

The History of Home Mortgage Lending and Today's Current Market Tackling the housing crisis in Ohio

Monday, May 13th at 7:00 p.m. at the Wadsworth Nazarene Church

743 High Street, Wadsworth, Ohio 44281

Sponsored by the Ohio Christian Alliance

For more information phone 330-887-1922. A free event! Donations are welcome.



Educational Forum with Jack Boyle, a 35-year veteran of the home mortgage lending industry to discuss today's housing crisis.

A younger generation is beginning to ask the question, "Will I ever be able to buy a home?"

High mortgage rates, inflationary costs, and fewer available affordable homes on the market are just

some of the reasons why for many the American dream is slipping away. Two years ago, the average cost of a house in this country was \$215,000. Today, it's \$400,000 and the interest rates have gone from 3% to 7.5%. This is truly a battle between George Bailey's Building & Loan and today's Potter – the global investment firms that are buying up all the affordable housing and keeping it away from the everyday citizen, forcing many into high rent situations that the investment firms own and control. As RFK Jr. said in a recent interview, it's the difference between being a citizen or a subject. George Bailey's father told him in the movie *It's a Wonderful Life*, "It's deep in the human race to have a roof over your head, the desire to own your own home, a place to call your own."

In this educational forum, Jack will take us through the history of home mortgage lending, back to the turn of the 20th Century to the present, including the history of FHA, VA, Freddie Mac, and Fannie Mae. Jack will take us through the savings and loan era, subprime lending, and the housing crash of 2008 to today's market. Jack has a wealth of experience that he is willing to share with us. The housing crisis in Ohio is so acute that the Ohio legislature last year launched a select committee on housing. Builders and bankers, along with other interested parties, testified before the committee on the various problems that Ohio is facing with its housing crisis. The legislature has drafted legislation to deal with some of these problems, including reforming property taxes, penalizing corporate entities that are buying hundreds of homes, and legislation that incentivizes banks and builders to build and finance more affordable housing for Ohio residents and encouraging communities to open up zoning for single-family affordable housing. Join us for this informative evening.

Development of the US mortgage lending industry

Geographically diversified, non-standard - local banks, development of the building and loan/savings and loan industry (like It's A Wonderful Life) short term loans with balloon payments

1929 The Depression 1/3 of banks go under

1933 Federal Deposit Insurance

1934 The Federal Housing Administration FHA insured loans 3% downpayment + insurance

1938 Federal National Mortgage Association – Fannie Mae conventional loans 20% down

1944 GI Bill VA loans 0% down & no insurance

1968 Government National Mortgage Assn GNMA Ginnie Mae secondary market for FHA & VA loans

1970 Federal Home Loan Mortgage Corporation Freddie Mac secondary market for the Savings and Loan industry and conventional loans

Benefits: long term amortizing loans (no balloon), nationally standardized underwriting and property appraisal

Single family home ownership in 1934 was 44%, in 1972 63%

Sub prime lending and the 2008 financial crisis

1977 Community Reinvestment Act: Racial discrimination and "red lining"

1980's development of actively traded market for mortgage backed securities: GNMA, FNMA MBS, FHLMC PC

1990's development of private label mortgage backed securities for loans not eligible for the govt programs, invention & widespread use of credit scores

1990's creation of "subprime" mortgage backed private securities – loans that did not meet conventional standards: e.g. low credit score, low or no downpayment/equity, irregular or unverified income, non-conforming properties. These loans commanded higher interest rates and therefore gave higher yields to investors. The securities were rated below investment grade BBB or lower. Initially met a need for credit to underserved part of economy and gave extra yield to investors willing to take more risk.

1990's Clinton Administration establishes affordable housing goals for Fannie Mae and Freddie Mac – percentage of loan purchases made to "protected classes." Started at 3% in 1993, grew to 54% by 2006. Bipartisan program to buy votes with other peoples money.

By charter Fannie Mae and Freddie Mac can only buy standard conventional loans – not subprime – so filling affordable goals became more difficult as % rose. But they could buy AAA rated securities.

Investment house would "strip" subprime securities to create a AAA tranche which helped meet affordable goals.

Investment houses would "insure" the subprime securities with devices, i.e. credit default swap, collateralized debt obligations (CDO). These were very lucrative for the issuers.

Subprime lending, creation of AAA securities from subprime securities, and writing credit default swaps and CDO's became a frenzy until in fall of 2008 the sub prime market collapsed. An SEC mart to market rule established after the 2001 Enron crisis causes every financial institution chartered in the US to be technically insolvent.

"The Big Short" Michael Lewis, 2010.

Current Housing market 2024

Post 2008 crisis, weakest recovery in US history. New normal: 1% annual GDP growth

Fannie Mae and Freddie Mac put into government conservatorship. Still there and still have same affordable housing goals but as govt managed entities they have found ways to comply without disrupting their lending volume.

Financial PTSD: slow economy, below average new household creation, very soft new housing construction.

Inflation – simple concept: too many dollars chasing too few goods. Immediately after crisis dollar creation stayed in the financial system. So the stock market soared but the economy was awful until 2016.

Things picked up until covid then economy was shut down and another several trillion dollars were created. This time the money was put into the consumer economy and consumer inflation has soared.

Eventually that money found its way into the banking/investment system where there was no good place to invest it. Stocks overvalued, no new business, bonds worthless.

So investment funds were created to buy an available asset: single family homes. MetLife Investments predicts corporate ownership of SFH could reach 40% by 2030.

