

An aerial photograph of a suburban neighborhood, showing a grid of streets, individual houses with varying roof colors (brown, grey, blue), and green lawns with trees. The image is slightly dimmed to make the white text stand out.

# Challenges and Policy Responses to the Affordable Single-Family Housing Supply Problem

#LiveAtUrban

# Housekeeping

- This is a hybrid event, and we are recording. We will share the recording after.
- You can submit questions online by using the [QR code](#) in the room or the [link](#) in the Zoom chat.
- Speaker bios are available on the event page on Urban.org.
- Please complete the survey at the end of the event.
- Email [events@urban.org](mailto:events@urban.org) if you need any assistance.
- Please use #LiveAtUrban on social media.

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# Challenges and Policy Responses to the Affordable Single-Family Housing Supply Problem

#LiveAtUrban



November 14, 2023

# Challenges and Policy Responses to the Affordable Single-Family Supply Problem

Urban Institute/NCST Homeownership Policy Symposium

Laurie Goodman  
Institute Fellow, Housing Finance Policy Center  
Urban Institute



**THE HOUSING FINANCE  
POLICY CENTER AT  
THE URBAN INSTITUTE**

*Celebrating Ten Years of  
Data and Innovation for  
a More Equitable Future*

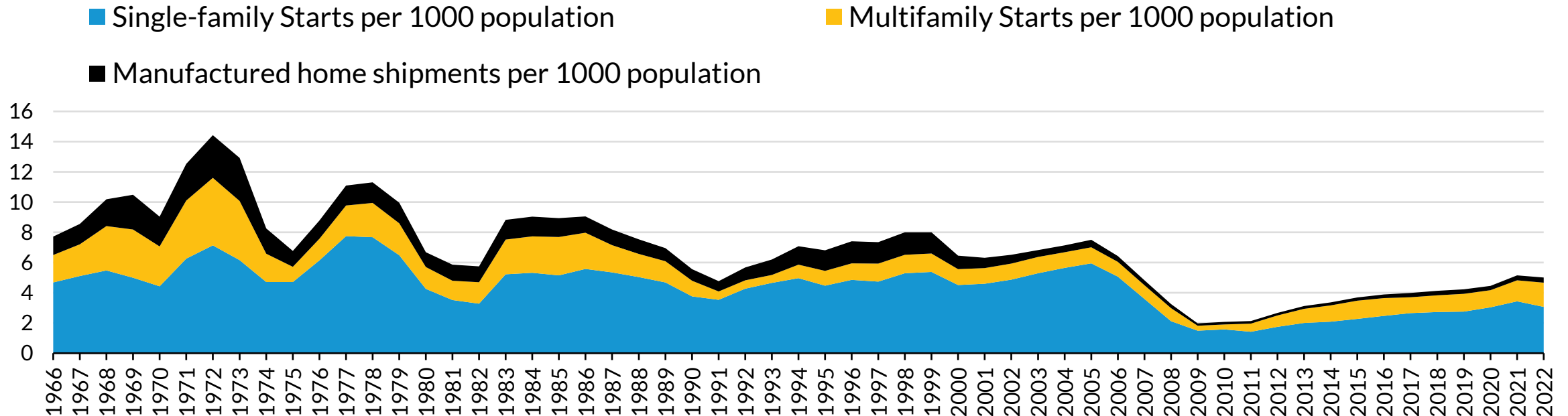
# Supply and Demand

- There have been several actions to help borrowers qualify for mortgages
  - Counting on-time rental payments
  - A rise in Special Purpose down payment programs
  - Increasing down payment assistance overall
- But supply is lacking... and most US housing supply is single-family
  - There are 97 million single-family units, 11 million units in 2-4 units structures, 27.5 million units in multifamily (5+) structures and 8.1 million units of manufactured housing.
  - Condos are considered multifamily, but the number of units is very small.

# We have a severe housing shortage

- Freddie Mac, 2021: Shortage of 3.8 million units
- Parrot and Zandi, 2021: Shortage of 1.7 million units
- NAR: 5.5 million fewer units built from 2001-2020 versus 3 prior decade per annum average

## Population Adjusted Housing Production



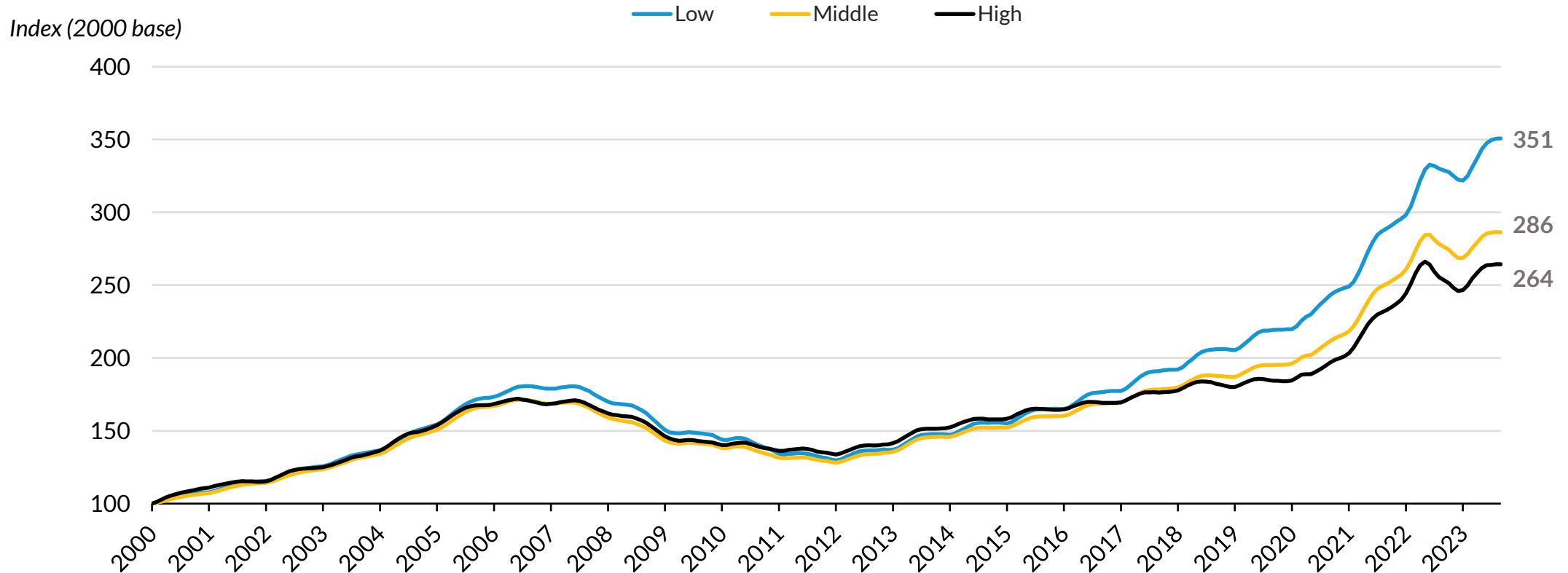
Source: US Census Bureau data and Urban Institute calculations.

Note: Single family = 1-4 units.

URBAN INSTITUTE

# This need to make up for a decade of underbuilding has contributed to robust house price increases, particularly at the lower end of the market 7

## National House Price Appreciation by Price Tier

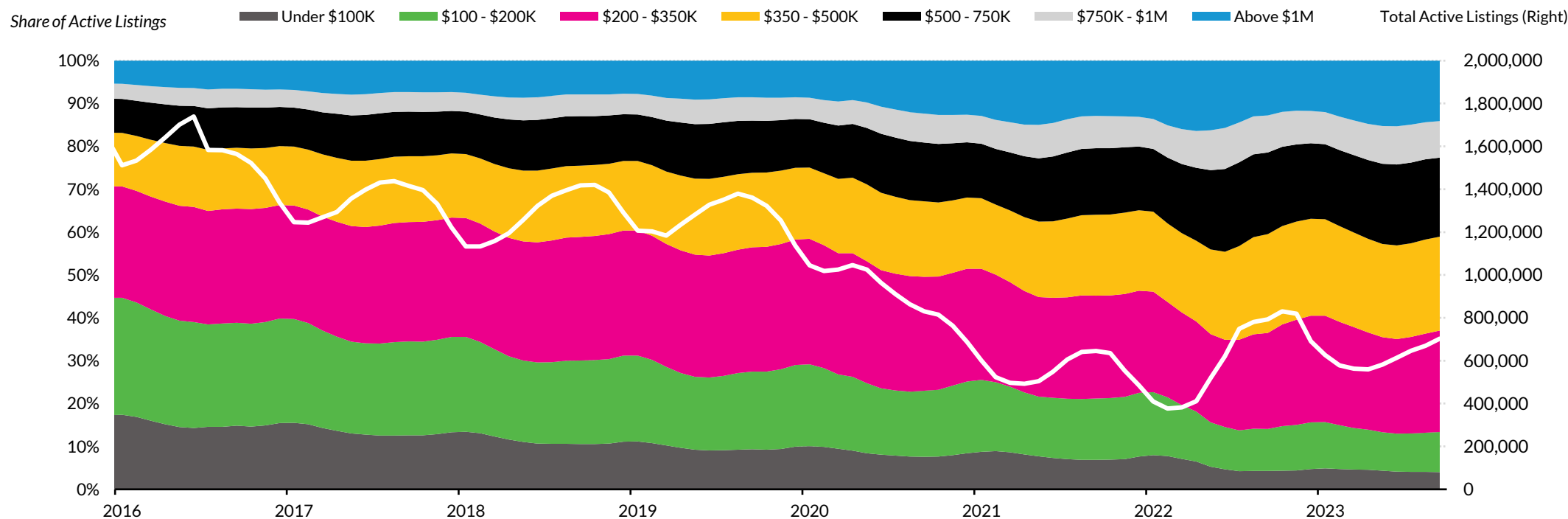


Source: Black Knight and Urban Institute Calculations. Data as of September 2023.

