



It's Time to Talk About Housing

7 Questions the 2012 Presidential Candidates Need to Answer on the Ongoing Housing Crisis

John Griffith, Julia Gordon, and David Sanchez August 15, 2012

The ongoing housing crisis remains one of the biggest drags on our economic recovery. But less than three months before a presidential election viewed by many as a referendum on the economy, housing is little more than a side conversation on the campaign trail.¹

President Barack Obama has barely mentioned housing in recent months, aside from occasional pitches for reforms to help more homeowners refinance.² Presumptive Republican nominee Mitt Romney's 59-point economic plan unveiled last year makes only a couple of passing references to housing, and Gov. Romney is yet to release any substantive housing proposals since.³

As our presidential hopefuls stay silent, the sluggish housing market continues to plague our economy. The historic decline in home prices since 2006 has cost Americans more than \$7 trillion in household wealth,⁴ forced millions of families out of their homes,⁵ and left nearly one in four homeowners owing more on their mortgages than their homes are worth.⁶ Private investment in housing is a fraction of its historic norm, translating to billions in lost economic output and millions of missing jobs.⁷ And more than five years into the crisis, the U.S. mortgage market remains on life support as the federal government guaranteed more than 95 percent of home loans made last year.⁸

The U.S. housing market is where the Great Recession began⁹ and we're unlikely to see a full recovery until the market heals. The housing sector historically accounts for about one-fifth of our economy¹⁰ and housing booms paved the path to our last three economic recoveries.¹¹ But few analysts expect such a boom anytime soon.

We can no longer afford to ignore these problems. As the presidential campaign shifts into high gear in the coming weeks, President Obama and Gov. Romney must lay out their respective visions for housing in the United States. This brief lays out seven essential questions the presidential candidates need to answer on housing, including:

1. What will you do to prevent more unnecessary foreclosures and keep more families from losing their homes?
2. How will you address the problem of “underwater” mortgages?
3. How will you revitalize communities already hit hard by the foreclosure crisis?
4. How will you meet the pressing need for affordable rental housing?
5. What will you do to assure that working and middle-class families can achieve homeownership in the future?
6. What do you plan to do with the government-backed mortgage giants Fannie Mae and Freddie Mac, and what will take their place in the mortgage market of the future?
7. How do you plan to protect households from predatory lending and discrimination in the U.S. mortgage market?

Each question includes key facts for voters, reporters, and other key stakeholders, as well as a brief discussion of why the issue matters and CAP’s recommendation for fixing the problem.

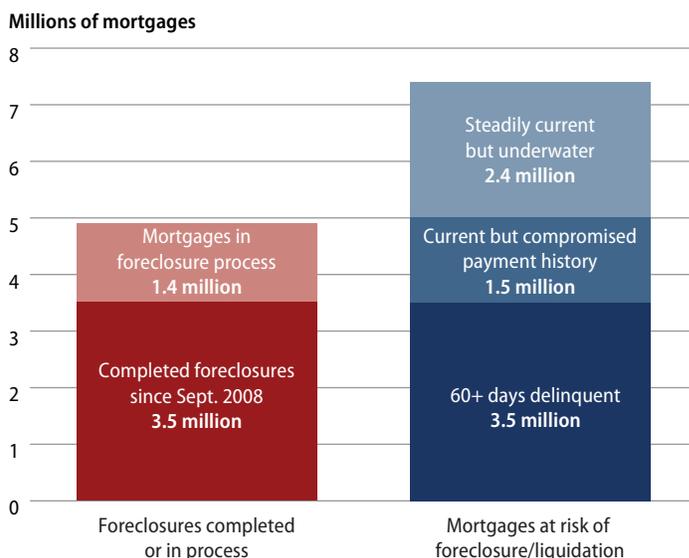
1. Five years after the housing bubble burst, experts suggest we may be only halfway through the resulting foreclosures, with millions still to come. Do you think the federal government should do more to help prevent unnecessary foreclosures? If so, how?

Foreclosure is often the worst-case scenario for every party involved, since it results in extraordinarily high costs to borrowers, lenders, and investors—not to mention the spillover effects on the surrounding community and the broader economy. And since millions of at-risk mortgages are owned or guaranteed by the federal government, taxpayers are on the hook for billions in foreclosure-related losses.

There are several ways to lower an at-risk borrower’s monthly payments and increase the chance of repayment. If the borrower is current on their payments, they often have the choice to refinance to today’s historically low interest rates, saving an average of \$2,600 a year in interest payments.¹⁸ If the borrower has fallen behind, the investor can often save money by working out a new deal, usually by extending the loan’s terms, modifying the interest rate, deferring payments, or lowering the amount the borrower actually owes on the loan—so-called principal reduction. Or, if the borrower either can no longer afford the house or does not wish to stay,

FIGURE 1
We may only be halfway through the foreclosure crisis

Total number of foreclosures vs. loans at serious risk (in millions), as of March 2011



Sources: CoreLogic and Amherst Securities

they can still leave gracefully without going through a foreclosure, either by handing the home back to the lender (known as a deed-in-lieu-of-foreclosure) or negotiating a short sale with the mortgage investor.

In a well-functioning market, the lender or mortgage investor responsible for the loan considers a range of options when deciding which intervention is best for the specific borrower, and negotiates a deal that minimizes losses and keeps families in their homes when possible. But we're not in a well-functioning market. Recent experience has shown that mortgage servicers—the companies in charge of collecting timely mortgage payments on behalf of the investor—are often unwilling or unable to work with struggling homeowners, even when those homeowners want to work with them. The result is unnecessary foreclosures which harm the borrower, the investor, surrounding homeowners, and the larger economy.

