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HOUSING NEWSREPORT

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October 2016 Vol 10 Issue 10

BIG BANKS CEDE MARKET SHARE TO NONBANKS

+

MY TAKE
By Bill Green, founder and CEO of LendingOne

CLIENT CORNER
Featuring Bryan Copley, co-founder and CEO of citybldr

BOOK REVIEW
"Men Without Work" by Nicholas Eberstadt

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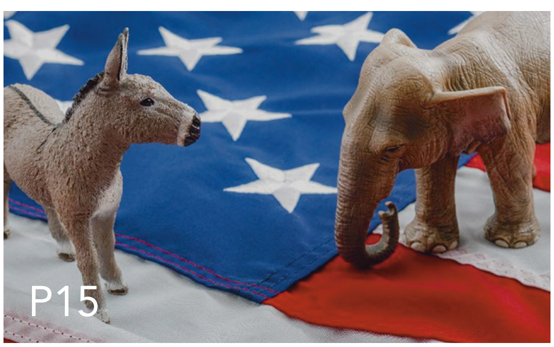
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BIG BANKS CEDE MARKET SHARE TO NONBANKS

BY OCTAVIO NUIRY, MANAGING EDITOR

At $26 trillion, the American housing market is the largest asset class in the world, bigger than the U.S. stock market, according to *The Economist*. And the banking industry's $13 trillion in total loans is the engine that drives the U.S. housing market, according to ATTOM Data Solutions.

But since Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010, big U.S. banks have slowly withdrawn from the mortgage market as they face scores of new federal rules, billions of fines for misconduct and more regulation (the Dodd-Frank Act is 2,319 pages long). Increasingly, nonbank mortgage lenders — sometimes called "shadow banks" — have overtaken U.S. commercial banks to grab a record slice of the government and conforming loan markets, after the heightened regulatory environment and billions of dollars in fines forced retail lenders out of the U.S. home loan market.

Wells Fargo is the biggest lender by far, doing nearly twice the volume of No. 2 nonbank Quicken Loans. Wells alone issued $43 billion in residential mortgage loans in the first quarter of 2016, according to *The Wall Street Journal.* But Wells Fargo's market share is shrinking, largely due to the rise of nonbank lenders like Quicken Loans, Caliber, loanDepot.com and others.

Wells is not the only retail bank that has been pulling back from home loans. Bank of America, Chase, Citibank, and U.S. Bank have downsized their market