Note: Based off of prices by tier in 1/1/2000. Inflation from 2000 to 2023 was about 77% (Federal Reserve Bank of Minneapolis).

# High appreciation for the lowest price tier has greatly diminished available supply of affordable homes

## Active Listings by Price Tier Over Time



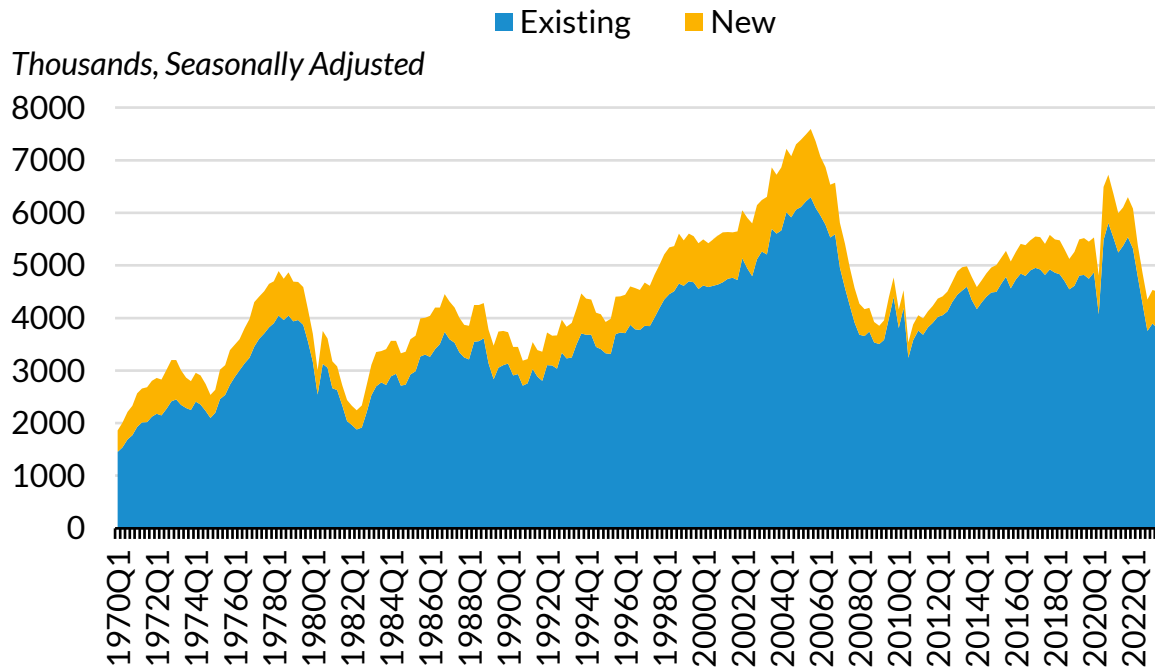
Sources: National Association of Realtors, US Census Bureau, Current Population Survey, American Community Survey, Moody's Analytics, Freddie Mac Primary Mortgage Market Survey, Realtor.com, and the Urban Institute.

Note: Mortgage affordability is the share of median family income devoted to the monthly principal, interest, taxes, and insurance payment required to buy the median home at the Freddie Mac prevailing rate for a 30-year fixed-rate mortgage and property tax and insurance at 1.75 percent of the housing value. Data for the bottom chart provided by Realtor.com as of September 2023.



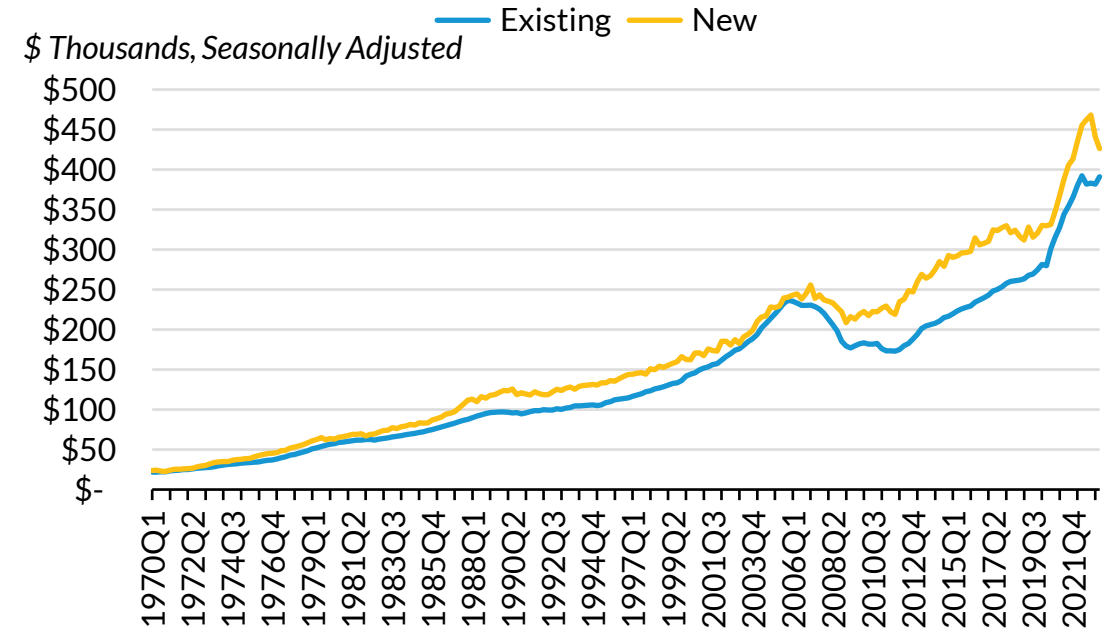
# New home sales don't help to close this gap

## New and Existing Single-Family Homes Sales



Source: US Census Bureau and Moody's Data Analytics.  
 Note: Data as of 2023 Q2.

## New and Existing Single-Family Homes, Median Sales Price

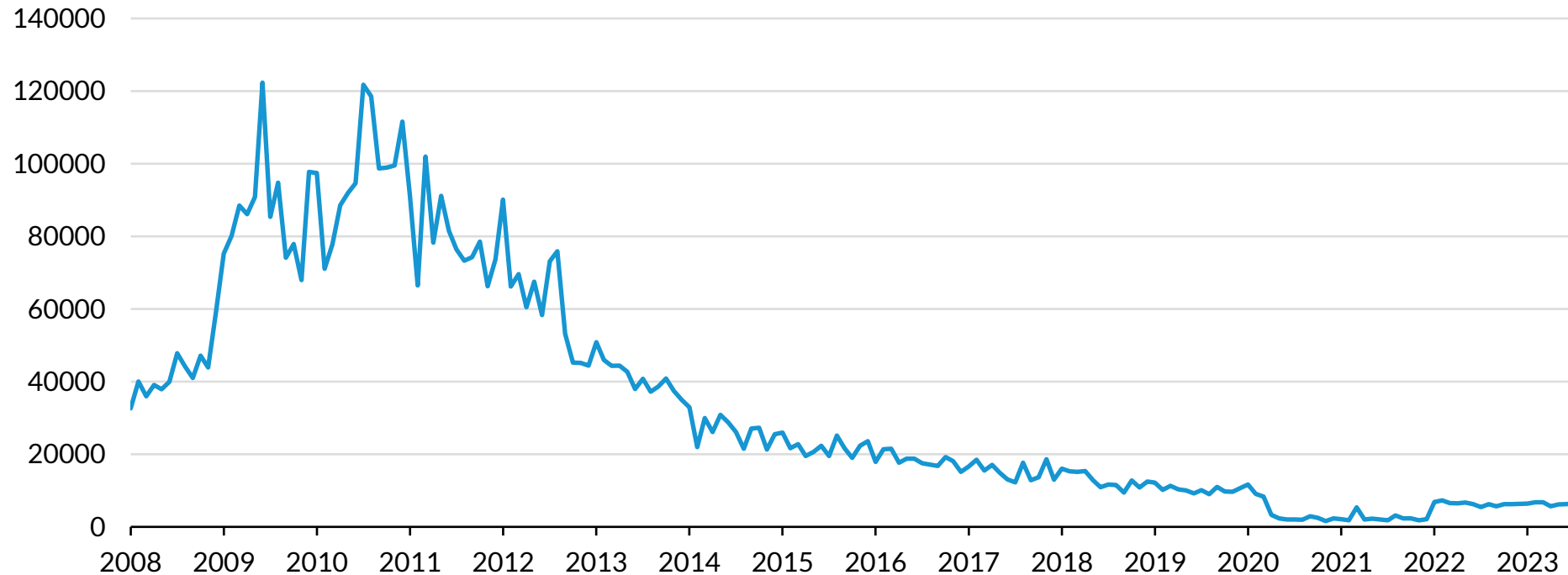


Source: US Census Bureau, National Association of Realtors and Moody's Data Analytics.  
 Note: Data as of 2023 Q2.

