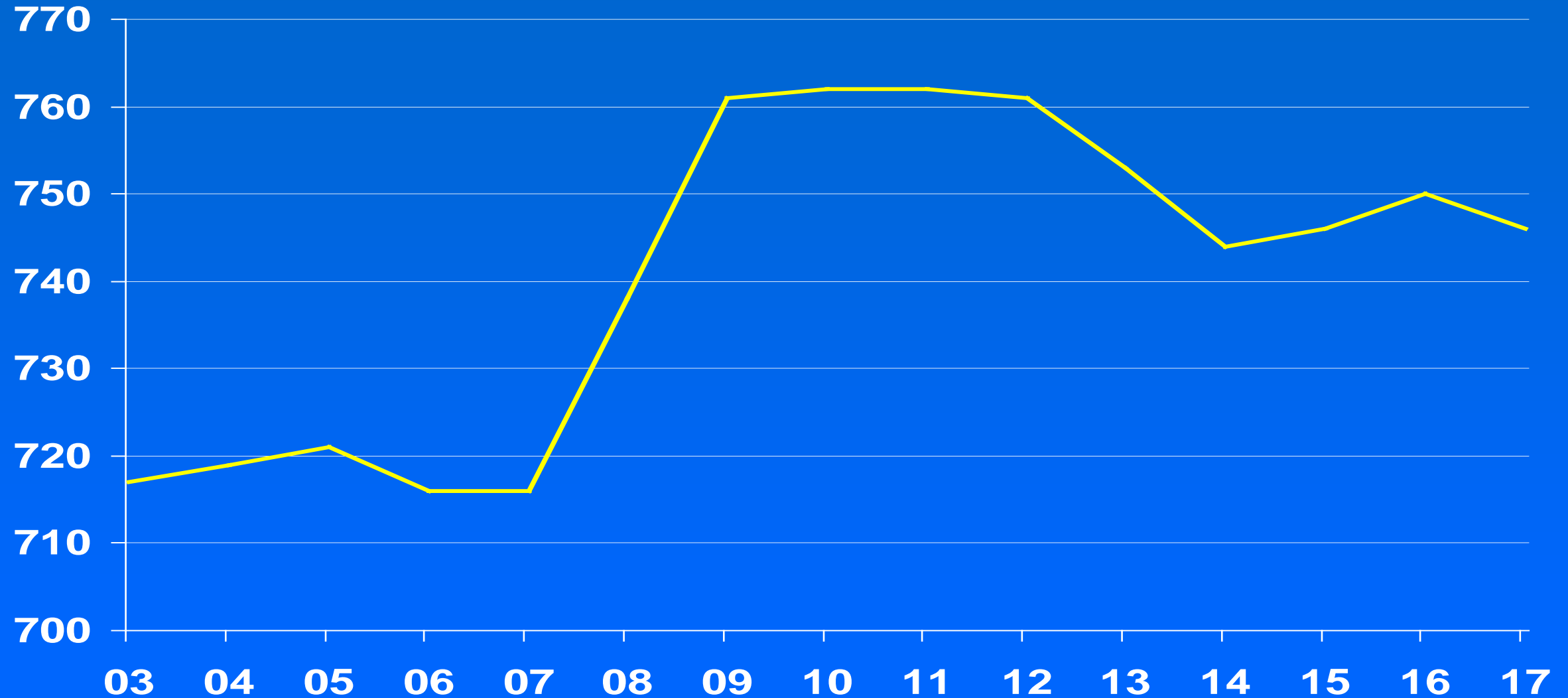
Change in Private Debt Balances since Q4 2007