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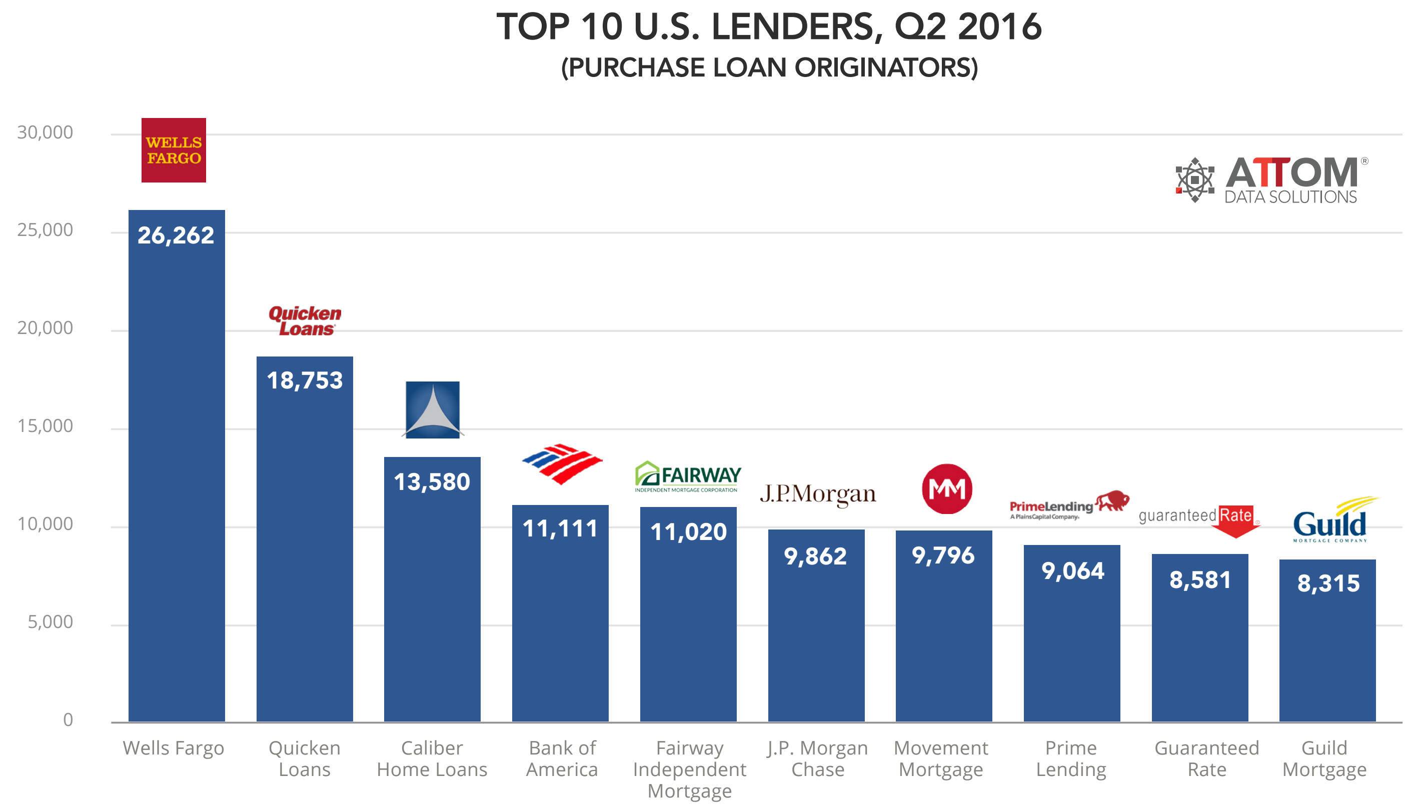


share in a market that is also shrinking. Heightened scrutiny of U.S. commercial banks, tighter capital requirements and fear of heavy government-imposed penalties is paving the way for lightly regulated nonbanks to gain a bigger toehold in home loan market.

Who's filling the void?

Nonbanks Grab Market Share as Banks Retreat

In California, some of the largest nonbank lenders include PennyMac, AmeriHome Mortgage and Stearns. All three are headquartered in Southern California, the epicenter of last decade's subprime mortgage lending industry. And all three companies are run by executives who formerly worked at the once-giant Countrywide Financial, the now defunct subprime lender founded by Angelo Mozilo (Bank of America bought Countrywide for $4 billion in July 2008).

PennyMac, a fast-growing nonbank lender, is run by Stanford Kurland, a former Countrywide Home Loans executive and IndyMac director. Stearns, a Santa Ana, California-based nonbank lender, is run by Brian Hale, a former Countrywide division president. And Joshua Adler, who is AmeriHome's managing director of secondary marketing, held similar roles at Countrywide and Bank of America.

Unlike retail banks, nonbank lenders do not take federally insured deposits from consumers to make loans. Instead, they typically borrow from Wall Street hedge funds, private investors or banks to make loans, then quickly sell these mortgages to Fannie Mae and Freddie Mac and other buyers, so they can repay their loans and start the process over again. Many nonbank-originated loans are being made to riskier borrowers with low FICO scores, and who make down payments as low as 3 percent of the purchase price of a home.