# Contributing to the lack of affordable supply, foreclosure starts are way down

## Foreclosure Starts

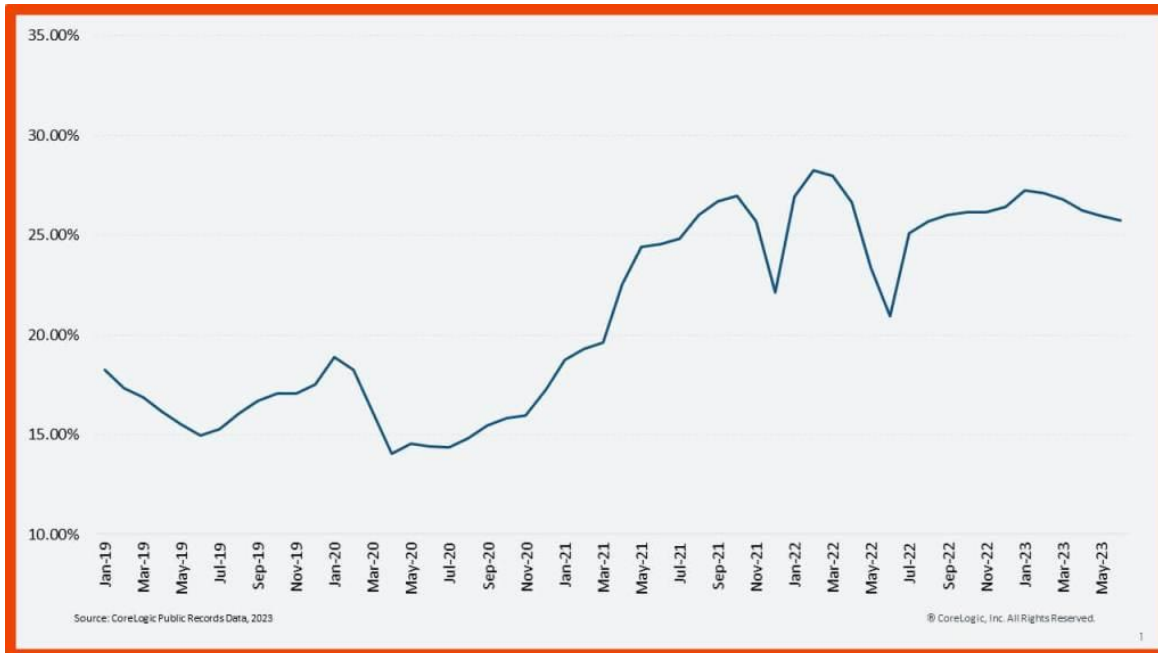
Number of loans



Source: US Federal Housing Finance Agency (FHFA). As of April 2023

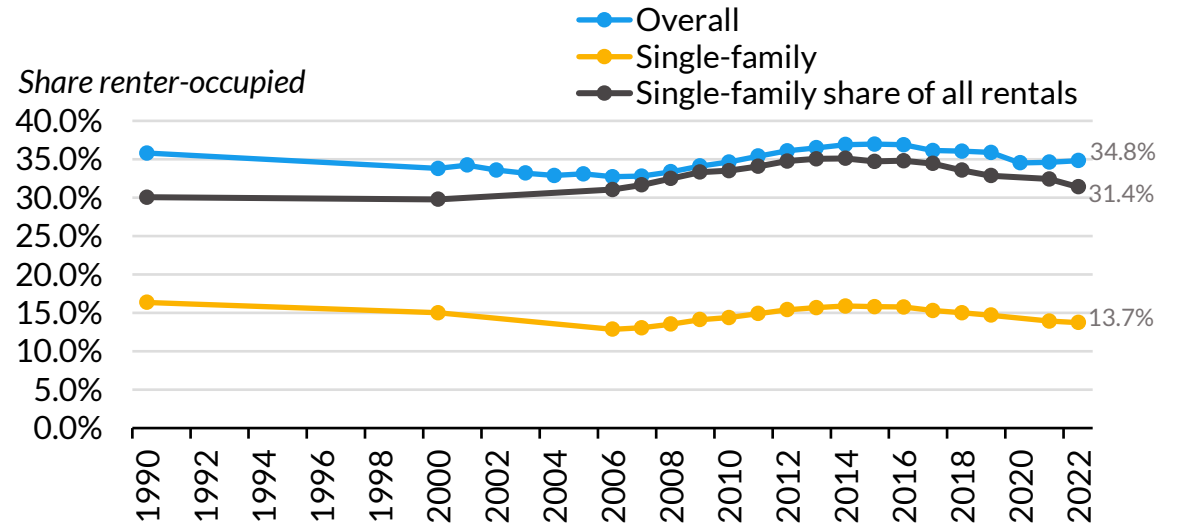
# Investors are not a significant contributor to the housing supply shortage

## Share of Home Purchases Made by Investors January 2019 – June 2023



Source: CoreLogic Public Records data, 2023.

## Renter-Occupied Share of Housing Units



Source: 1-year American Community Survey (2001-2022), Decennial Census (1990 & 2000) and Urban Institute Calculations.

Note: Poor data availability from the 2020 1-year ACS due to low response rate during the pandemic. Single-family tenure not available from 2001-2005 ACS.

# The US housing stock is aging

## US Housing Stock Distribution by Year Built, Single-Family Properties

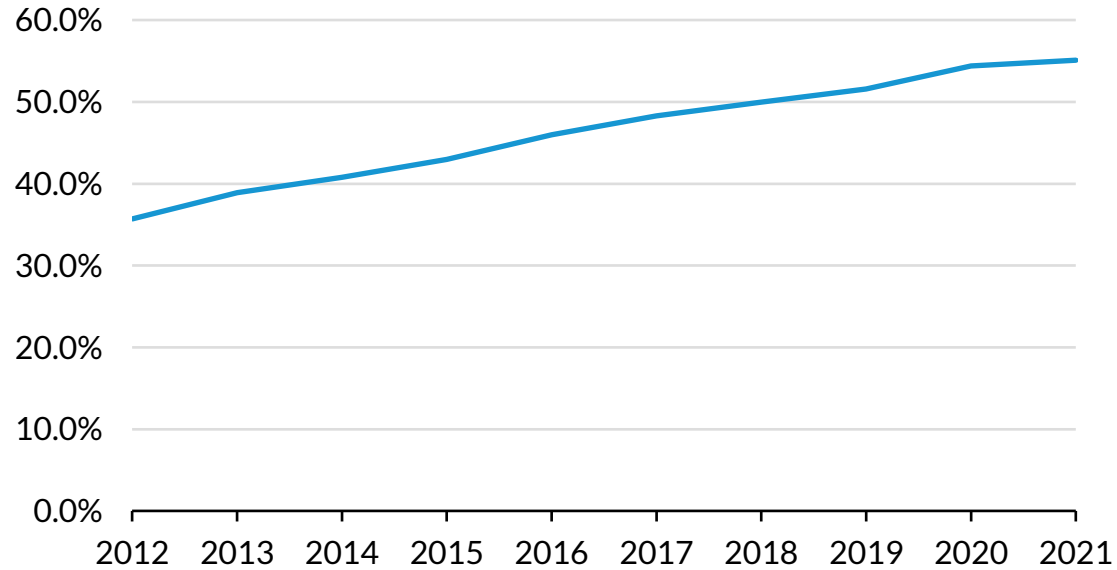
Decade Built	Number of Units (thousands)	Share of Supply
2010 or later	8,151	8%
2000 to 2009	13,569	14%
1980 to 1999	23,459	24%
1960 to 1979	23,581	24%
1940 to 1959	16,502	17%
1939 or earlier	12,311	13%
<b>Total</b>	<b>97,573</b>	<b>100%</b>

- Decreasing the obsolescence rate can make a big difference.
- If we reduce the obsolescence rate by 0.1%, that means 97,000 more units per year.