Note: Latest data as of 2Q17
 Sources: FRBNY Consumer Credit Panel/Equifax, RCG

Fannie Mae GSE FICO Scores

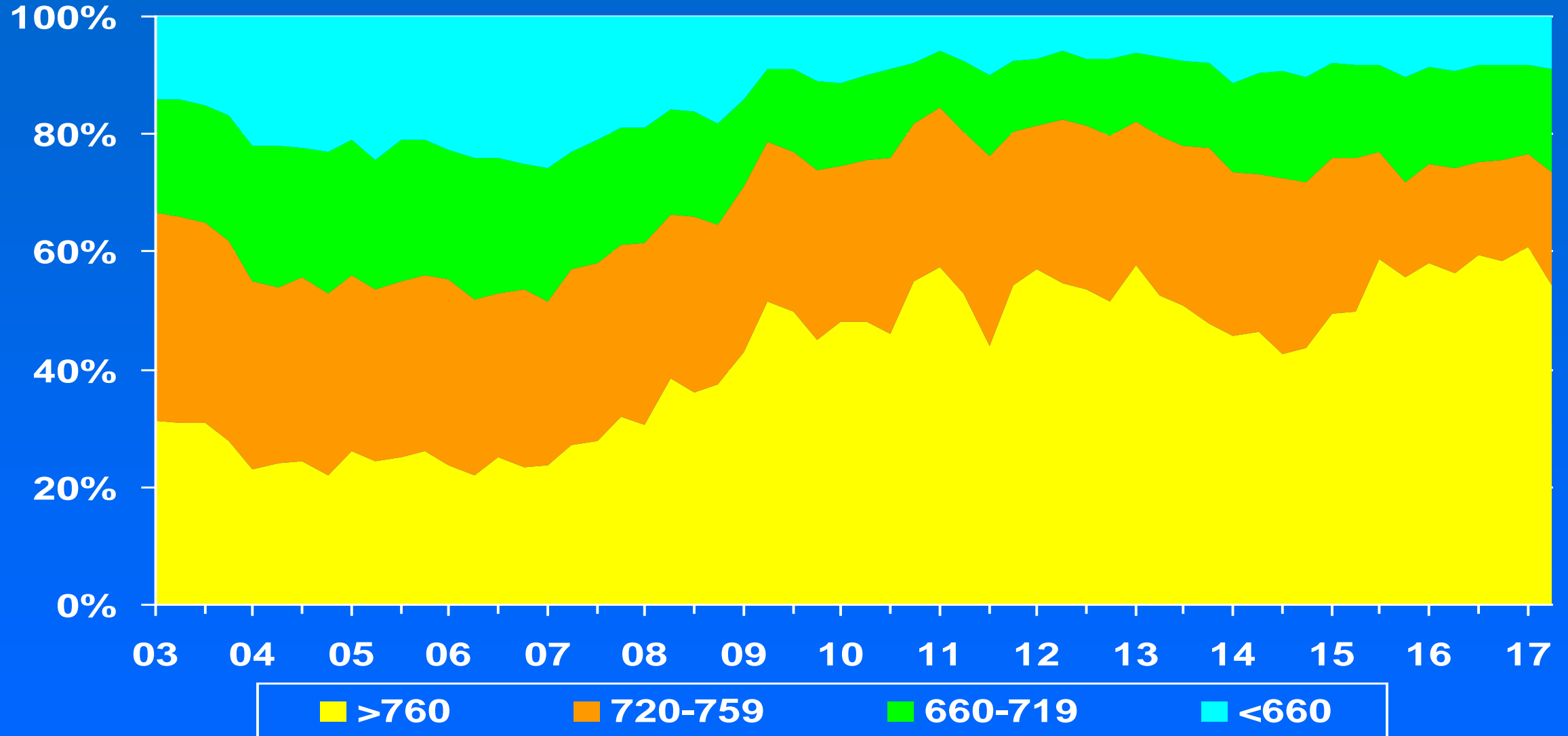
Average FICO



