Housing, Housing Finance, and Us in the Trump Administration

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Presentation to
The Hoyt Group: The Future of Real Estate

May 19, 2017
Housing Program Terminations
FY 2017 Budget
Administration Proposal - March 16, 2017

- Community Development Block Grants
- HOME Investment Partnerships
- Choice Neighborhoods
- Self-Help Homeownership Opportunity Program
- Interagency Council on Homelessness
- Neighborhood Reinvestment Corporation
- Legal Services Corporation
- Water and waste loans and grants for Rural Development (USDA)
- Grants to Community Development Financial Institutions (Treasury)
- Low Income Home Energy Assistance Program (HHS)
- Weatherization Assistance (Energy)
- Services to homeless and at-risk veterans (VA)
Housing Program Terminations
FY 2017 Budget
Agreement with Congress - April 30, 2017
HUD Appropriations in the FY 2017 Budget

March 16, 2017

Change from FY 2016

-$6.2 Billion

- 13.2%
HUD Appropriations in the FY 2017 Budget

April 30, 2017

Change from FY 2016
+ $0.4 Billion
+ 1.0%

Programs with Budget Cuts

Public Housing Operating Fund: -$100 million (2.2%)
Section 811 Housing for People with Disabilities - $5 million (3.3%)
What About the GSEs?

- Industry: “We need a dedicated source of funding, and it has to have a government guarantee.”
  - We already have three – FHA, VA, RHS

- The GNMA Model
  - Who takes the default risk?

- MBS with private sector taking the first loss
  - PMIs
What’s Next?

- What we don’t have, is consensus
- This week:
  - Disagreement between the GSE conservator, Congress, and US Treasury – should the GSEs be allowed to build up their capital, or should their profits go to the federal government?
  - Meanwhile, Rep. Hensarling’s Financial CHOICE Act covers CFPB and Dodd-Frank, but not the GSEs
Meanwhile, in the Real World....
<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Mean</th>
<th>Median</th>
</tr>
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<tbody>
<tr>
<td>1983</td>
<td>$24 trillion</td>
<td>$280,000</td>
<td>$80,200</td>
</tr>
<tr>
<td>2007</td>
<td>$73 trillion</td>
<td>$625,000</td>
<td>$135,900</td>
</tr>
<tr>
<td>2013</td>
<td>$65 trillion</td>
<td>$528,000</td>
<td>$81,400</td>
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The Families in the Middle

(45th to 55th percentile of wealth distribution)

- 2007 – wealth between $105,000 and $175,000
- 2013 – wealth between $60,000 and $110,000

- 2007 – median income was $54,000
- 2013 – median income was $46,000

- 2007 – 89% owned their own home – median equity was $92,000
- 2013 – 82% owned their own home – median equity was $52,000

- Their home was their biggest asset, by far
- As a society, the equity in our homes is 23% of our wealth
The Richer the Family in 2007:

The smaller the percentage drop in wealth by 2013

<table>
<thead>
<tr>
<th>Wealth category</th>
<th>2007 wealth</th>
<th>%loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richest 10%</td>
<td>$4,555,000</td>
<td>-11%</td>
</tr>
<tr>
<td>Families in the middle</td>
<td>$136,000</td>
<td>-40%</td>
</tr>
<tr>
<td>Barely positive</td>
<td>$17,000</td>
<td>-47%</td>
</tr>
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(20\textsuperscript{th} to 30\textsuperscript{th} percentile)
And Therefore:
The More Unequal the Distribution of Wealth

- In 2007, the richest 10% of households owned 71% of total wealth
- In 2013, the richest 10% of households owned 75% of total wealth
- The most unequal distribution since at least 1983
In Conclusion:

- Is our economy finally improving?
- Let’s hope so
- But most of us have a long way to go before we catch up to where we used to be
- And we’re not happy about it