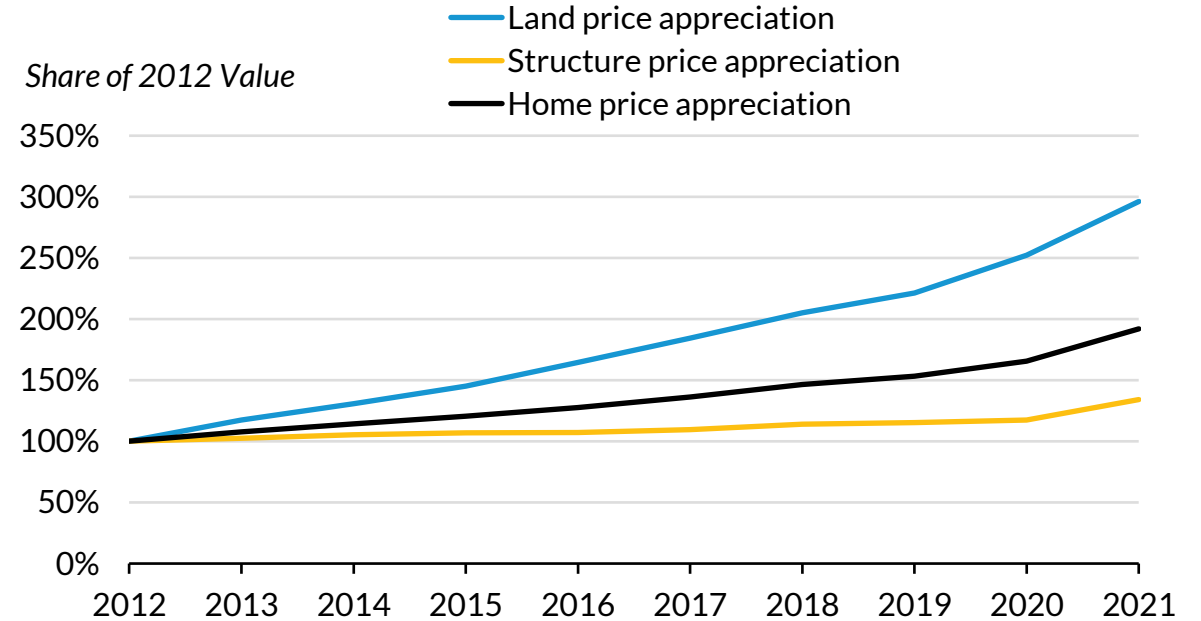
Source: 2021 American Community Survey

# Zoning is a major obstacle to increasing supply

## Land Share of Property Value



## Home, Land and Structure Appreciation



Source: American Enterprise Institute (AEI) and Urban Institute Calculations

# Regulatory costs are important

A. During Lot Development	Share with the Regulatory Cost	Regulation as a % of Lot Cost		Regulation as a % of House Price	
		Average When Present	Average Across All Lots	Average When Present	Average Across All Lots
Cost of applying for zoning approval	98.1%	6.7%	6.6%	1.7%	1.6%
Hard costs of compliance (fees, required studies, etc.)	100.0%	12.0%	12.0%	3.0%	3.0%
Land dedicated to the govt. or otherwise left unbuilt	94.0%	11.6%	11.0%	2.9%	2.8%
Standards (setbacks, etc.) that go beyond the ordinary	85.4%	10.4%	9.1%	2.6%	2.3%
Complying with OSHA/other labor requirements	58.3%	2.2%	1.8%	0.5%	0.5%
Pure cost of delay (if regulation imposed no other cost)	95.9%	1.5%	1.5%	0.4%	0.4%
All Regulation During Development	100.0%	41.9%	41.9%	10.5%	10.5%

B. During Construction of the Structure	Share with the Regulatory Cost	Regulation as a % of Lot Cost		Regulation as a % of House Price	
		Average When Present	Average Across All Lots	Average When Present	Average Across All Lots
Fees paid by the builder after purchasing the lot	91.1%	5.5%	5.0%	3.4%	3.1%
Changes to building codes over the past 10 years	90.2%	10.8%	9.9%	6.7%	6.1%
Architectural design standards beyond the ordinary	57.5%	7.7%	4.4%	4.8%	2.7%
Complying with OSHA/other labor requirements	63.8%	2.5%	1.8%	1.5%	1.1%
Pure cost of delay (if regulation imposed no other cost)	89.5%	0.4%	0.4%	0.3%	0.2%
All Regulation During Construction of the Structure	98.9%	21.7%	21.5%	13.5%	13.3%
Total Costs of Regulation					23.8%

Source: National Association of Home Builders.

# Alleviating the supply challenges will require all levels of government to do their part; there are some green shoots

- States and locality are realizing that zoning and building codes are impediments to increasing supply
  - ADUs—the California experience
  - Infill zoning
  - Permitting is being speeded up in many localities
- Federal Government is looking at Improving financing for Rehab and ADUs
  - FHA is looking at the 203K program, Freddie introduced Choice Renovation Express in late 2021.
  - FHA and Freddie are now counting some percentage of ADU income on mortgage applications which anticipate adding an ADU.

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# State of Distressed Mortgages

Molly Boesel

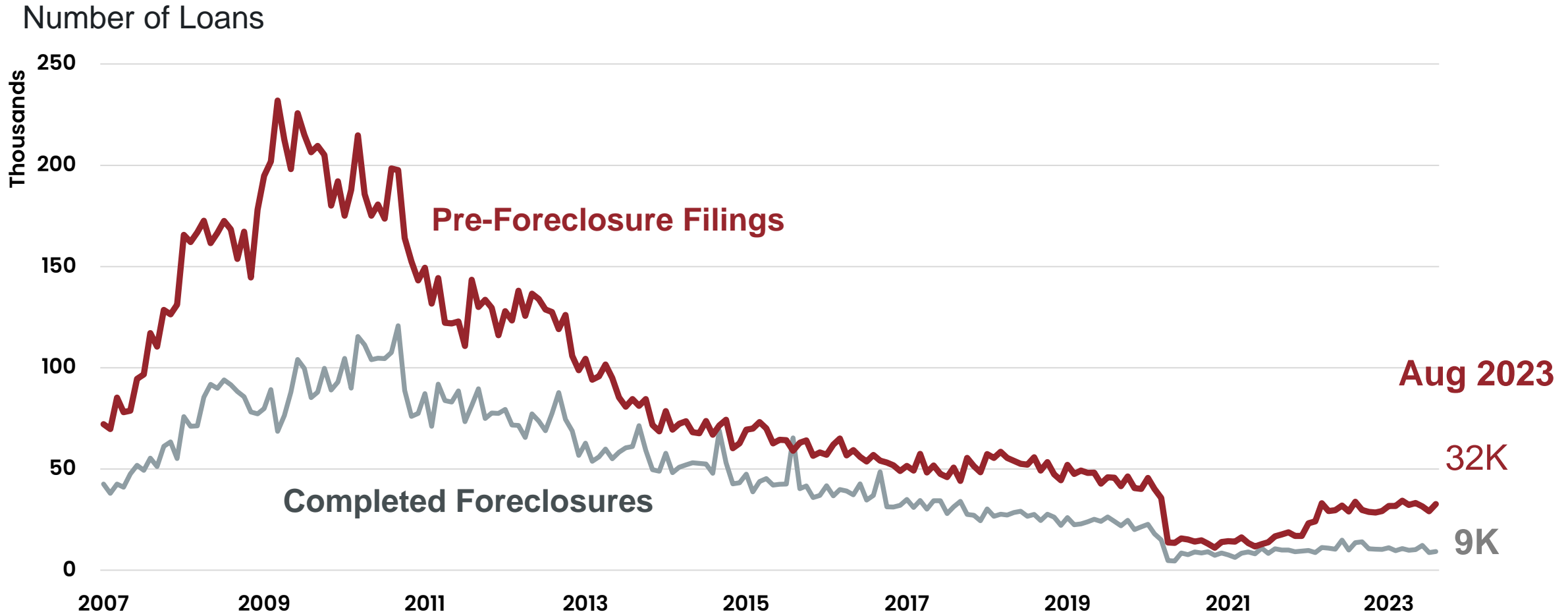
Principal Economist

November 14, 2023

CoreLogic

# Pre-Foreclosure Filings Slowly Climbing; 75% of 2019 Level

Completed foreclosures less than half 2019 level

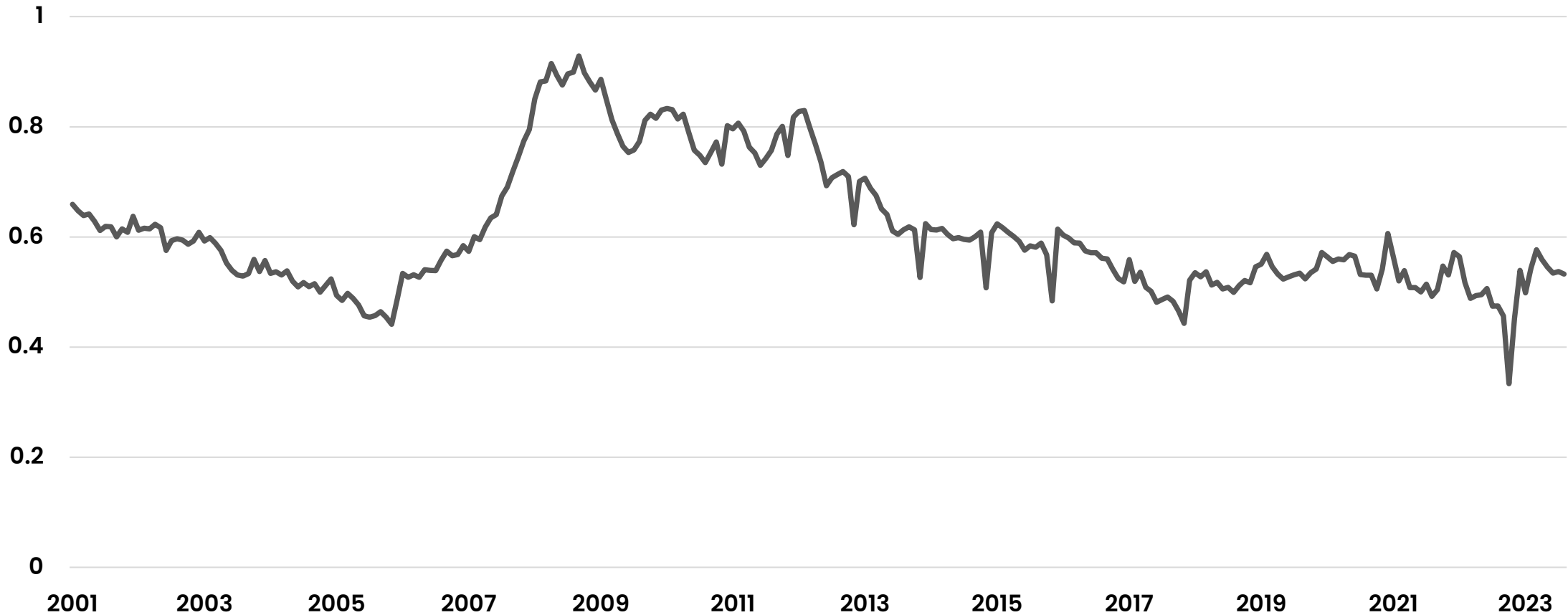


Source: CoreLogic Market Trends; The number of mortgages where the lender has initiated foreclosure proceedings, and it has been made known through public notice (NOD). Completed Foreclosures represents the number of properties sold at a public auction sale due to both mortgage and property-tax missed payments.