Note: Latest data as of 2Q17

Sources: Inside Mortgage Finance, FNMA

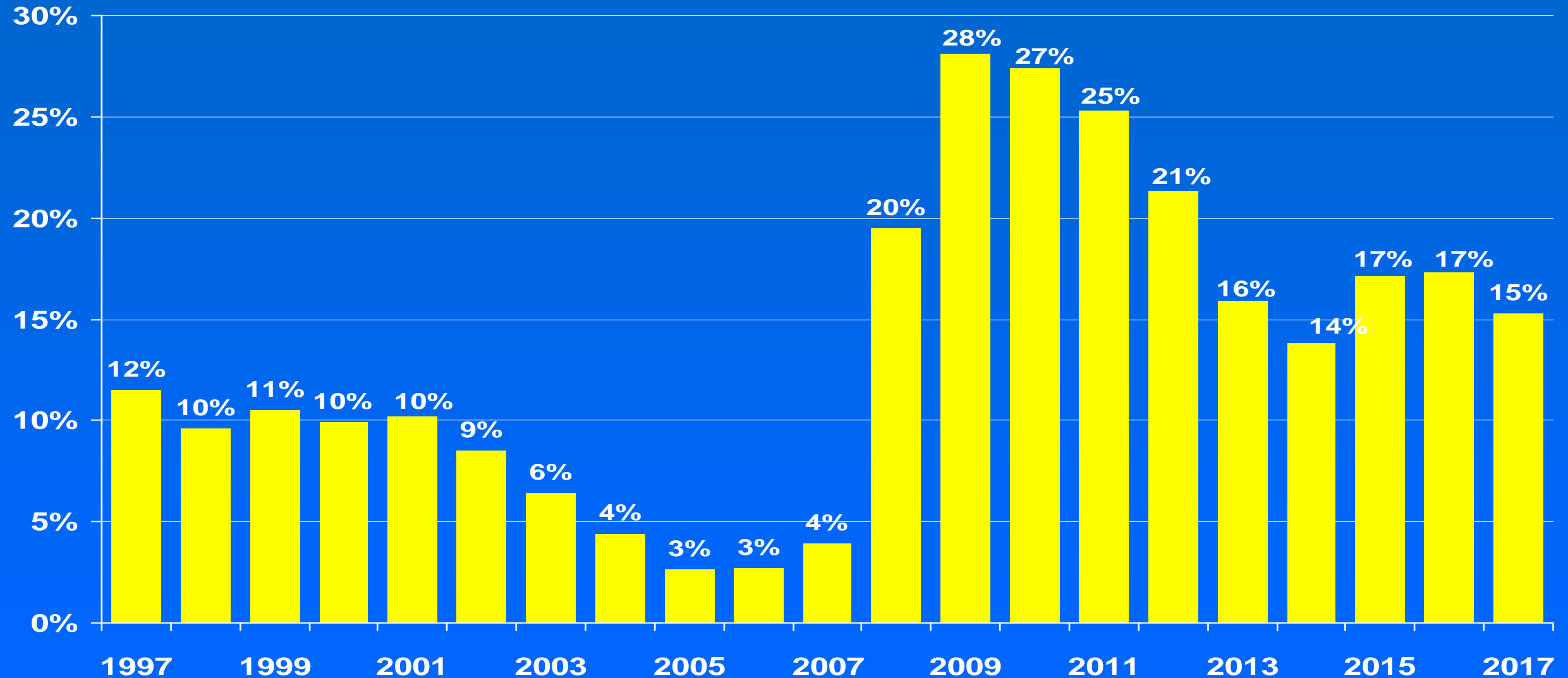
Share of Total Mortgage Origination by Credit Score