Nonbank Lenders Dominate Riskier Loans

Depository banks still dominate home lending, but nonbank market share is at an all-time high, according to *National Mortgage News*. Nonbank lenders dominate the origination of mortgages insured by the Federal Housing Administration (FHA) CONTINUED ON NEXT PAGE

and by the Veterans Administration (VA), the riskier corner of housing lending due to no down payment or low down payment loans and poor-credit buyers.

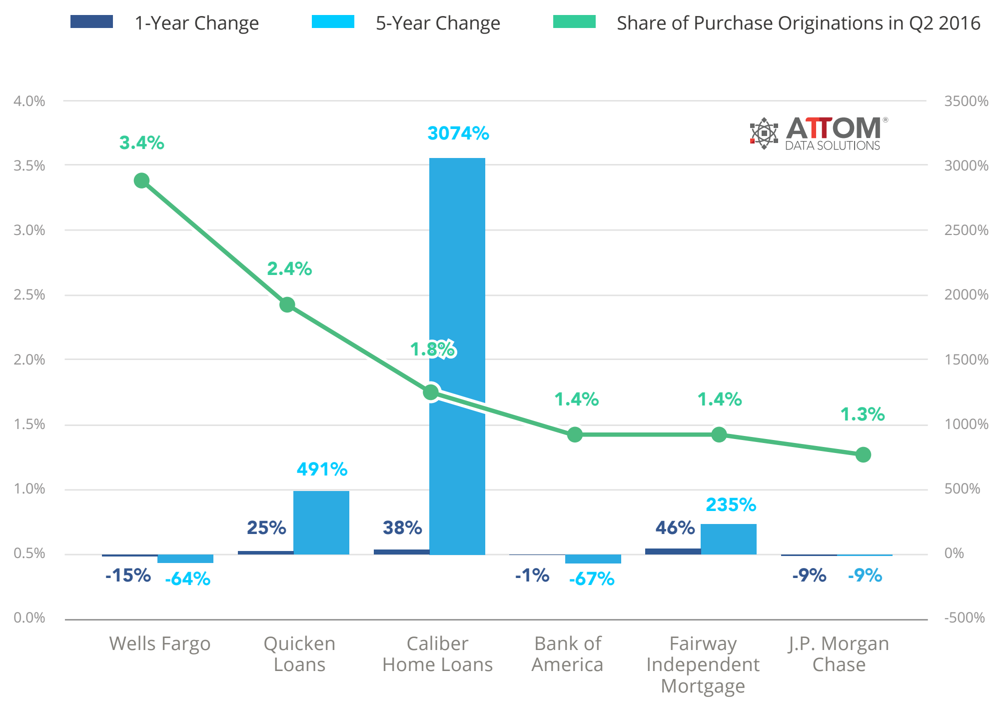
Purchase origination loans backed by the FHA and VA have been progressively getting higher, growing from 6 percent of all purchase loans in 2006 to 30 percent in Q3 2016, according to ATTOM Data Solutions.

Nationwide, overall lending has plummeted, but nonbank financial firms are capturing a bigger slice of the overall mortgage market, experts claim. Nonbank lenders like Quicken Loans, which originated 18,753 home loans in the second quarter of 2016, are filling the gap, according to ATTOM Data Solutions.

Overall, U.S. financial institutions originated nearly 1.9 million loans on residential properties (1 to 4 units) in the second quarter of 2016, up 26 percent from a two-year low in the previous quarter, but down 4 percent from a year ago, according to ATTOM Data Solutions.

Purchase originations increased 1 percent from a year ago — the eighth consecutive quarter with an annual increase — and Home Equity Line of Credit (HELOC) originations increased 5 percent from a year ago — the 17th consecutive quarter with an annual increase.

BIG BANKS CEDE MARKET SHARE TO NONBANKS



> *For a variety of reasons, banks want to reduce their footprint in the mortgage market. It's a direct* ***result of the settlements*** *with the federal government."*

Guy Cecala | CEO of Inside Mortgage Finance

Markets With Biggest Increase in Purchase Loans

Overall, the biggest year-over-year increases in purchase loan originations in Q2 2016 were Cleveland, Ohio (up 31 percent); Kansas City (up 21 percent); Boise, Idaho (up 20 percent); Dayton, Ohio (up 17 percent); and Rochester, New York (up 15 percent), according to [ATTOM Data Solutions](#).