# Distressed Sales Price about 60% of Healthy Resale Price

When level of distress is high, gap narrows

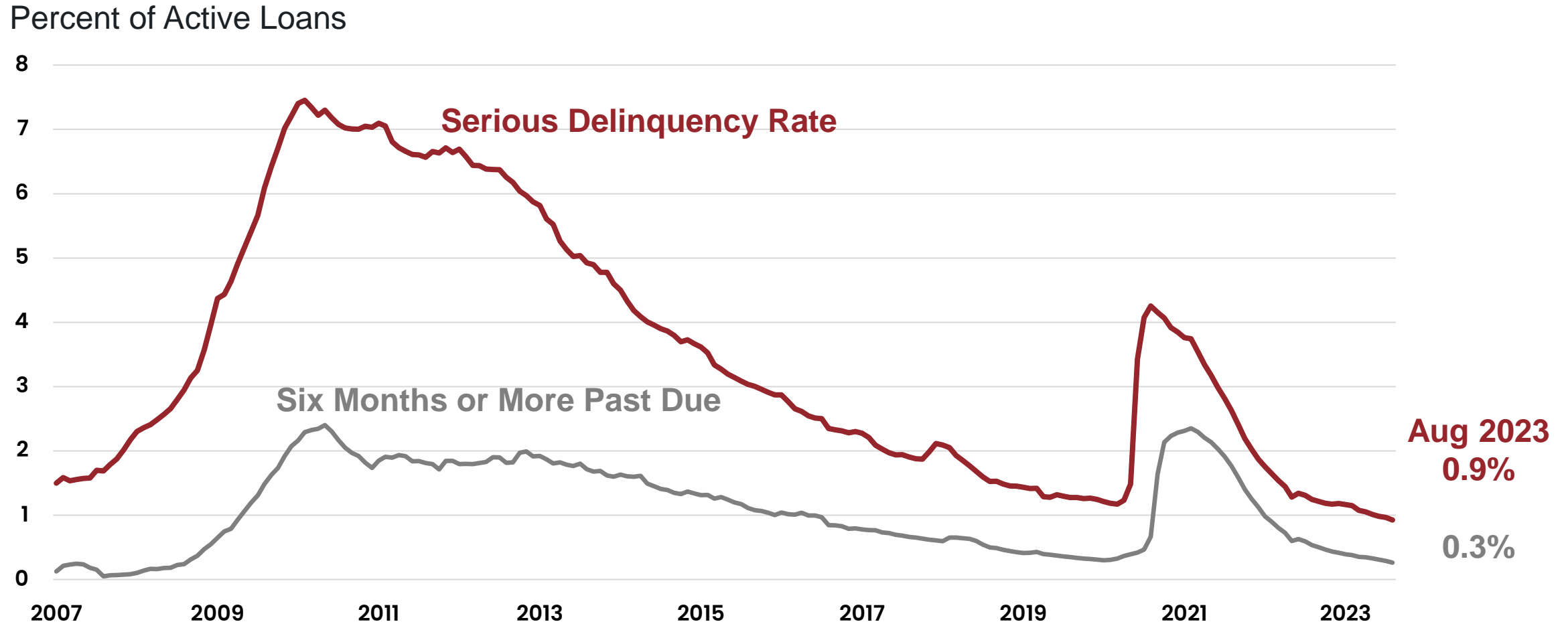
Ratio of Distressed Price to Resale Price



Source: CoreLogic Market Trends; Distressed price is weighted average of median short sale price and median REO sale price

# Serious Delinquencies Drop to Lowest Level Recorded

About 130,000 U.S. borrowers were six months or more past due in August 2023

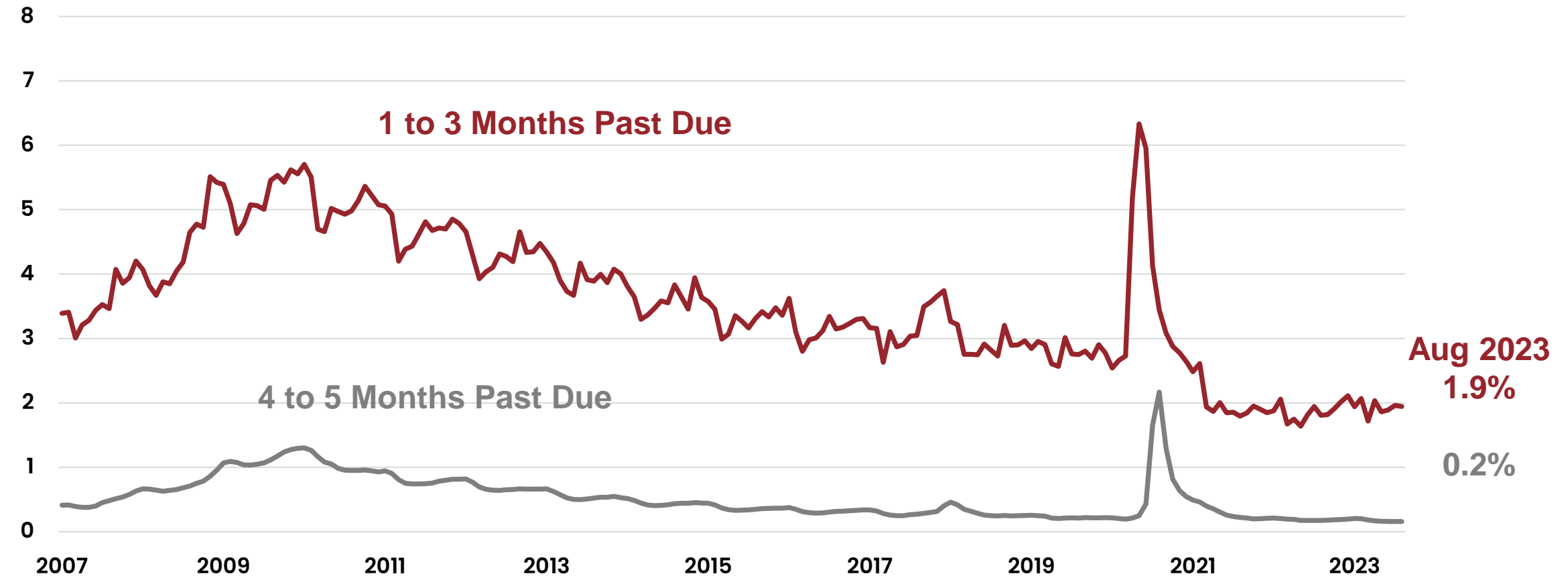


Source: CoreLogic TrueStandings Servicing; serious delinquency is at least 90 days delinquent or in foreclosure proceedings; 6 month or more past due does not include foreclosure