Note: Latest data as of 2Q17

Sources: Federal Reserve Board of New York, RCG

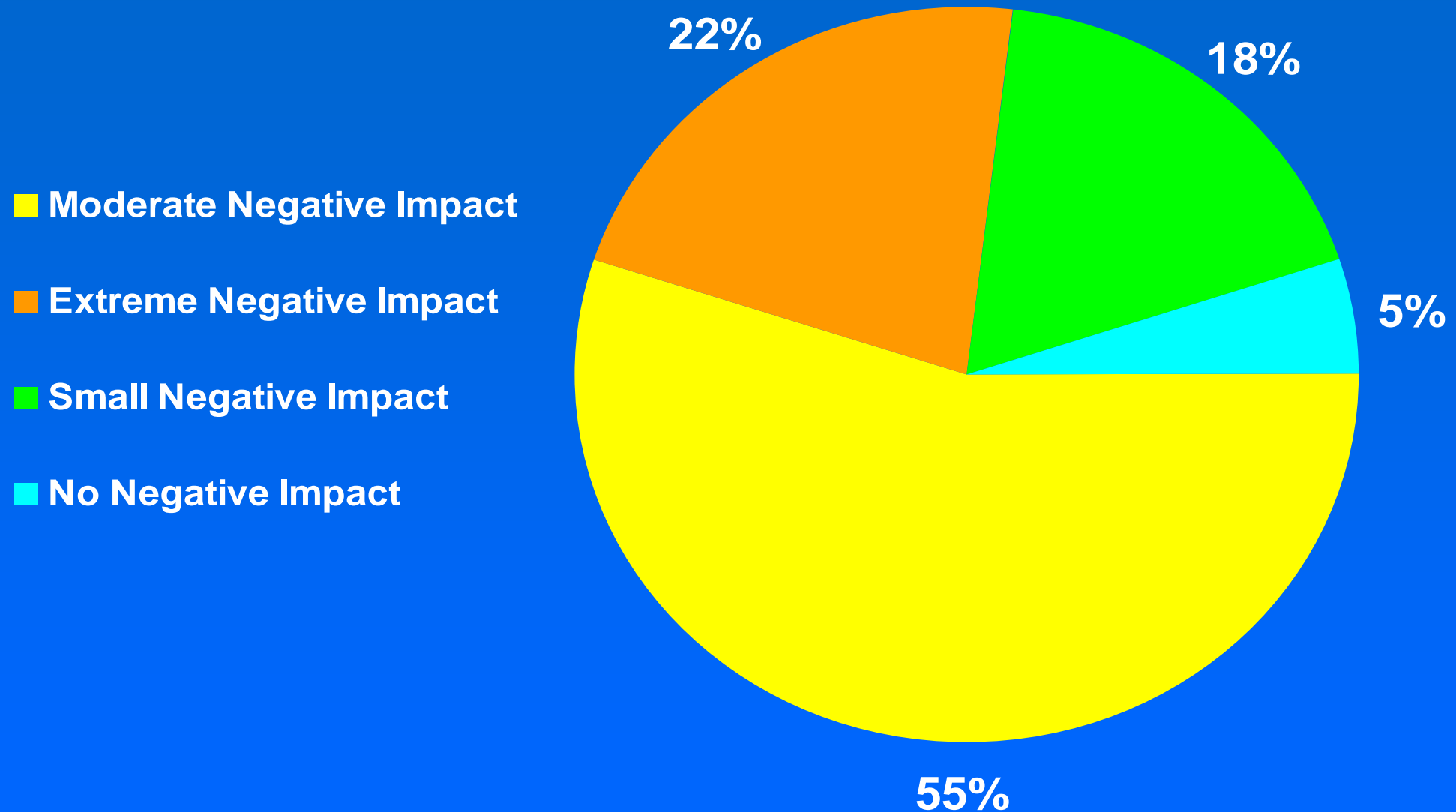
FHA Share of Purchase Mortgage Origination Volume