CAP Policy Recommendation

Streamline refinancing for all borrowers current on their monthly payments and meet minimum underwriting standards (See: John Griffith, "Tossing a Lifeline to Underwater Homeowners" (Washington: Center for American Progress, 2012)) and establish clear and fair standards for mortgage servicers dealing with struggling borrowers. (See: Peter Swire and Jordan Eizenga, "The Importance of a Homeowner Bill of Rights" (Washington: Center for American Progress, 2012))

Fast Facts

- As of March 2012, banks and other financial institutions had completed approximately 3.5 million foreclosures since the financial crisis began in September 2008, with another 1.4 million loans still in the foreclosure process.¹² That month Wall Street analysts predicted as many as 7.4 million to 9.3 million at-risk borrowers were yet to face foreclosure or liquidation.¹³
- Roughly 25 percent of African American and Latino borrowers have either lost their homes or are at serious risk of foreclosure today, compared to just 12 percent of their white counterparts.¹⁴
- The typical foreclosure costs lenders and investors up to \$50,000,¹⁵ borrowers up to \$7,000 in administrative costs alone,¹⁶ and local governments up to \$34,000 in lost property taxes and associated expenses,¹⁷ before accounting for the indirect costs to the surrounding community.

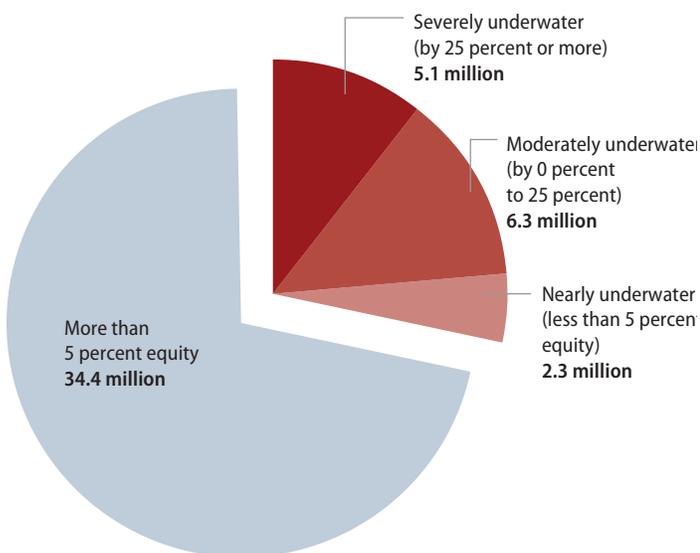
2. From the peak of the market in 2006, the total amount of home equity in the United States declined by more than \$7 trillion, leaving all homeowners with less wealth and more than 11 million families owing more than their homes are worth. How do you plan to address this pressing problem of “underwater” mortgages?

If the housing market is weighing down our economic recovery, negative equity is the anchor at the end of the chain. Underwater borrowers are at significantly higher risk of foreclosure than borrowers with equity in their homes, in part because if something unexpected happens—such as a death in the family, divorce, disability, or temporary bout of unemployment—the borrower has no cushion to fall back on.²⁴ These borrowers typically have trouble refinancing to today’s historically low rates simply because they don’t have equity and they often have trouble selling their homes—say, to move for a new job opportunity—because the bank has to agree to take a loss through a short sale.

Then there are the broader economic impacts of negative equity. Underwater mortgages constrain lending beyond the housing market, as home equity is a critical source of capital or collateral for small businesses,²⁵ college students,²⁶ and elderly adults.²⁷ Homeowners with little or no equity are often reluctant to invest in renovations and home improvements, stifling demand for home-related products from window curtains to washing machines.²⁸ Borrowers digging their way out of mortgage debt spend less in stores, making businesses leery of investment. For these and other reasons, analysts have observed that the recovery is weakest in places where mortgage debt is the highest.²⁹

FIGURE 2
Nearly one in four homeowners in the United States owes more on their mortgage than their home is worth

Total number of mortgages by equity level (in millions), Q1 2012



Source: CoreLogic

Fast Facts

- Depending on the source, between 24 percent¹⁹ and 31 percent²⁰ of homeowners with mortgages are underwater, totaling between \$700 billion and \$1.2 trillion in “negative equity,” the amount above the value of a home an underwater borrower owes.
- Between 2005 and 2009 the typical Hispanic homeowner saw their home equity decline by 51 percent, roughly two-and-a-half times the decline for black and white borrowers.²¹
- Of the roughly 8 million underwater homeowners that are current on their monthly mortgage payments, more than 40 percent are likely unable to refinance to today’s historically low interest rates simply because they have private loans that are ineligible for certain federal programs.²²
- Analysis by the Federal Housing Finance Agency found that targeted principal reductions of loans backed by Fannie Mae and Freddie Mac could save the companies \$3.6 billion, mostly from fewer foreclosures. Those savings do not count the boost to the economy from increased consumer spending.²³

CAP Policy Recommendation

Encourage targeted principal reductions at Fannie Mae and Freddie Mac using “shared appreciation,” where the entities agree to write off some of the outstanding balance in exchange for a portion of any future price appreciation on the home. (See: John Griffith and Jordan Eizenga, “Sharing the Pain and Gain in the Mortgage Market” (Washington: Center for American Progress, 2012))

3. For the communities already hit hard by the foreclosure crisis, how do you plan to revitalize neighborhoods and stabilize local housing markets?

While foreclosures have skyrocketed nationwide, some areas are particularly hard hit, from impoverished urban neighborhoods to ghosttown exurbs. Each foreclosure drives the surrounding property values down further, leading to a downward spiral of more foreclosures and additional value decline. Multiple foreclosures cost states and localities enormous sums of money in lost tax revenue, prompting deep cuts to critical public services.

At the same time, vacant or inadequately maintained homes attract crime, arson, and squatters, which increases costs for fire, police, and other services. As people leave the neighborhoods, local businesses are forced to shutter their doors, leading to yet another spiral of departure, foreclosures, and business failures. Health and safety can be impacted by uncollected garbage, dilapidated homes, and abandoned pets; for example, in states such as California and Florida, untended swimming pools have become a breeding ground for disease-carrying mosquitos.³⁴

In some blighted neighborhoods the overhang of foreclosed homes—many of which are owned by the government through Fannie Mae, Freddie Mac, and the Federal Housing Administration³⁵—gluts the for-sale market, keeping home prices low. In others, foreclosed homes are largely being purchased by investors and rented out, which can provide a useful source of affordable housing but may also significantly change the nature of the neighborhood without additional investment and attention.

