



HOME BUILDERS ASSOCIATION OF CONNECTICUT, INC.

3 Regency Drive, Suite 204, Bloomfield, CT 06002
Tel: 860-216-5858 Fax: 860-206-8954 Web: www.hbact.org

*Your Home
Is Our
Business*

Putting Housing Back to Work

It's hard not to notice the world of difference between the housing-led recoveries that consistently have pulled the economy out of recessions for decades and the economic recovery we are experiencing today. Anemic job creation, slow and vacillating economic growth, sagging consumer confidence -- it's painfully evident by now that something has gone wrong with a recovery that barely feels like a recovery at all. *So maybe it's encouraging, even if it's a bit late, that Federal Reserve Chairman Ben Bernanke and a growing number of other leaders in Washington are starting to make the connection between a languishing housing industry and a recovery that just can't work up a good head of steam.* But the truth of the matter is that little has been done to address the issues preventing housing from getting back on its feet. And, in fact, many of the proposals circulating in the halls of power these days are guaranteed to keep housing down even longer.

Americans value housing

It's frustrating that not enough thought has been given to housing lately, not only because it can provide the boost the economy so sorely needs, but also because Americans value it highly. ***In a recent national survey conducted on behalf of the National Association of Home Builders (NAHB) by leading political pollsters Lake Research Partners and Public Opinion Strategies, three-quarters of the 2,000 people likely to vote next year who responded were bullish about homeownership even considering market fluctuations, and 73 percent of those who do not currently own a home said owning is one of their goals.*** Among younger voters who are most likely to be shopping for housing in the next few years, homeownership was valued even more.

Lag of 2 millions household formations will lead to housing demand

NAHB economists estimate that the recession has created a lag of 2 million household formations as individuals doubled up with friends and family until conditions improved. Looking at the demographics, a record number of Americans moving into their 20s and 30s will need a place to live, starting out with rentals and then moving into homes they own. That's not even the whole picture -- leaving out aging baby boomers and immigrants -- but it suggests a powder keg of housing demand that can emerge quickly if government policies move in the right direction. **Building to that demand would provide just the lift the economy needs. Bureau of Economic Analysis data show that building 100 average single-family homes generates more than 300 jobs, \$23.1 million in wages and business income and \$8.9 million in taxes and revenue for local, state and federal government. And there's a tremendous ripple effect from there.**

So what have we seen from Washington so far...

Representing the Home Building, Remodeling and Land Development Industries In Connecticut
"Leading Our Members to Professional Excellence!"

- Under strict banking regulations, builders are still struggling to obtain financing to build new homes in markets that are just about back to normal.
- Prospective home buyers are running into lending standards that are tighter than they need to be, and those standards could become considerably more restrictive in the future.
- Multifamily lending faces similarly draconian restraints under current proposals from federal agencies.
- Members of Congress have introduced legislation to shut down Fannie Mae and Freddie Mac and end long-standing federal support for the housing finance system.
- The mortgage interest deduction has been put up on the chopping block, raising concern among prospective first-time buyers that it won't be there for them when they need it. (In the NAHB survey, 71% of voters oppose eliminating the deduction and 63% are against reducing it.)
- This fall, government loan limits in high-priced areas are set to drop, making millions of homes ineligible to be purchased and securitized by Fannie Mae and Freddie Mac or to be purchased with Federal Housing Administration financing, and putting more downward pressure on prices in areas that can least afford it.

We've seen the sorry consequences of neglecting or even turning against an industry that is responsible for a full 15% of the gross domestic product. Now it's time to vastly improve the results by putting housing back to work to deliver jobs and improve our economic prospects.