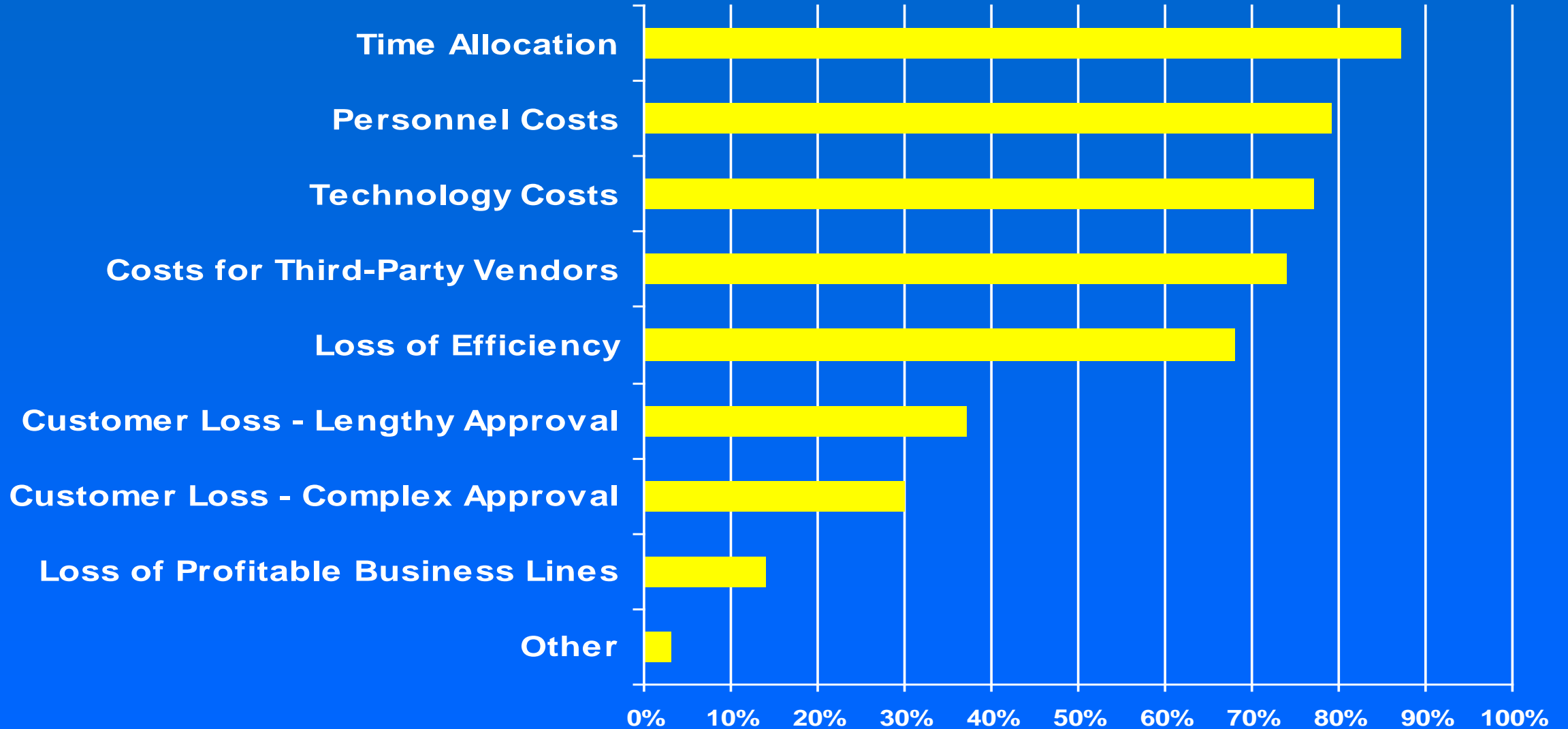
Note: Latest data YTD as of 3Q17

Sources: HUD, Mortgage Bankers Association, RCG

Impact of Regulation on Banks