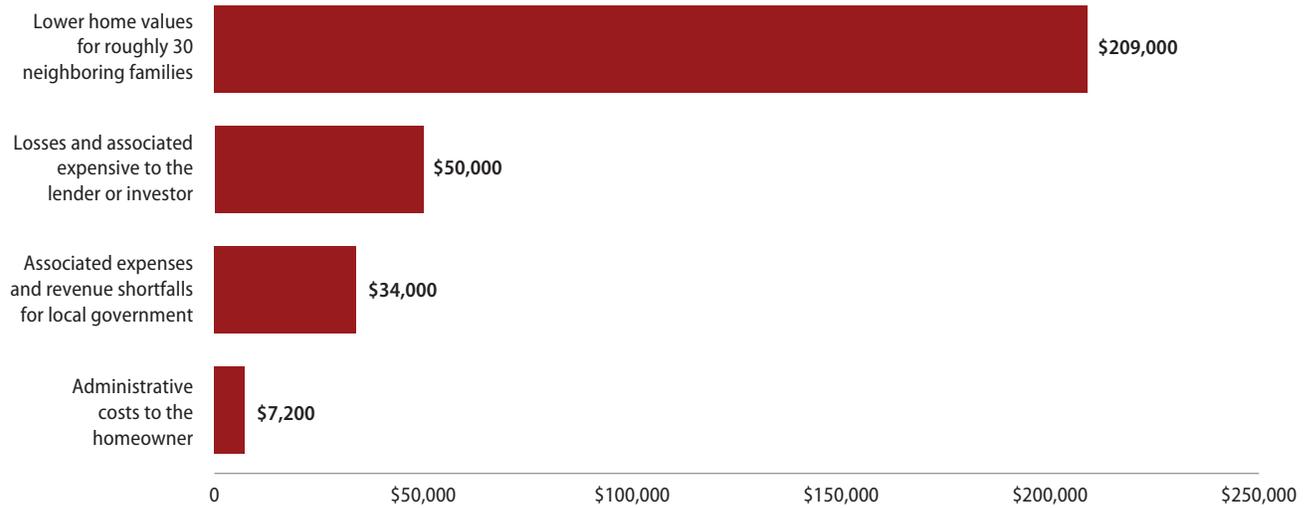
Fast Facts

- On average, a foreclosure reduces the value of a house by 27 percent and reduces the value of all other houses in the neighborhood by 1 percent.³⁰
- In 2009 alone analysts estimated that 2.4 million foreclosures caused property values to drop for 69.5 million neighboring homes, totaling more than half a trillion dollars in “spillover” home devaluation. That’s an average devaluation of \$7,200 per neighboring home that year.³¹
- Nearly half of all foreclosed properties are located in just 10 percent of the nation’s census tracts.³² One-quarter of foreclosures or at-risk loans are in low-income neighborhoods, while 20 percent are in minority neighborhoods.³³

FIGURE 3

Foreclosures have massive spillover costs to the local community

Estimated cost of each foreclosure to key stakeholders



Sources: Center for Responsible Lending, NeighborWorks, and The Urban Institute

CAP Policy Recommendation

Rehabilitate certain government-owned foreclosed properties and convert them to affordable, energy-efficient rentals through “Rehab-to-Rent.” (See: Alon Cohen, Jordan Eizenga, John Griffith, Bracken Hendricks, and Adam James, “Rehab-to-Rent Can Help Hard-Hit Communities and Our Economy” (Washington: Center for American Progress, 2012))

4. *The need for affordable rental housing continues to rise, with 5 million more low-income renters than there are affordable rental units. At a time of fiscal austerity, how do you plan to meet this unmet need?*

Nearly 100 million Americans—roughly one-third of the U.S. population—live in rental housing.⁴⁴ Renters on average earn less than homeowners yet spend more on housing each month as a percentage of income⁴⁵ and they face an even more expensive future. Rental vacancies hit a 10-year low in 2011⁴⁶ and rents increased last year in 24 of the 25 markets tracked by realty firm Trulia.⁴⁷ The foreclosure crisis is partly to blame for these increases: Families often have to wait up to seven years following a foreclosure to obtain financing to purchase another home, during which they have no choice but to rent.

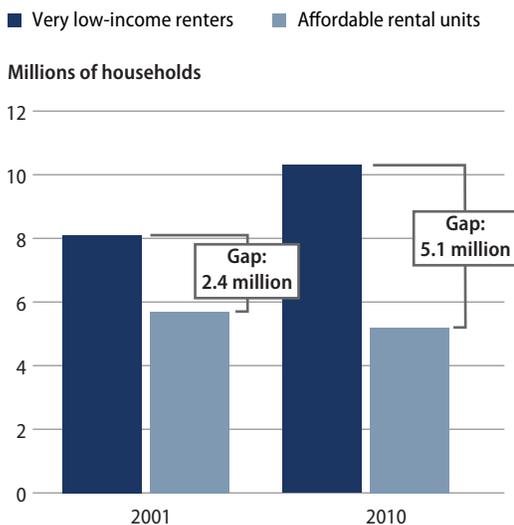
Wages have not kept up with this increase in rents, leaving one in four renters today paying more than half of their monthly income on rent.⁴⁸ Meanwhile, as the number of low-income renters grew by 2.2 million over the last decade, the number of adequate and affordable rental units actually decreased.⁴⁹ As needs skyrocketed, lawmakers actually cut federal support to key affordable housing programs such as public housing, the HOME Investment Partnerships program, and the Community Development Block Grant program.

Unaffordable rents are depressing demand for goods and services. Lower-income families in unaffordable housing units spend 50 percent less on clothes and health care, 40 percent less on food, and 30 percent less on insurance and pensions compared to families in affordable units, according to Harvard's Joint Center on Housing Studies.⁵⁰

Fast Facts

- The total number of “severely cost-burdened households” (those paying more than half their income on housing) nearly doubled over the past decade.³⁶ The affordability crunch has disproportionately hit communities of color: Today 27 percent of black families and 25 percent of Hispanic families are severely burdened, compared to just 15 percent of white families.³⁷
- Twenty-seven percent of renters are severely cost-burdened, which is more than twice the rate for homeowners.³⁸ Only about a quarter of cost-burdened renters receive federal assistance.³⁹
- Today there are 5.1 million more low-income renters than there are affordable rental units—more than double the shortfall observed in 2001. Of the affordable units that are available, more than 40 percent are occupied by higher-income renters.⁴⁰
- Last year's budget cuts hit affordable housing programs especially hard, including a 38 percent cut to the Department of Housing and Urban Development's HOME Investment Partnerships program and a 12 percent cut to the Community Development Block Grant program.⁴¹ Total federal funding for public housing decreased by more than 20 percent between 2010 and 2012⁴² despite approximately \$26 billion in unmet repair and renovation needs in the nation's aging public housing stock.^{43a}