# Pipeline of Delinquencies Low At All Stages

Strong job growth helps borrowers pay on time

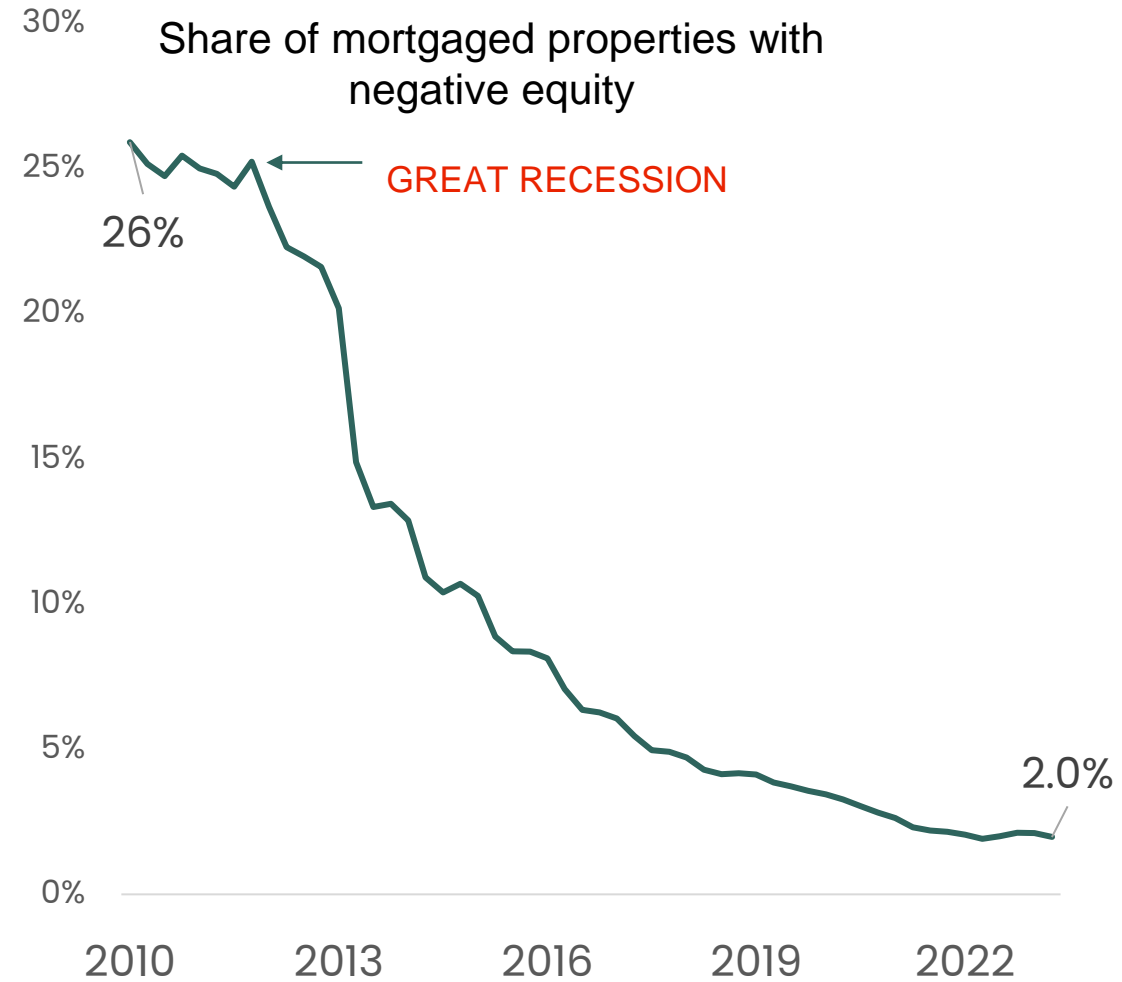
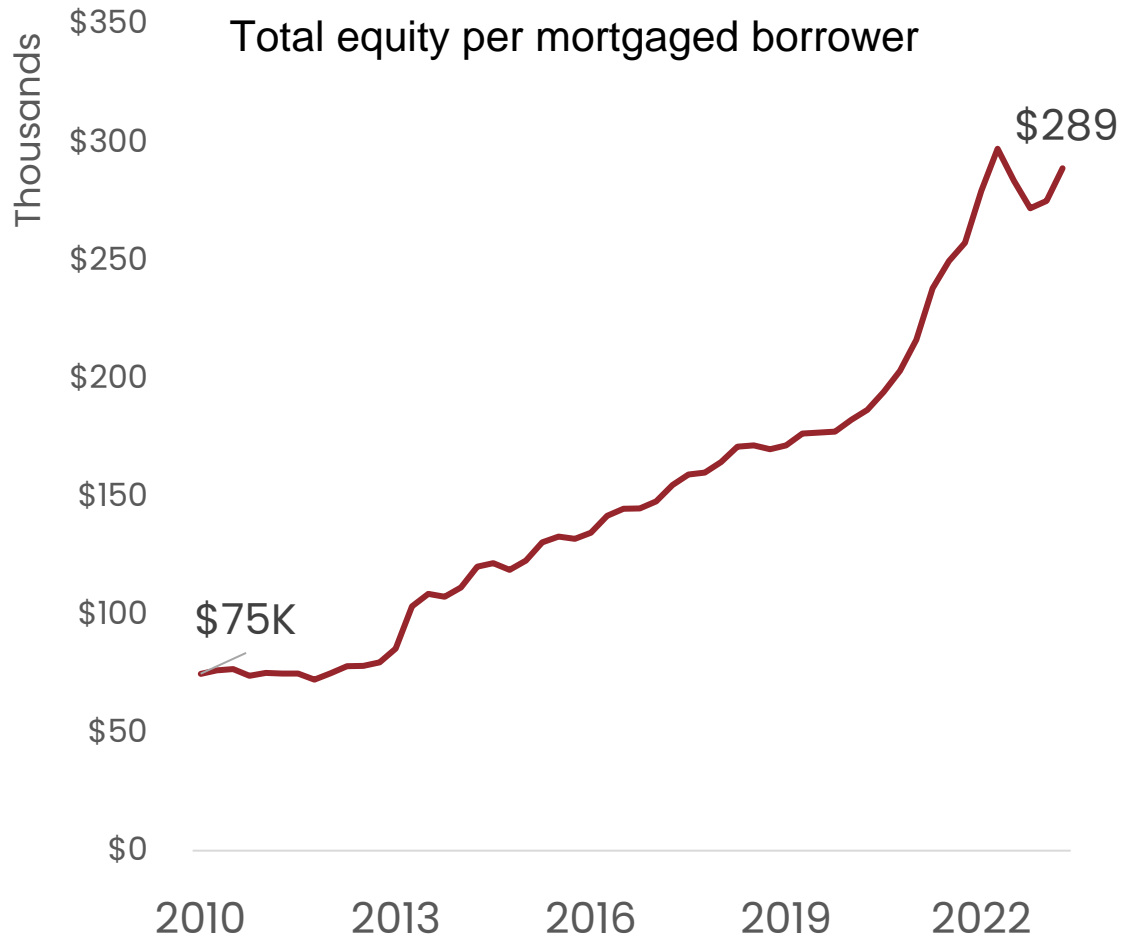
Percent of Active Loans



Source: CoreLogic TrueStandings Servicing; 30 to 119 days past due and 120 to 179 days past due

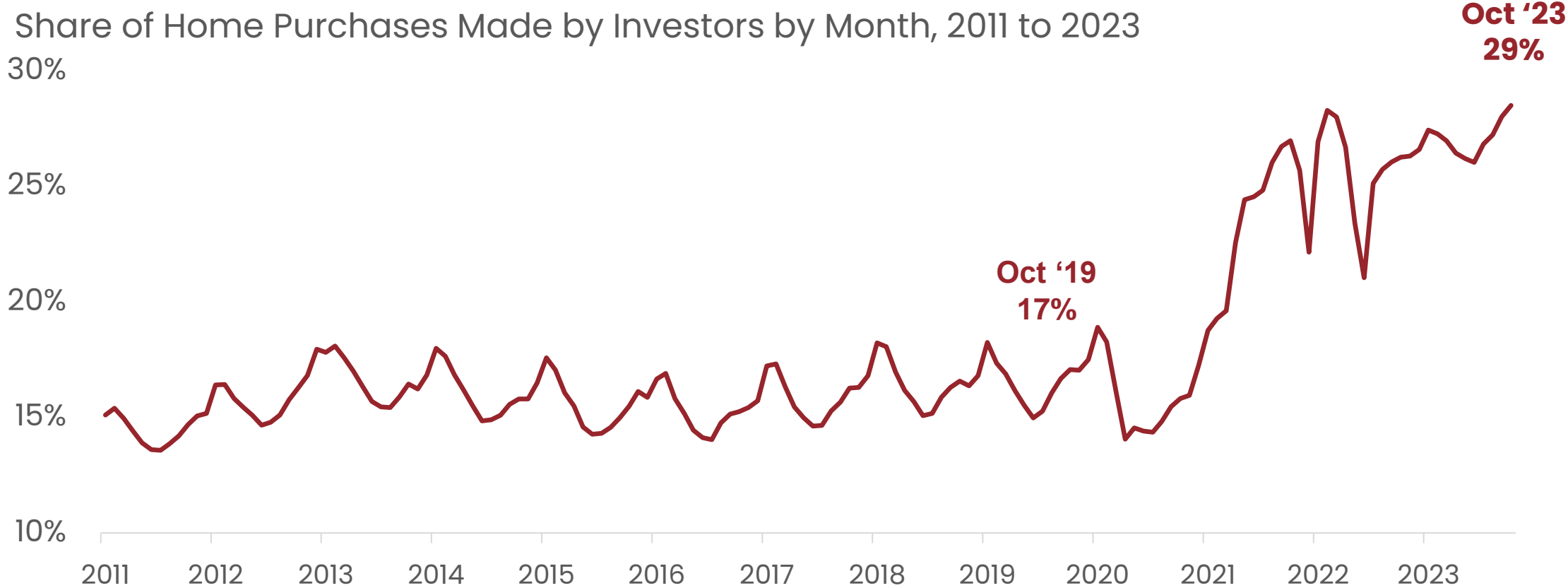
# And Home-Equity Offers Financial Buffer for Homeowners

Home prices would have to fall 40% to reach 2010 negative equity shares



# Investors Buying Nearly One Third of All Sales

Level Shift in 2021; Slight Dip When Interest Rates Jumped, But Climbing Again

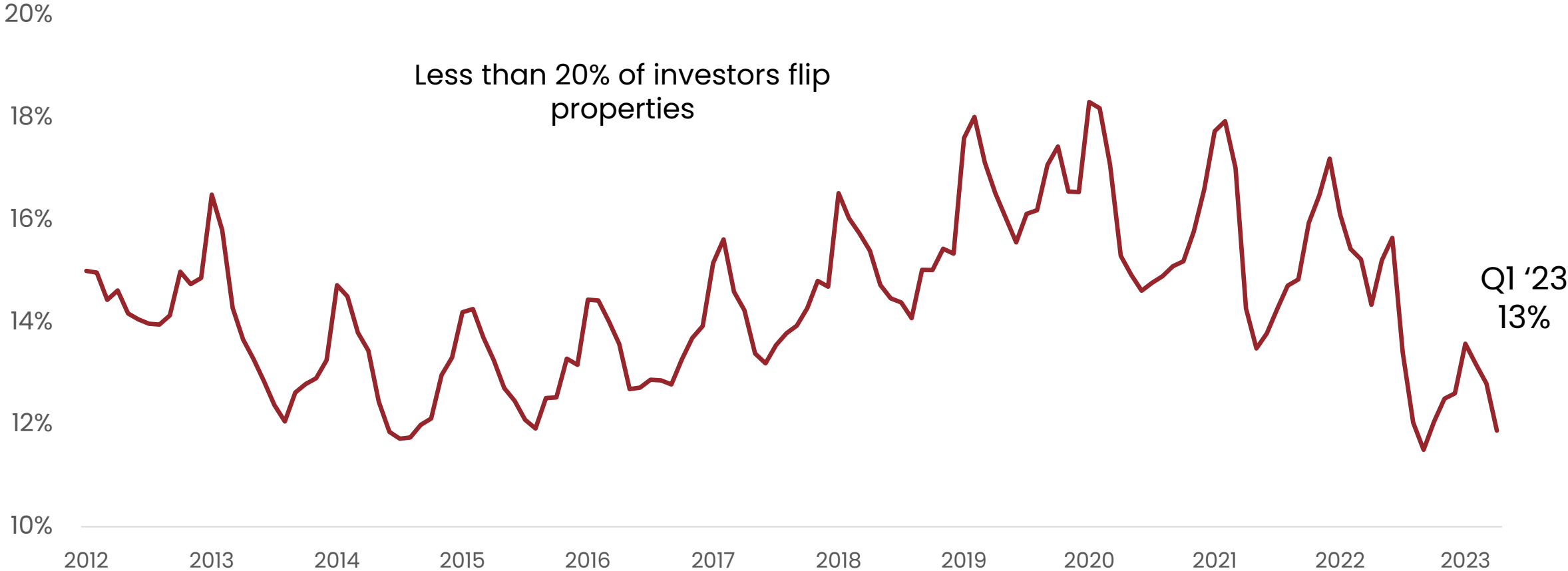


Source: Using CoreLogic's public records data, an investor is defined as an entity (individual or corporate) who retains three or more properties simultaneously within the past 10 years.