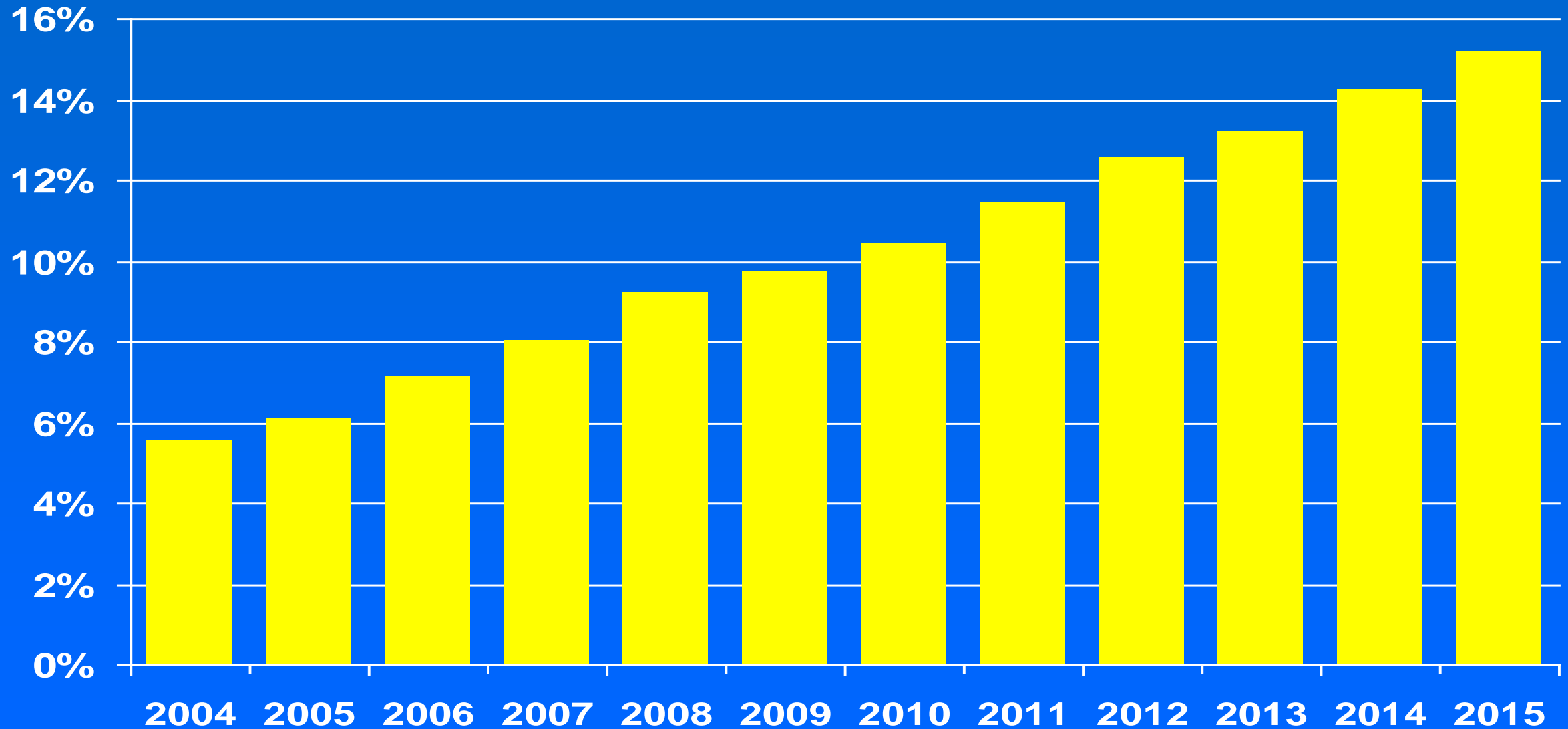


Primary Drivers of Increased Compliance Costs

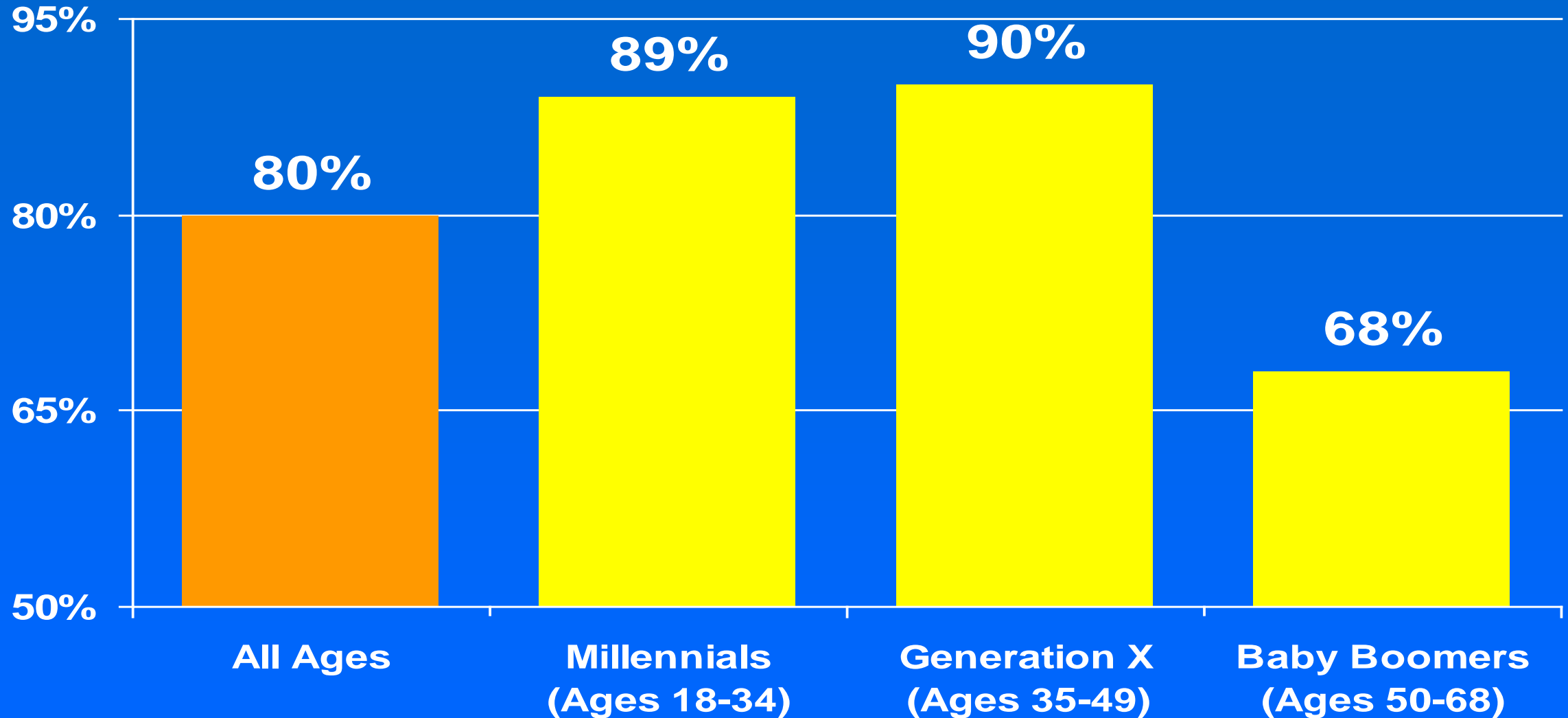


Note: 2017 survey of 159 banks
Source: American Banker's Association