FIGURE 4
The affordable rental gap is getting wider
 Total very low-income renters vs. total affordable rental units (in millions), 2001 and 2010



Source: Harvard Joint Center for Housing Studies, The State of the Nation's Housing 2012 (JCHS tabulations of US Census Bureau, American Community Surveys)

CAP Policy Recommendation

Capitalize the Housing Trust Fund, ramp up funding for Low Income Housing Tax Credits, guarantee certain debt issued by Community Development Financial Institutions, and establish a stable, liquid, and responsible market for multifamily housing finance. (See: Mortgage Finance Working Group's Multifamily Subcommittee, "A Responsible Market for Rental Housing Finance" (Sponsored by the Center for American Progress, 2010))

5. *The U.S. homeownership rate has dropped significantly in recent years as a result of foreclosures and tightened credit standards. Do you think it is important for more Americans to be able to buy homes? If so, what role do you think the federal government should play in achieving that goal?*

Homeownership remains a key part of the American Dream. Owning a home provides economic stability for middle-class families, builds wealth that can be transferred across generations, and encourages residents to maintain their properties and invest in their communities.

But in recent years it has become increasingly difficult for the average American family to become a homeowner. In response to the too-loose credit standards of the housing bubble, many mortgage lenders have overcorrected by extending credit to only the safest possible borrowers. Meanwhile, government regulators are writing rules that will likely determine who gets a mortgage for decades to come. There is also concern that excessively high down-payment requirements could lock many creditworthy families out of the market completely.

In designing the mortgage market of the future, policymakers must consider the right balance between reining in excessive risks and promoting reasonable access to mortgage credit, as well as the appropriate levels of homeownership versus renter-ship in our country.

CAP Policy Recommendation

Establish a new system of housing finance in the United States that reins in excessive risk-taking, supplies mortgage capital in every community even in times of economic duress, and preserves long-term, reasonably priced products like the 30-year, fixed-rate mortgage. (See: “A Responsible Market for Housing Finance,” 2011)

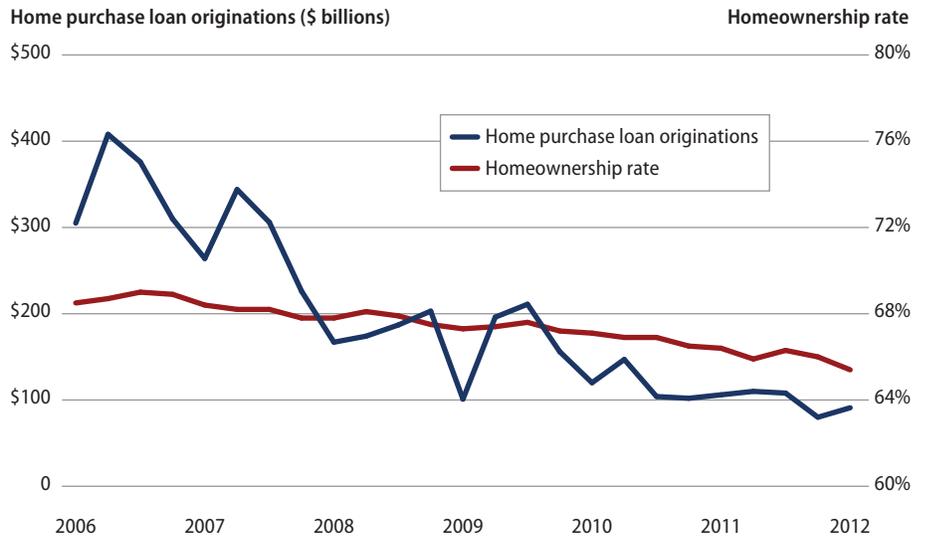
Fast Facts

- The U.S. homeownership rate fell from 69.2 percent in 2004 to 65.4 percent in the first quarter of 2012—the lowest level in 15 years.⁵¹ Still, nearly three-quarters of renters and homeowners surveyed by Fannie Mae believe that now is a good time to buy a home.⁵²
- Today 48 percent households of color are homeowners, the lowest level since 2000. By comparison, 74 percent of white households own their home.⁵³
- Lenders originated about \$400 billion in home purchase loans in 2011, compared to a peak of \$1.5 trillion in 2005.⁵⁴
- Credit standards have gotten much tighter since the crisis began. In 2007 the average Fannie Mae-backed loan covered 75 percent of the home’s value (meaning the borrower covered the other 25 percent through a down-payment and mortgage insurance) and went to a household with a credit score of 716. Last year’s average loan covered just 69 percent of the home’s value, and the average borrower had a credit score of 762.⁵⁵

FIGURE 5

As mortgage lending declined since the crisis began, so too did homeownership

Total home purchase loan originations and U.S. homeownership rates, by quarter since 2006



Sources: MBA Quarterly Origination Estimates, U.S. Census Bureau

6. What do you plan to do with the government-backed mortgage giants Fannie Mae and Freddie Mac? If you plan to eliminate them, what will you replace them with and how will you transition to a new system without causing undue harm to the fragile housing market?

For decades, the government-controlled mortgage giants Fannie Mae and Freddie Mac have played a crucial role in the U.S. mortgage finance system as a “secondary mortgage market.” To help capital flow into the market, Fannie and Freddie purchase home loans made by private firms, provided they meet strict size, credit, and underwriting standards. They then guarantee timely payment of principal and interest on those loans, either as investments held in a portfolio or through mortgage-backed securities issued to outside investors. Since mortgage lenders no longer have to hold these loans on their balance sheets, they have capital available to make more loans to creditworthy borrowers.

In September 2008 Fannie and Freddie suffered massive losses as the housing market crumbled around them, forcing the federal government to take control of the companies through a legal process called conservatorship. Since then the government has backed nearly all home loans made in the United States, as investors have shown little appetite for purchasing mortgages without a government guarantee.