# Flipping Activity is Small, Most Investors are Landlords

Investors attracted to increasing rents

Share of Investor Purchases Resold Within Six Months, 2012 to April 2023



Source: CoreLogic public records. 'Flip' is calculated as an Investor that sells home within 6 months.



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# Meet Xome<sup>®</sup>

A smart company solving complex problems.

**At Xome, our purpose is simple: To Keep the Dream of Homeownership Alive.** Our entire team is focused on helping create a stable and healthy housing industry. And, making sure the process of buying/selling a home doesn't undermine the excitement of homeownership. That's why we battle every day against the mediocrity of the status quo to simplify the complex world of homeownership.

**We see ourselves as the experts who make doing business easier.** While others bring complexity and a lack of transparency, we offer simplicity and trust. **We believe when our clients win, we win.** And when our clients can spend less time dealing with industry complexities and more time focusing on their customers, everyone wins.

Xome has been certified five times as a **Great Place to Work**, and earlier this year, Xome was awarded as a **Tech100 Real Estate** company by *HousingWire* for the 3<sup>rd</sup> year in a row.

Wondering exactly how you pronounce Xome? Simple.



Like home if it started with a z.

# Keeping the Dream of Homeownership Alive



Xome has partnered with the National Community Stabilization Trust (NCST) to maximize exposure to approved nonprofits and expand access to affordable housing in the U.S. We're working together towards the Biden administration's goal to create, preserve, and sell 100,000 properties to owner occupants, government entities, and nonprofits by September 2024.



A purpose-based organization focused on keeping the dream of homeownership alive supported by sustainable and affordable housing initiatives.

*By the numbers<sup>1</sup>*

**115K+**

Homes sold since 2013

**830K+**

Qualified Buyers on Xome Platform

**\$19B+**

In total gross sales

**1.5M+**

Monthly unique visitors to xome.com

**25K+**

Exchange Properties Under Management

**5K+**

New accounts created monthly

**Majority of the Top Servicers**

Rely on Xome

**60%+**

Of closed files from first time users



A national non-profit that supports families and communities by restoring distressed single-family homes and increasing sustainable, affordable homeownership.

*By the numbers<sup>2</sup>*

**28,000+**

Property transfers across the country since 2008

**3,400+**

Properties made available since partnering with Xome

**200+**

Mission-based buyers currently partner with NCST

**190+**

Organizations that have received CWCOT inventory since the program started in August 2022

**80%+**

properties rehabbed and sold to an owner occupant

**REOMatch™**

Proprietary Platform

# Affordable Housing Supported Solutions

*Xome offers a full spectrum of real estate solutions to support affordable housing initiatives.*

## Xpert Seller

Providing homeowners with access to Xome's retail and auction marketplace to maximize sale price within an accelerated timeframe while avoiding foreclosure.

## Foreclosure Auction

When a homeowner can no longer sustain their mortgage and has exhausted pre-foreclosure options like Xpert Seller, Xome provides servicers foreclosure trustee auction sales and marketing services in all 50 states and U.S. territories.

## First Look

Eligible properties are reserved for and marketed to homeowners/owner occupants, approved nonprofits, and other mission-based entities for the first 30 days giving these buyer types a first look.

## Real Estate Owned (REO)

Properties then available for sale to all buyer types for a minimum of 60 days after 30-day exclusive First Look period expires (if applicable).

# Exclusive First Look Access

*For owner occupants, government entities, and HUD-approved nonprofits expanded to include eligible CWCOT assets as part of HUD ML 2022-08.*

---

## Day 0–30

### First Look Offer Period

Eligible bidders enjoy an exclusive 30-day First Look period for all First Look programs.

During this period, offers from eligible buyers are promptly conveyed to the seller. The seller then has the option to either accept or reject these offers.

If the seller accepts the offer, the property proceeds to be placed under contract. If the offer is rejected, the bidding continues.

## Day 31

### Auction Period Begins

Property continues marketing and is placed in auction events on Xome.com for all buyer types.



# Bridging the Gap of Homeownership

## 100K

### White House Priority

The goal to create, preserve, and sell 100,000 properties to owner occupants, government entities, and nonprofits by September 2024.

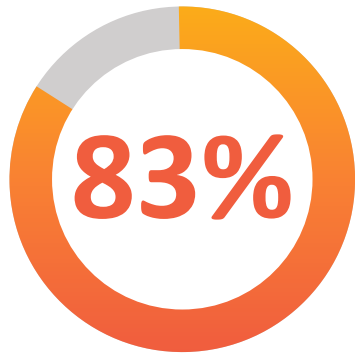
### CWCOT First Look Program Success\*

## 100+

Homes Sold

## 62%

Vacant Properties



Owner Occupants



**SOLD \$186,000**

**Owner Occupant**  
151 Upton Rd  
Harrison, ME  
*Vacant*



**SOLD \$126,500**

**Government Entity**  
2706 Purdy Ct  
Laredo, TX  
*Vacant*



**SOLD \$180,000**

**Owner Occupant**  
336 County Route 4  
Central Square, NY  
*Vacant*



**SOLD \$144,200**

**Government Entity**  
2620 Rose Ave  
Groves, TX  
*Vacant*



**SOLD \$126,198**

**Owner Occupant**  
206 County Highway  
344 Hayti, MO  
*Occupied*



**SOLD \$180,000**

**HUD Approved Nonprofit**  
5626 Winding Creek  
Way Houston, TX  
*Occupied*

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# Challenges and Policy Responses to the Affordable Single-Family Housing Supply Problem

#LiveAtUrban

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT



# Office of Housing



## FHA Loan Sales & Mission Objectives



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## FHA LOAN SALES & MISSION OBJECTIVES

- Goals and Objectives
  - Provide a brief history of the loan sale program
    - Demonstrate how the loan sale program has evolved to address HUD's mission objectives
      - 601 Accelerated Claims Disposition (ACD)
      - Single Family Loan Sales
        - Distressed Asset Stabilization Program (DASP)
      - HUD Vacant Loan Sales (HVLS)

## 601 ACCELERATED CLAIMS DISPOSITION (ACD) LEGISLATION

- 1998: The loan sale program was established under the 601 Accelerated Claims Disposition (ACD) legislation.
  - Legislation allowed HUD to pay an FHA insurance claim on defaulted single family mortgage loans rather than convey the properties and transfer the assigned mortgages to a joint venture for servicing, restructuring, foreclosure, and other disposition.
  
- 2002 -2005: Four 601 ACD sale transactions.
  
- 2006 – 2009: program paused to explore strategies to increase the recovery value of single-family assets to the MMI fund.



## SINGLE FAMILY LOAN SALES (SFLS)

- **2009:** as part of the Mortgage Acquisition and Disposition Initiative, the single-family loan sale program was modified to acquire the defaulted mortgages before it becomes Real Estate Owned (REO).
  - **2010:** Under this modification the first Single Family Loan Sale (SFLS) held with the Pilot offering in a series of sales with an approximate portfolio size from 300 to 500 loans.
  
- **2012:** With the foreclosure crisis that resulted from the 2008 housing downturn, the sales were expanded and rebranded as **DASP – Distressed Asset Stabilization Program**. The goals of DASP:
  - Maximize recoveries to the Mutual Mortgage Insurance (MMI) Fund;
  - Avoid costly and potentially lengthy foreclosures;
  - Whenever possible, provide borrowers with an opportunity to remain in their homes, and
  - Help stabilize neighborhoods.
  
- Servicers were required to exhaust all of FHA’s standard loss mitigation options prior to submission of a claim and assign the defaulted mortgage to FHA

## DISTRESSED ASSET STABILIZATION PROGRAM (DASP)

### Loans were pooled in National and Neighborhood Stabilization Outcome (NSO) pools.

- National Pools
  - geographically dispersed,
  - foreclosure moratorium periods, and
  - Home Affordable Modification Program (HAMP) or Proprietary Modification evaluation.
- 2013: (NSO) Pools
  - Geographically targeted,
  - Foreclosure moratorium periods,
  - HAMP evaluation requirements or Proprietary Modification evaluation, and
  - Neighborhood stabilizing outcome requirements.