Share of Borrowers with \$50,000+ in Student Debt Loan



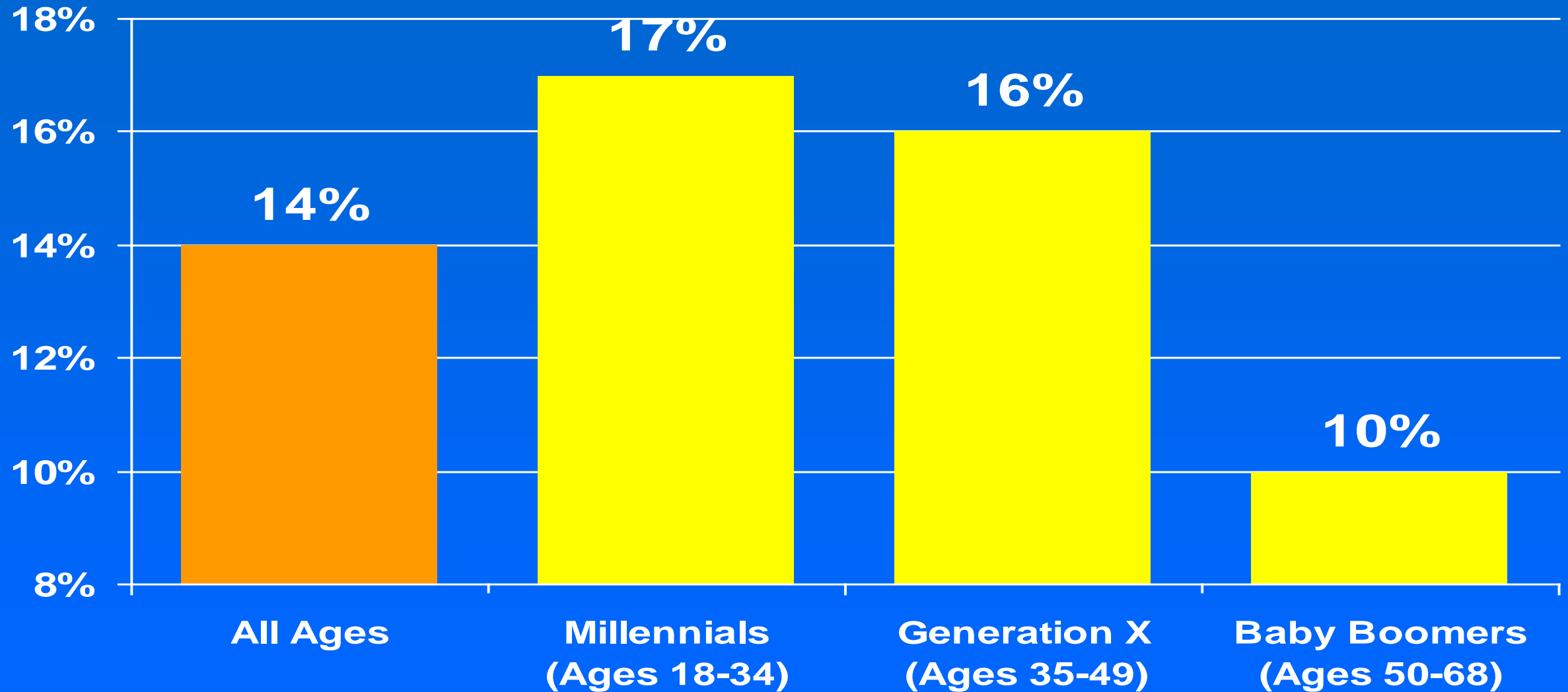
Share of Renters Who Would Like to Own a Home at Some Point