Just about everyone agrees that the current level of government support is unsustainable in the long run and private investors will eventually have to assume more risk in the mortgage market. But policymakers have yet to grapple with other important questions: What sort of presence should the federal government have in the housing market of the future? And when is the right time to start moving toward this new system of U.S. housing finance?

The answers to both questions will have major implications for the availability and affordability of mortgage finance—and thus access to homeownership—for millions of American families. For example, many experts believe that the 30-year fixed-rate mortgage, now a pillar of the U.S. housing market, would largely disappear without a government guarantee.⁶¹

Fast Facts

- Since being placed under government control in September 2008, Fannie Mae and Freddie Mac have required roughly \$150 billion in taxpayer support.⁵⁶ Analysts estimate it could take as long as 15 years for the companies to pay that money back.⁵⁷
- More than 95 percent of new home loans made last year were backed by the federal government through Fannie Mae, Freddie Mac, and the Federal Housing Administration.⁵⁸ At the height of the bubble in 2006, these entities backed less than 35 percent of loan originations.
- Fannie and Freddie own or guarantee a combined \$5 trillion in mortgage assets, more than half of all outstanding home loans in the United States.⁵⁹
- The financial situations at both Fannie Mae and Freddie Mac have improved in recent months. Fannie has reported profits in its past two quarters, while Freddie in August reported its best quarterly earnings in 10 years.⁶⁰

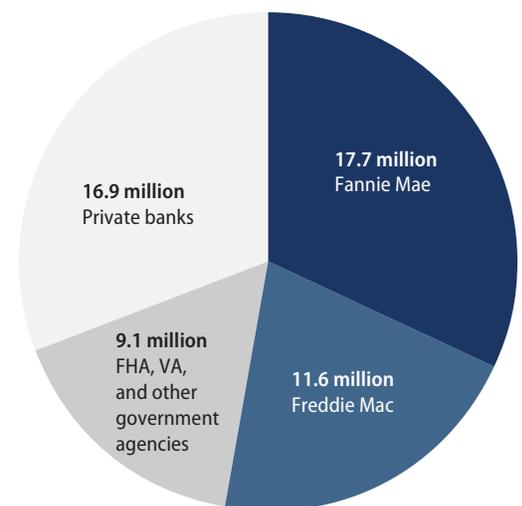
CAP Policy Recommendation

Gradually wind down Fannie Mae and Freddie Mac and replace them with a new system capitalized by private capital, with an explicit government backstop against catastrophic risk on certain well-regulated mortgage products. (See: John Griffith, “The \$5 Trillion Question: What Should We Do with Fannie Mae and Freddie Mac?” (Washington: Center for American Progress, 2012))

FIGURE 6

Fannie Mae and Freddie Mac back more than half the mortgage market today

Total mortgage loans outstanding by source of credit (in millions, as of May 2012)



Source: Fannie Mae

7. *At the peak of the housing bubble, more than half of subprime loans went to borrowers who could have qualified for conventional, safe mortgages, many of whom were borrowers of color. How do you plan to prevent racial and ethnic discrimination in the U.S. housing market and promote access to affordable, sustainable mortgages to all capable borrowers?*

During the height of the housing bubble, loan originators backed by Wall Street capital often steered borrowers toward risky subprime loans, even when they qualified for better loans. These predatory products, such as adjustable-rate mortgages with pricing gimmicks, were designed to fail, both encouraging borrowers to borrow far more than they could manage and requiring the borrower to refinance every couple years. Not surprisingly, these loans defaulted at significantly higher rates than conventional mortgages.⁶⁷ Borrowers of color were disproportionately targeted, as black and Hispanic borrowers were three times more likely to be steered to subprime loans than their white counterparts.⁶⁸

Regulators are finalizing new rules for the entire mortgage finance system, including bans on predatory lending by loan originators. In the meantime, private lenders have drastically scaled back lending activity by tightening underwriting standards for mortgage loans, with serious consequences for communities of color. For example, homeownership rates have declined by about 4.3 percentage points for black households since their peak, nearly double the decline for white households.⁶⁹

Racial disparity and discrimination in mortgage lending is nothing new, and efforts from federal and state governments during the 1990s and early 2000s made slow but sure headway in reducing the racial homeownership gap. But the recent crisis has erased most of that progress.⁷⁰

CAP Policy Recommendation

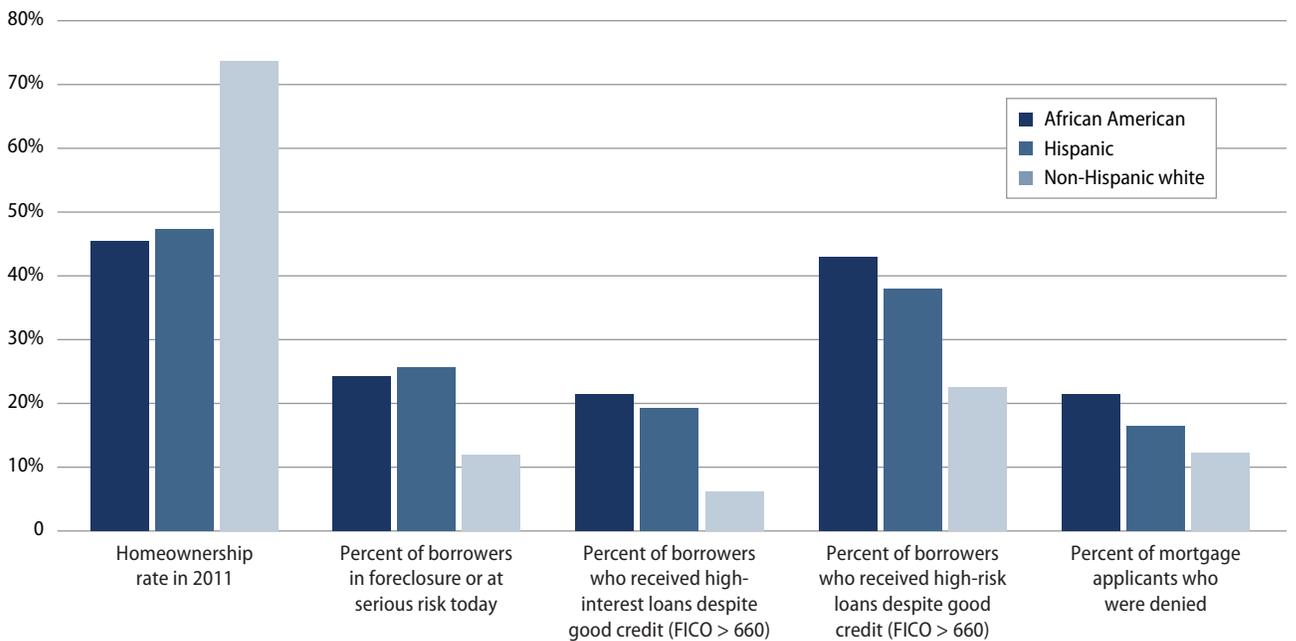
Vigorously implement key mortgage-market reforms laid out in the Dodd-Frank Act, including a requirement that lenders must ensure a borrower's ability to pay back a home loan at the time of origination. Also, make fair and equitable access to affordable mortgage credit a key pillar of any future system of housing finance. (See: "A Responsible Market for Housing Finance," 2011)

