

Mortgage Defaults & Predatory Lending

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- Successful? 90% of new aff housing.
- But losing more affordable housing than we are blding locally.
- Investor requirements—valuing the private investment—why do that?
- Success
 - Produces units over a long period of time
 - Popularity
 - Financial interest in affordable housing
- Issues
 - Time-limited affordability
 - Conflict among participants
 - Used too much
 - Inadequate to the task—limited resource
 - Harder to do something that is not market based
 - Complex to implement—need resources/knowledge to implement
- Social democratic reform
 - Public housing?– upkeep or the thing in itself?
 - Do we need to debt fund everything?

- In our free market society that protects the rights of property owners and developers, how would a system of grants for affordable housing work?
 - Are tax incentives like the "successful" LIHTC it?
- Quercia et al. do not greatly differentiate between subprime and predatory lending. If subprime lending is significantly related with either increased predatory lending, or increased foreclosures how can we reform the system so that low-income individuals still have access to credit without the high likelihood of financial ruin?
 - Is what Quercia et al. are describing a reformable issue with subprime lending, or is it an indication that the housing market and its related financial systems are inherently inequitable and flawed beyond reform?
- What is the impact of the subprime market and foreclosures on communities?
 - What actions might communities take to reduce this impact?
- Is debt a good thing or not?

What's going on with predatory lending?

- Is it simply differential pricing?
 - Evaluation of risk
 - Breaks down along education and income.
 - Lack of knowledge on part of buyer & manipulation by broker/RE agent.
- The market for housing doesn't exist at the lowest income levels
 - LITC creates the market at the low end, with quality
Remove, Zoning, regulation: height, fire safety
- Private mortgages don't make this data available.
- Standardized securities (and nationalized) makes it hard to refinance an individual loan
- Market imperfections
 - imperfect information for buyer
 - Securities over rated as well. (AAA but really not)
- Who is profiting from the bubble burst?
 - No one?

Social Financing

- Public intervention
 - Direct intervention grants
 - HOME, CDBG, Housing Trust Funds
 - Direct intervention loans
 - Tax exempt bonds (HFAs)
 - Incentives
 - LIHTC; state tax credits (eg New Hampshire)
 - Regulation
 - CRA
 - FHLB: AHP and CIP
 - Community Development Financial Institutions (CDFIs)
 - National: Enterprise Foundation, LISC, Nhd Reinvestment Corp
 - Conventional lenders