The mortgage investment

Funds have been most active in Texas, Georgia, and Florida but they will almost certainly come here as well. See the national map.

Clearly some states have very low percentage of corporate ownership; Ohio is in the middle.

Senator Lou Blessing has introduced SB 76 which would create a \$1500 per month tax on invertors who own more than 50 single, two family or three family units in a county. While the bill may not be perfect but its on the right track.

Call Senator Blessing 614-466-8086

Senate President Matt Huffman 614-466-7584

Speaker of the House Jason Stephens 614-466-1366

Tell them you're concerned about the housing crisis in Ohio and you are interested in SB 76

What to do? Own assets – or an asset just like the investment funds.

Buy a house!

Median price in Ohio in November, 2023 was 228,000. That means half the home sales were below \$228,000

www.hud.gov/topics/buying_a_home

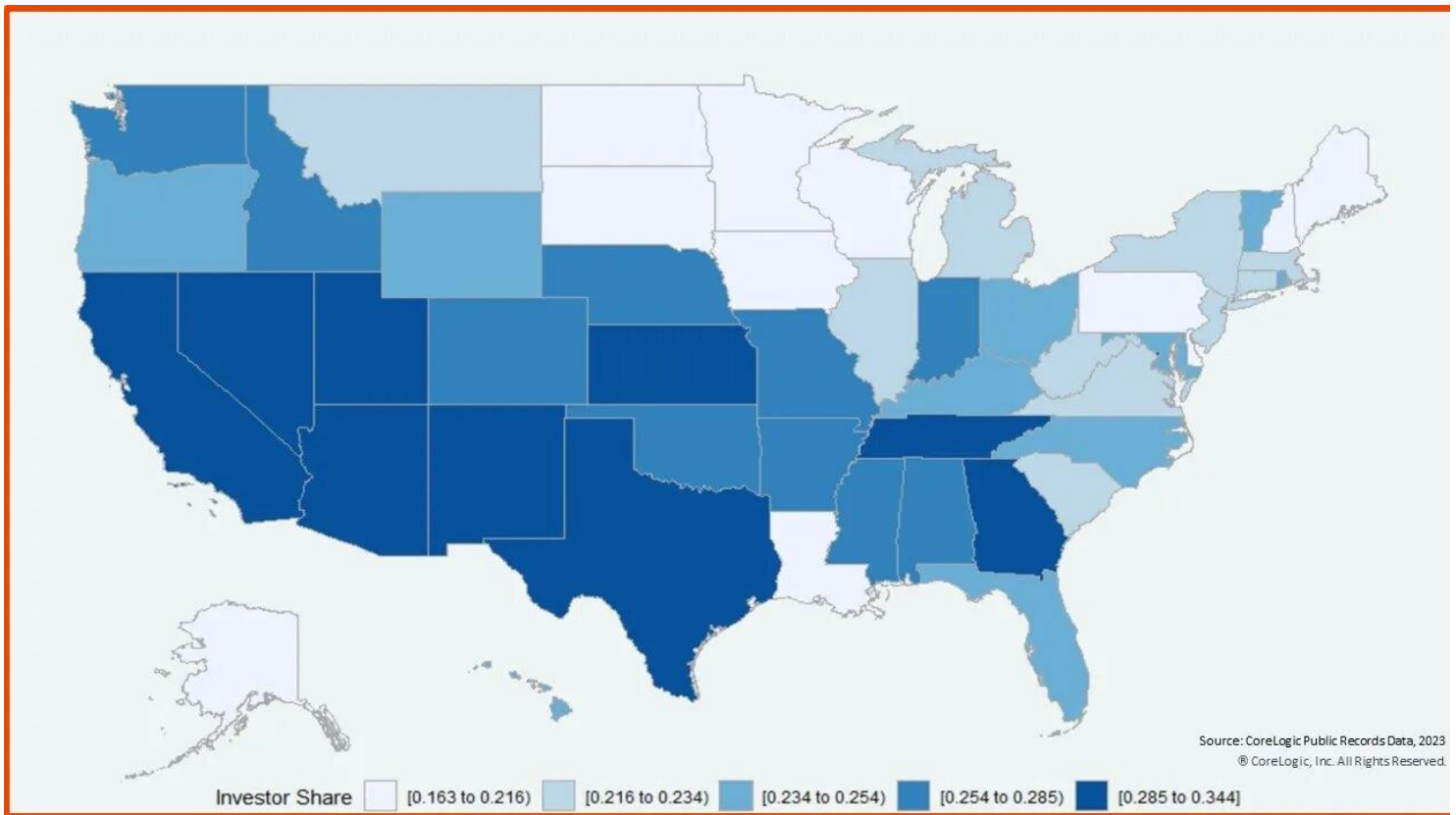
www.zillow.com/learn/what-is-mortgage-pre-qualification/

improve your credit score, lower your debts, save for a down payment, consider a co-signer, find a lender

www.nerdwallet.com/mortgage/

lots of info, mortgage prequalification calculator

what is the difference between pre-qualification and pre-approval?



Last year, 23% of single-family homes were purchased by major investment groups. They are turning them around and making them higher-priced rentals. Ohio S.B. 76 (Levy a tax on certain high-volume landlords), sponsored by Senator Blessing, would penalize these global investment groups for purchasing blocks of single-family homes in Ohio. Call your State Senator and urge them to support S.B. 76. <https://www.ohiosenate.gov/members/directory>

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There was a slight decrease in mortgage interest rates over the weekend, but It's still above 7%.