Fast Facts

- Subprime loans jumped from 9 percent of total mortgage originations in 1996 to 20 percent in 2006.⁶² That year an astonishing 61 percent of subprime loans went to borrowers with credit scores high enough to qualify for conventional loans with far better terms.⁶³
- During the housing bubble, African American or Latino borrowers with good credit were three times more likely than their white counterparts to receive a risky subprime loan, and more than three times more likely to receive a high-interest loan.⁶⁴
- Thirty-eight percent of African American applicants for conventional home purchase loans were turned down in 2010, compared to 23 percent in 2004. The denial rate for white applicants climbed from 12 percent to 15 percent over that period.⁶⁵
- The Federal Housing Administration, a government-run mortgage insurer, provided access to credit for 60 percent of all African American and Hispanic homebuyers in 2010, compared to less than 10 percent in 2006.⁶⁶

FIGURE 7
Racial and ethnic disparities persist in the mortgage market

People of color are less likely to be homeowners, were more likely to receive risky subprime loans during the bubble, and are less likely to receive a loan at all today, compared to their white counterparts



Sources: The Center for Responsible Lending and The Federal Reserve

A moment of urgency

In recent months, several analysts have predicted that the housing market has finally bottomed out and that we’re now in the beginning stages of a housing recovery.⁷¹ We hope that’s true.

But even if the worst days are indeed behind us, the housing crisis is far from over. Millions of struggling families still risk losing their homes. Tens of millions of renters still face unmanageable housing costs. Countless more creditworthy families still dream of owning a home but can’t get approved for a mortgage.

Each of these problems has ripples beyond the housing market. Whether it’s a homeowner drowning in mortgage debt, a low-income family paying half their income on rent, or a potential homebuyer being closed out of the market, the crisis continues to stifle demand for goods and services, impeding efforts to grow and create jobs.

Our presidential hopefuls cannot stay silent on this critical issue. After months of arguing about tax reform, budget cuts, health care, outsourcing, and private equity, it’s time for housing to get its time in the spotlight.

John Griffith is a Policy Analyst with the Housing team at the Center for American Progress. Julia Gordon is the Center's Director of Housing Finance and Policy. David Sanchez is a Special Assistant with the Center's Economic Policy team.

Endnotes

- 1 Bloomberg Editorial Board, "Obama and Romney Should Say What They'll Do About Housing," Bloomberg, July 30, 2012, available at <http://www.bloomberg.com/news/2012-07-30/obama-and-romney-should-say-what-they-ll-do-about-housing.html>.
- 2 Matt Compton, "President Obama Calls for a Simpler Refinancing Process," The White House Blog, May 11, 2012, available at <http://www.whitehouse.gov/blog/2012/05/11/president-obama-calls-simpler-refinancing-process>.
- 3 Romney for America, "Believe In America: Mitt Romney's Plan For Jobs And Economic Growth" (2011), available at <http://www.mittromney.com/blogs/mitts-view/2011/09/believe-america-mitt-romneys-plan-jobs-and-economic-growth>.
- 4 Federal Reserve Board, "The U.S. Housing Market: Current Conditions and Policy Considerations" (2012), available at <http://federalreserve.gov/publications/other-reports/files/housing-white-paper-20120104.pdf>.
- 5 Debbie Gruenstein Bocian and others, "Lost Ground, 2011: Disparities in Mortgage Lending and Foreclosures" (Durham, North Carolina: Center for Responsible Lending, 2011), available at <http://www.responsiblelending.org/mortgage-lending/research-analysis/Lost-Ground-2011.pdf>.
- 6 CoreLogic, "CoreLogic Reports Negative Equity Decreases in First Quarter of 2012," Press Release, July 12, 2012, available at http://www.corelogic.com/about-us/researchtrends/asset_upload_file912_15196.pdf.
- 7 Bipartisan Policy Center, "Housing's Impact on the Economy" (2012), available at <http://bipartisanpolicy.org/projects/housing/infographic-economy>.
- 8 John Carney, "Too Big Not to Fail," The New York Times, August 11, 2010, available at <http://www.nytimes.com/2010/08/12/opinion/12carney.html>.
- 9 Adam J. Levitin and Susan M. Wachter, "Explaining the Housing Bubble" Georgetown Law Journal 100 (4) (2012): 1177-1258.
- 10 National Association of Home Builders, "Housing's Contribution to Gross Domestic Product (GDP)" (2012), available at <http://www.nahb.org/generic.aspx?genericContentID=66226>.
- 11 Eric S. Rosengren, "Housing and Economic Recovery," Speech Delivered at the Economic Outlook Seminar, Stockholm, Sweden, September 28, 2011, available at <http://www.bos.frb.org/news/speeches/rosengren/2011/092811/index.htm>.
- 12 CoreLogic, "CoreLogic Reports 69,000 Completed Foreclosures Nationally in March," Press Release, May 1, 2012, available at <http://www.corelogic.com/about-us/news/corelogic-reports-69,000-completed-foreclosures-nationally-in-march.aspx>.
- 13 Laurie S. Goodman, Testimony before the Senate Banking Committee, "Strengthening the Housing Market and Minimizing Losses to Taxpayers," March 15, 2012, available at http://banking.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=0f96e0ff-8500-41a5-a0f2-0139d0df2e07.
- 14 Center for Responsible Lending, "Lost Ground: CRL Research Shows Foreclosure Crisis Not Halfway Over," Press Release, November 17 2011, available at <http://www.responsiblelending.org/media-center/press-releases/archives/Lost-Ground-CRL-Research-Shows-Foreclosure-Crisis-Not-Halfway.html>.
- 15 Desiree Hatcher, "Foreclosure Alternatives: A Case for Preserving Homeownership" (Chicago: The Federal Reserve Bank of Chicago, 2006).
- 16 Family Housing Fund, "Cost Effectiveness of Mortgage Foreclosure Prevention" (1995), available at http://www.fhfund.org/_dnld/reports/MFP_1995.pdf.
- 17 William C. Apgar, Mark Duda, and Rochelle Nawrocki Gorey, "The Municipal Cost of Foreclosures: A Chicago Case Study" (Minneapolis: Homeownership Preservation Foundation, 2005), available at <http://www.nw.org/network/neighborworksProgs/foreclosuresolutionsOLD/documents/2005Apgar-DudaStudy-FullVersion.pdf>.
- 18 Mitchell Remy, Deborah Lucas, and Damien Moore, "An Evaluation of Large-Scale Mortgage Refinancing Programs" Working Paper 2011-4 (Congressional Budget Office, 2011), available at http://www.cbo.gov/sites/default/files/cbofiles/attachments/09-07-2011-Large-Scale_Refinancing_Program.pdf.
- 19 CoreLogic, "CoreLogic Reports Negative Equity Decreases in First Quarter of 2012."
- 20 Zillow, "Despite Home Value Gains, Underwater Homeowners Owe \$1.2 Trillion More than Homes' Worth," Press Release, May 24, 2012, available at <http://zillow.mediaroom.com/index.php?s=159&item=278>.
- 21 Harvard Joint Center for Housing Studies, "The State of the Nation's Housing 2012: Demographic Drivers" (2012), http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2012_demographic_drivers.pdf.
- 22 John Griffith, "Tossing a Lifeline to Underwater Homeowners" (Washington: Center for American Progress, 2012), available at http://www.americanprogress.org/issues/2012/05/homeowners_lifeline.html.
- 23 Federal Housing Finance Agency, "Review of Options Available for Underwater Borrowers and Principal Forgiveness" (2012), available at http://www.fhfa.gov/webfiles/24108/PF_FHFApaper73112.pdf.
- 24 Laurie S. Goodman and others, "Negative Equity Trumps Unemployment in Predicting Defaults," The Journal of Fixed Income 19 (4) (2010): 67-72.