## DASP IMPACT

- ❑ The DASP provided an alternative to nearly assured foreclosure by offering homeowners a second chance to keep their home.
  - 2012 - 2016: about 108,700 distressed loans with an aggregate unpaid principal balance of \$18.4 billion were sold in 179 pools.
- ❑ Based on Purchasers' Post-Sale Reporting data DASP sales achieved:
  - Approximately 40% of the loans avoided foreclosure;
  - Re-Performance rate was 13%.
  - Approximately 19% of the loans in the portfolio were reported as modified by the Purchasers.
    - Forgiveness of Principal was reported on approximately 41% of the modified loans, and 71% featured an interest rate reduction.
    - Payment decrease: Approximately 31% of the modified loans had a payment decrease of 40% or more, and 66% of the modified loans had a payment decrease of 20% or more



## HUD VACANT LOAN SALES (HVLS)

- ❑ Sale of Home Equity Conversion Mortgage (HECM) loans
- ❑ 2017: Initiated to address the increasing inventory of assigned vacant Home Equity Conversion Mortgage (HECM) loans that secured vacant or abandoned real property.
- Characteristics of due and payable HECM loans offered for sale in HVLS:
  - Borrower/Co-borrower and any Eligible Non-Borrowing Spouse are Deceased
  - Property is Vacant or Abandoned
  - Heirs of Borrower(s) have not paid off debt
- ❑ Characteristics
  - On average, the underlying properties were about 58 years old at the time of note sale settlement, and on average, the size of the underlying properties was approximately 1,500 square feet.
  - 50% of the HVLS loans sold had the underlying collateral located in minority neighborhoods (as defined by the Census tract data).



## HUD VACANT LOAN SALES (HVLS)

- Since 2017, HUD has held nine HVLS sales with the sale structure evolving over time
  - Pooling
    - HVLS 2017-1 to 2020-1: Loans were offered in regional pools and bids were evaluated at the pool level.
    - HVLS 2022-1 to present: Loans are offered in one national pool and bids are evaluated on an individual loan basis.
      - Minimum awards for For-Profits is 20 loans and 5 loans for Nonprofits/government entities
- Priority Awards
  - Beginning in HVLS 2019-1, HUD offered priority bidding opportunities for nonprofits and governmental agencies
  - Began with priority award of 10-25 loans in the regional pools
    - Increased to 10% in HVLS 2019-2
    - In HVLS 2022-1, HUD increased this percentage to up to 50%

Sale	Total Non Profit Winners	Joint-Ventures
HVLS 2017-1	0	0
HVLS 2017-2	1	0
HVLS 2018-1	0	0
HVLS 2019-1	2	1
HVLS 2019-2	2	1
HVLS 2020-1	3	3
HVLS 2022-1	11	7
HVLS 2022-2, Part 1	7	7
HVLS 2022-2, Part 2	9	8
HVLS 2023-1	10	0

# HUD VACANT LOAN SALES (HVLS)

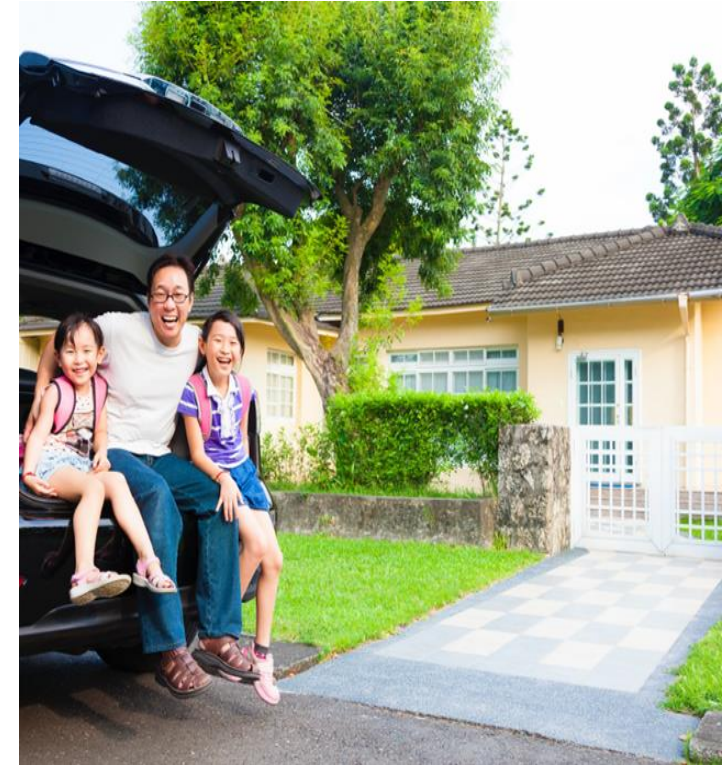
## Resolution under HVLS

- HUD encourages all Purchasers to utilize loans purchased in HVLS transactions to achieve outcomes that further HUD's mission to create strong, sustainable, inclusive communities and quality affordable homes for all.
  - Since the borrowers are deceased, the primary resolution method for purchasers is generally foreclosure and therefore HUD has developed mission-based outcomes/requirements for the REO properties obtained through primarily foreclosure.
  - Mission Outcomes
    - Beginning in HVLS 2022-1, HUD introduced Mission Outcomes for REO Property
    - specifically address:
      - Increasing Affordable Housing Supply/Revitalizing Communities and
      - Expanding Opportunities for Homeownership
  - First Look Requirement
    - Beginning in HVLS 2022-2 Part 2, HUD introduced the First Look Requirement, which requires all Purchasers to offer REO Property to First Look Offerees for at least a 30-day priority purchase period from date listed and within 120 days after recordation and foreclosure.
    - First Look Offerees: Owner-Occupant Buyers, governmental entities, including their instrumentalities, and Eligible Nonprofit Organizations.
    - Purchasers must report on the achievement of all outcomes and First Look Requirement through the Post-Sale Report



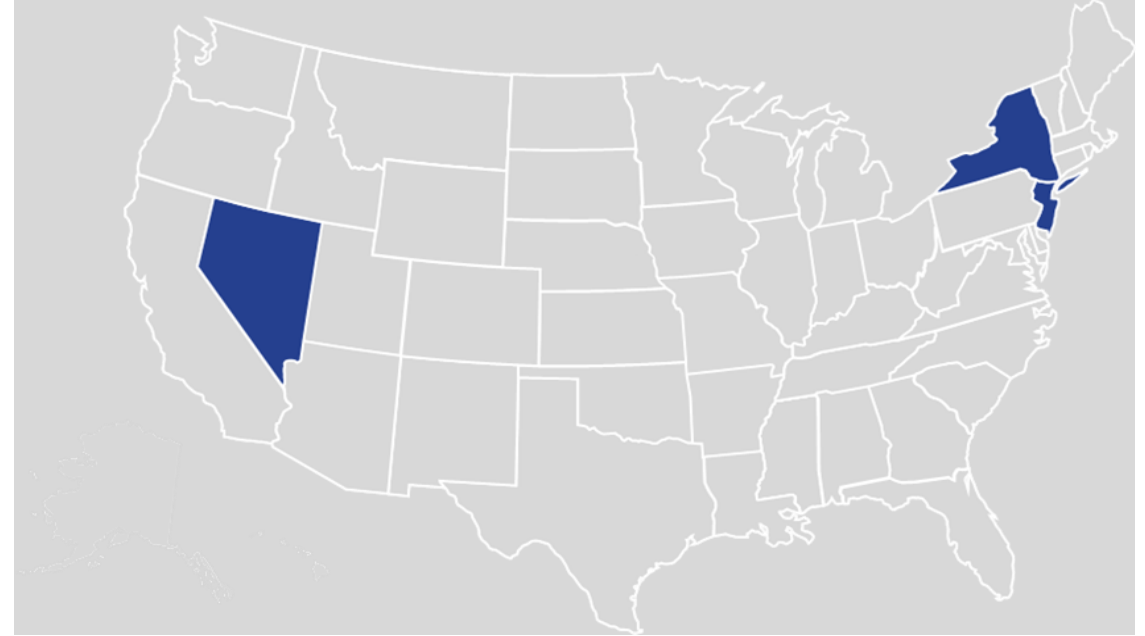
## HUD VACANT LOAN SALES (HVLS)

- 2017 to date, 10,280 loans with vacant collateral were sold through the HVLS note sales program.
  - Based on Post-Sale Reporting data submitted by Purchasers:
    - 60% of the loans were resolved through foreclosure
    - 23% of the loans have not yet been resolved.
    - 17% of the assets were resolved through foreclosure alternatives accomplished by working with the estate of the deceased borrower
    - 27% sold to nonprofits and 73% sold to for-profit entities.
- Of the 77% resolved, the underlying properties were sold to either owner occupants or to investors.
  - On average, purchasers resolved the loans and sold the underlying collateral within 16 months of note sale.
  - Data shows that nonprofits purchasers resolved the loans at a somewhat faster rate than for profit purchasers in both, judicial and non-judicial states.



## DIRECT SALES

- ❑ Mortgage Loans sold directly to a governmental entity or its partnering nonprofit.
- ❑ Office of Management Budget (OMB) approval is required.
- ❑ 4 Single Family Direct Sales have been executed to date.



Direct Sale	# of Loans Awarded	Settlement Date	UPB \$
New York State	70	May 2021	10,700,000
New York City	24	June 2016	9,107,552
Nevada	220	June 2014	37,469,103
New Jersey	517	2013	138,529,365

An aerial photograph of a suburban neighborhood, showing a grid of streets, individual houses with varying roof colors (brown, grey, blue), and green lawns with trees. The image is slightly dimmed to make the overlaid text stand out.

# Challenges and Policy Responses to the Affordable Single-Family Housing Supply Problem

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