Note: Latest data as of March 2017

Source: Freddie Mac

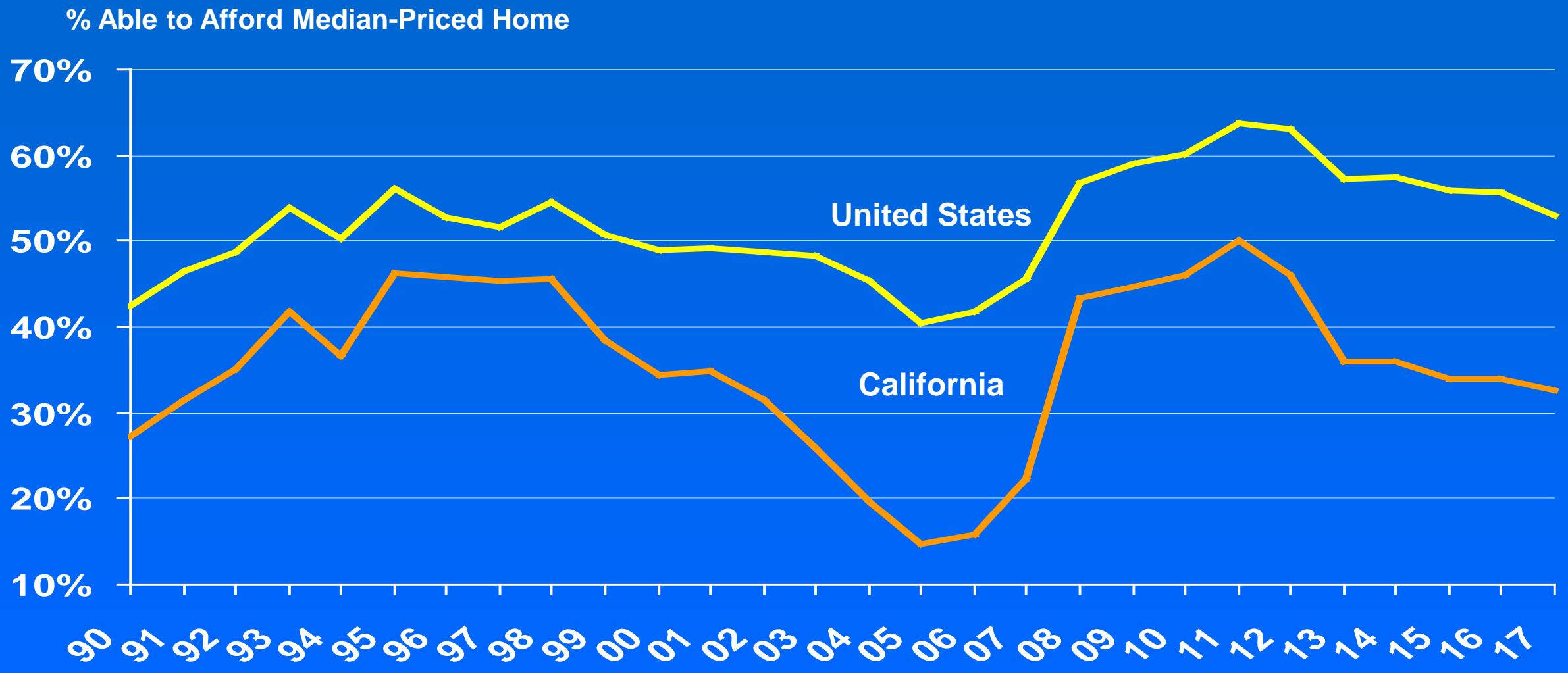
Share of Renters Who Can Afford to Own, Yet Continue to Rent



Note: Latest data as of March 2017

Source: Freddie Mac

Housing Affordability United States and California



Note: RCG Universe of MSAs; latest data as of 2Q17
Sources: RCG, CAR, NAR, FAR, Census

Why Homeownership?

- Accumulate wealth
- Reducing inequality
- Investments in Community
- Civic Engagement
- Economic Growth

Policy Ideas for Sustainably Increasing Homeownership

Mortgage Availability

- Improving Access to Credit for Consumers
 - Raising Debt-to-Income Ratio
 - Alternative Measures of Credit Scores
- Reducing Post-Foreclosure Lending Aversion
 - Establish Clear Rules and Guidelines for Lenders
 - Iron-clad Safe Harbor Provisions for Lenders
 - Limit Compliance Costs
- Safe and Sustainable Future for GSEs

Policy Ideas for Sustainably Increasing Homeownership

Affordability

- Down Payment Savings Program
- Graduated Payment Mortgages
- Shared Equity Products
- Lease Purchase Agreements

Student Debt

- Standardized Mortgage Underwriting
- Student Loan Interest Deductions
- Student Debt Mortgages

Post-Foreclosure Stress Disorder

- Public Relations Campaign Promoting Sustainable Homeownership
- Counseling Programs for Potential Homeowners
- Post-Foreclosure Targeted Assistance

Policy Ideas for Sustainably Increasing Homeownership

Supply Constraints

- **Reducing Regulatory Hurdles to Development**
 - Reduce Fees and Streamline Approvals
 - Minimum Lot Sizes
 - Expedite and Simplify Environmental Review
 - Override Local Regulatory Hurdles with Statewide Reforms
 - Localized Reforms
- **Increasing New Home Construction**
 - Pre-Fabrication and Modular Housing
 - Accessory Dwelling Units
 - Tax Credits for New Construction Homebuyers

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