- 25 Mark E. Schweitzer and Scott A. Shane, "The Effect of Falling Home Prices on Small Business Borrowing," Federal Reserve Bank of Cleveland Economic Commentary, December 10, 2010, available at <http://www.clevelandfed.org/research/commentary/2010/2010-18.cfm>.
- 26 Michael F. Lovenheim, "The Effect of Liquid Housing Wealth on College Enrollment," *Journal of Labor Economics* 29 (4) (2011): 741-771.
- 27 Edward Wyatt, "Report Highlights a Rise in Reverse Mortgages," *The New York Times*, June 28, 2012, available at <http://www.nytimes.com/2012/06/28/business/economy/report-highlights-a-rise-in-reverse-mortgages.html>.
- 28 Brian T. Melzer, "Mortgage Debt Overhang: Reduced Investment by Homeowners with Negative Equity," Working paper (Kellogg School of Management, 2012), available at http://www.kellogg.northwestern.edu/faculty/melzer/Papers/CE_debt_overhang_082210.pdf.
- 29 Mike Konczal, "How Mortgage Debt is Holding Back the Recovery" (Washington: The Roosevelt Institute, 2012), available at <http://ourfinancialsecurity.org/blogs/wp-content/ourfinancialsecurity.org/uploads/2012/06/Mike-Konczal-How-Mortgage-Debt-is-Holding-Back-the-Recovery-PAPER.pdf>.
- 30 Massachusetts Institute of Technology, "How Foreclosures Hurt Everyone's Home Values," Press Release, July 20, 2010, available at <http://web.mit.edu/press/2010/housing-prices.html>.
- 31 Center for Responsible Lending, "Soaring Spillover: Accelerating Foreclosures to Cost Neighbors \$502 Billion in 2009 Alone; 69.5 Million Homes Lose \$7,200 on Average" (2009), available at <http://www.responsiblelending.org/mortgage-lending/research-analysis/soaring-spillover-3-09.pdf>.
- 32 Harvard Joint Center for Housing Studies, "The State of the Nation's Housing 2012: Key Facts" (2012), available at http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son_2012_key_facts.pdf.
- 33 Center for Responsible Lending, "Foreclosure Damage Index" (2011), available at <http://www.responsiblelending.org/mortgage-lending/tools-resources/foreclosure-damage-index.html>.
- 34 Associated Press, "Pools Become Mosquito Havens in Foreclosure," *MSNBC*, April 22, 2009, available at http://www.msnbc.msn.com/id/30344932/ns/technology_and_science-science/t/pools-become-mosquito-havens-foreclosure/.
- 35 Bill McBride, "Fannie, Freddie, FHA REO declined 18% Year-over-year," *Calculated Risk*, August 8 2012, available at <http://www.calculatedriskblog.com/2012/08/fannie-freddie-fha-reo-declined-18-year.html>.
- 36 Harvard Joint Center for Housing Studies, "The State of the Nation's Housing 2012: Housing Challenges" (2012), available at http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2012_housing_challenges.pdf.
- 37 Harvard Joint Center for Housing Studies, "The State of the Nation's Housing 2012: Appendix Tables" (2012), available at http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2012_appendix_tables.pdf.
- 38 Harvard Joint Center for Housing Studies, "The State of the Nation's Housing 2012: Key Facts."
- 39 Barbara Sard and Will Fischer, "Renter's Tax Credit Would Promote Equity and Advance Balanced Housing Policy," (Washington: Center on Budget and Policy Priorities, 2012), available at <http://www.cbpp.org/files/7-13-12hous.pdf>.
- 40 Harvard Joint Center for Housing Studies, "The State of the Nation's Housing 2012: Rental Housing" (2012), available at http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2012_rental_housing.pdf.
- 41 National Council of State Housing Agencies, "FY 2012 Minibus Appropriations Bill Cuts HOME and CDBG, Increases FHA Loan Limit," National Council of State Housing Agencies Blog, November 15, 2011, available at <http://www.ncsha.org/blog/fy-2012-minibus-appropriations-bill-cuts-home-and-cdbg-increases-fha-loan-limit>.
- 42 Center on Budget and Policy Priorities, "Update on 2010 Funding for Housing Vouchers and Other HUD Programs" (2009), available at <http://www.cbpp.org/files/2010-housing-funding.pdf>; Center on Budget and Policy Priorities, "HUD Program Funding for FY 2012" (2011), available at <http://www.cbpp.org/files/11-18-11-IPmemoHUDaprops.pdf>.
- 43 Will Fischer, "House Bill's Deep Cuts in Public Housing Would Raise Future Federal Costs and Harm Vulnerable Low-Income Families" (Washington: Center on Budget and Policy Priorities, 2011), available at <http://www.cbpp.org/cms/index.cfm?fa=view&id=3583>.
- 44 National Multi Housing Council, "Quick Facts: Resident Demographics" (2011), available at <http://www.nmhc.org/Content.cfm?ItemNumber=55508>.
- 45 Harvard Joint Center for Housing Studies, "The State of the Nation's Housing 2012: Housing Challenges."
- 46 Harvard Joint Center for Housing Studies, "The State of the Nation's Housing 2012: Key Facts."
- 47 Trulia, "Trulia Reveals Asking Prices Up For Sixth Straight Month, Boosted by Fewer Vacancies and Job Growth," Press Release, August 7, 2012, available at <http://info.trulia.com/trulia-price-and-rent-monitor-july-2012>
- 48 Harvard Joint Center for Housing Studies, "The State of the Nation's Housing 2011."
- 49 Harvard Joint Center for Housing Studies, "The State of the Nation's Housing 2011: Rental Housing" (2011), available at <http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/americasrentalhousing-2011.pdf>.
- 50 Harvard Joint Center for Housing Studies, "The State of the Nation's Housing 2012: Housing Challenges."
- 51 John Gittelsohn, "Homeownership Rate in U.S. Falls to Lowest Since 1997," *Bloomberg*, April 30, 2012, available at <http://www.bloomberg.com/news/2012-04-30/homeownership-rate-in-u-s-falls-to-lowest-since-1997.html>.
- 52 Pete Bakel, "Consumer Expectations on Housing Remain Upbeat Amid Cautious Economic and Financial Outlook," *Fannie Mae*, Press Release, August 7, 2012, available at <http://www.fanniemae.com/portal/about-us/media/corporate-news/2012/5800.html>.
- 53 Harvard Joint Center for Housing Studies, "The State of the Nation's Housing 2012: Appendix Tables" (2012), available at http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2012_appendix_tables.pdf.
- 54 Mortgage Bankers Association, "Quarterly Origination Estimates" (2012), available at <http://www.mbaa.org/Research-andForecasts/ForecastsandCommentary>.
- 55 Federal Housing Finance Agency, "Conservator's Report on the Enterprises' Financial Performance: First Quarter 2012" (2012), available at http://www.fhfa.gov/webfiles/24016/Conservator%27sReport1Q2012061512_FINAL.pdf.
- 56 Ibid.
- 57 Jon Prior, "Taxpayers may wait 15 years for GSE payback: Moody's," *Housing Wire*, May 30, 2012, available at <http://www.housingwire.com/news/taxpayers-may-wait-15-years-gse-payback-moodys>.
- 58 Carney, "Too Big Not to Fail"
- 59 Office of Management and Budget, *Fiscal Year 2013 Budget of the U.S. Government*, (Executive Office of the President, 2012), pp.1431-1432.

