Housing Policy and Housing in the Trump Administration

Wisconsin Real Estate and Economic Outlook Conference

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Housing Program Terminations in the 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 in the FY 2017 Budget
Agreement with Congress - April 30, 2017
HUD Appropriations in the FY 2017 Budget
Administration Proposal - March 16, 2017

Change from FY 2016

-$6.2 Billion

- 13.2%
HUD Appropriations in the FY 2017 Budget
Agreement with Congress - April 30, 2017

Change from FY 2016
+ $400 million
+ 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%)
HUD Program Terminations
and Cuts in the FY 2018 Budget
Administration Proposals – May 30, 2017

- Program Eliminations in Urban Development:
  - Community Development Block Grants ($4.9 billion)
  - HOME Investment Partnerships ($950 million)

- Budget Cuts in Public Housing:
  - Public Housing Operating Fund ($600 million out of $4.5 billion)
  - Public Housing Capital Fund ($1.2 billion out of $1.8 billion)

- Combined, a $7.6 billion cut – over 60%
Actual HUD Appropriations
( Congressional continuing resolutions)

- Community Development Block Grants ($28 million cut – 0.9%)
- HOME Investment Partnerships ($6 million cut – 0.7%)
- Public Housing Operating Fund ($9 million cut – 0.2%)
- Public Housing Capital Fund ($1 million increase)

Total Funding Cuts: $42 million out of $12.150 billion
Program Eliminations:
- Community Development Block Grants ($4.9 billion)
- HOME Investment Partnerships ($950 million)
- Public Housing Capital Fund ($1.8 billion)

Program Cuts:
- Public Housing Operating Fund ($1.1 billion out of $4.5 billion)
House & Senate Committee Bills for 2019
June, 2018

House:
- Community Development Block Grants – same as this year
- Public Housing Capital Fund – same as this year
- Public Housing Operating Fund – same as this year
- HOME Investment Partnerships - $162 million reduction

Senate:
- Community Development Block Grants – same as this year
- Public Housing Capital Fund – $25 million increase
- Public Housing Operating Fund – $206 million increase
- Home Investment Partnerships – same as this year
How About Tax Policy?
Limiting the Mortgage Interest Deduction

- 1987: capped at interest on $1 million of debt
- 2017: capped at interest on $750,000 of debt

- Likely to be in play during future tax changes
  - Widely criticized – see your local newspaper (during 2017)
  - “It doesn’t really promote homeownership”
  - “Other countries don’t have it – particularly the United Kingdom, which is very much like us”
UK Homeownership after Phased Repeal (1974-1999) of the Mortgage Interest Deduction
“We’re Worse than France!”

French Homeownership Rate in 2016: 64.9%

UK Homeownership Rate
- 2007: 69.2% (61.3%*)
- 2016: 63.4% (56.2%*)

- * Excluding “Right to Buy” Council Housing
- (=selling public housing to the residents)
- 2.8 million sold since 1979
### Danish Tax Changes since 1987

- Reducing the mortgage interest deduction in stages
- Subsequent changes in homeownership rate by age:

<table>
<thead>
<tr>
<th>Age</th>
<th>1980s</th>
<th>1990s</th>
<th>2000s</th>
</tr>
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<tbody>
<tr>
<td>25</td>
<td>38%</td>
<td>28%</td>
<td>20%</td>
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<tr>
<td>30</td>
<td>57%</td>
<td>47%</td>
<td>40%</td>
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<tr>
<td>35</td>
<td>70%</td>
<td>60%</td>
<td>58%</td>
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Meanwhile, Here at Home…

The Great Recession and the Weak Recovery
(in 2016 dollars)

- The typical household’s income was
  - $55,000 in 2007
  - $51,000 in 2010
  - $48,000 in 2013 (down 12%)
  - $52,000 in 2016 (down 6% compared to 2007)
  - U.S. Census, Current Population Survey

- The typical household’s wealth was
  - $144,000 in 2007
  - $85,000 in 2010
  - $84,000 in 2013 (down 42%)
  - $96,000 in 2016 (down 33% compared to 2007)
  - Federal Reserve Board, Survey of Consumer Finances
The Great Confusion: Income vs. Wealth

- Income is what you earn (broadly speaking) over a period of time
- Our most important category of income: wages & salaries
  - No wealth counterpart
- Wealth is what you own – minus what you owe – at a point in time
- Many non-financial assets have no income counterpart
  - your car, for instance – and your home

- “Wealth is what you have in the stock market”
Why Does This Matter to Us?

- Home equity has been the largest component of household wealth in the U.S. for at least three decades.
  - Survey of Consumer Finances, 1983 through 2016
  - Triennial survey, conducted in the last half of the year

- Owner-occupied housing is the third most commonly held asset in the U.S. (64% of us) – after transaction accounts (98%) and cars (85%).

- And: wealth is much more unequally distributed than income in the U.S.
Wealth and Income by Age, 2007
Exceptions:
The Poor and the Rich

- The poorest 10% of families have negative net worth, and their most important asset is their car.

- The richest 10% of families are millionaires, and their most important assets are the businesses they own, and manage.

- The rich and the poor get most of the attention.
“The Families in the Middle”  
(45th to 55% Percentile of the Wealth Distribution)

- Nearly all have checking accounts
- Nearly all have cars
- Nearly all own a home

- Half have IRAs or 401(k)s
- Some own stock in some other way

- A few own their own small business
- A very few own rental or commercial real estate
# The Families in the Middle During and Since the Great Recession

<table>
<thead>
<tr>
<th>Year</th>
<th>45th to 55th Percentile</th>
<th>Median</th>
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<tbody>
<tr>
<td>1983</td>
<td>$64,000 to $101,000</td>
<td>$87,000</td>
</tr>
<tr>
<td>2007</td>
<td>$108,000 to $180,000</td>
<td>$144,000</td>
</tr>
<tr>
<td>2010</td>
<td>$63,000 to $115,000</td>
<td>$85,000</td>
</tr>
<tr>
<td>2013</td>
<td>$61,000 to $114,000</td>
<td>$84,000</td>
</tr>
<tr>
<td>2016</td>
<td>$72,000 to $127,000</td>
<td>$96,000</td>
</tr>
</tbody>
</table>
How Come?

- Remember that they nearly all owned their home.
- In 2007: their home equity was around $92,000
- In 2013: their home equity was around $52,000

Two-thirds of their loss of wealth from 2007 to 2013 was due to the drop in the value of their homes

- In 2016: their home equity was around $66,000

More than half of the decline in their wealth between 2007 and 2016 was due to the drop in the value of their homes

- But after all that, the equity in our homes is still our most important asset, and people still want to own their home.
In Conclusion:

- The economy is certainly improving.
- Both the stock market and the housing market have been recovering since 2016.

- But many of us took a big wealth hit.
- And making it harder for people to become homeowners isn’t likely to be helpful.