- 60 Dow Jones News Service, "Update: Fannie Mae Swings to 2nd-Quarter Profit on Credit-Loss Benefit," *The Wall Street Journal*, <http://online.wsj.com/article/BT-CO-20120808-711729.html>.
- 61 Richard K. Green, Testimony before the US Senate Banking Committee, *Housing Finance Reform: Should there be a Government Guarantee?*, September 13, 2011, available at http://banking.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=56068079-9c03-40d4-b36a-72913d3850b4.
- 62 Katalina M. Bianco, "The Subprime Lending Crisis: Causes and Effects of the Mortgage Meltdown" (Riverwoods, IL: CCH, 2008), available at http://business.cch.com/bankingfinance/focus/news/Subprime_WP_rev.pdf.
- 63 Rick Brooks and Ruth Simon, "Subprime Debacle Traps Even Very Credit-Worthy," *The Wall Street Journal*, December 3, 2007, available at <http://online.wsj.com/article/SB119662974358911035.html>.
- 64 Bocian and others, "Lost Ground, 2011: Disparities in Mortgage Lending and Foreclosures."
- 65 Harvard Joint Center for Housing Studies, "The State of the Nation's Housing 2012: Key Facts."
- 66 U.S. Department of Housing and Urban Development, *Annual Report to Congress Regarding the Financial Status of the FHA Mutual Mortgage Insurance Fund Fiscal Year 2010* (2010), available at http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_12561.pdf.
- 67 Center for Responsible Lending, "Lost Ground: CRL Research Shows Foreclosure Crisis Not Halfway Over," Press Release, November 17 2011, available at <http://www.responsiblelending.org/media-center/press-releases/archives/Lost-Ground-CRL-Research-Shows-Foreclosure-Crisis-Not-Halfway.html>.
- 68 Bocian and others, "Lost Ground, 2011: Disparities in Mortgage Lending and Foreclosures."
- 69 Harvard Joint Center for Housing Studies, "The State of the Nation's Housing 2012: Homeownership" (2012), available at http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2012_homeownership.pdf.
- 70 Ibid.
- 71 David Wessel, "Housing Passes a Milestone," *The Wall Street Journal*, July 11 2011, available at <http://online.wsj.com/article/SB10001424052702303644004577520414196790098.html>.