Other markets with strong purchase loan originations include: Columbia, South Carolina (up 13 percent); Atlanta (up 13 percent); Milwaukee (up 12 percent); Deltona-Daytona Beach-Ormond Beach, Florida (up 11 percent); and Colorado Springs (up 11 percent).

Mortgage Fraud Suits Continue

Guy Cecala, publisher and CEO of *Inside Mortgage Finance*, one of the leading mortgage trade publications, said one reason why nonbanks are gaining market share is because retail lenders keep getting sued by the federal government. Big depository institutions don't want to make FHA-insured loans because they

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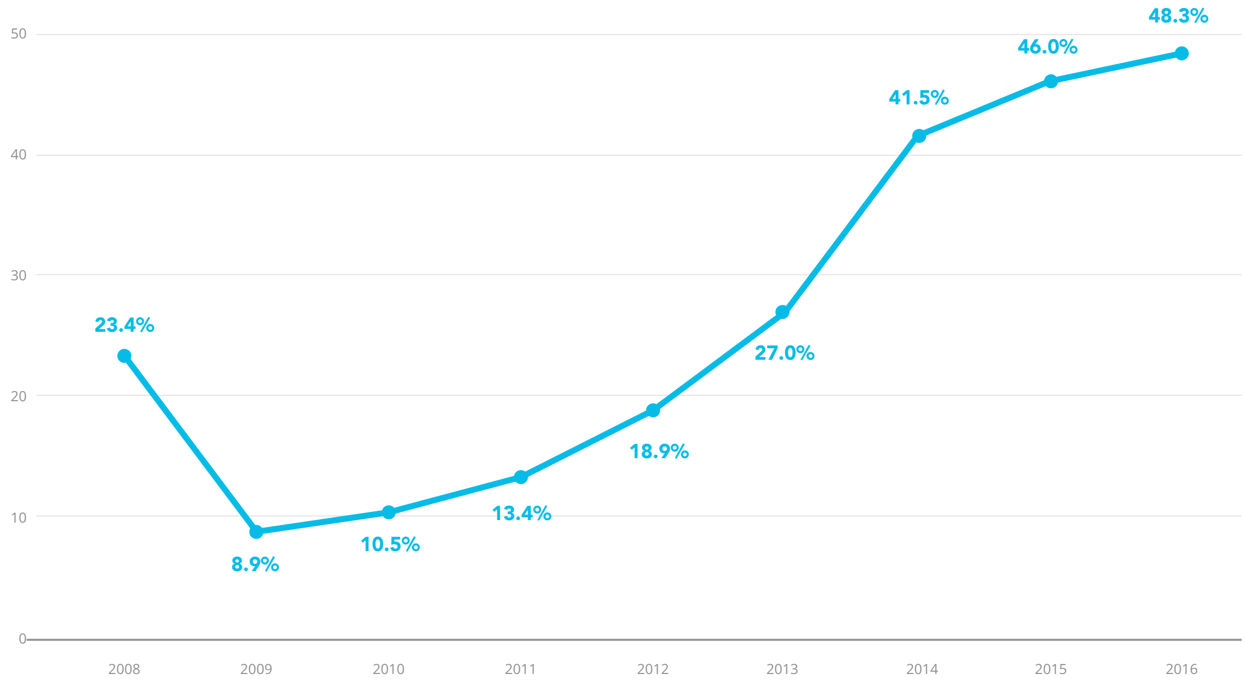
NONBANK SHARE OF MORTGAGE ORIGINATIONS



Source: Inside Mortgage Finance

frequently get prosecuted by the federal government under the False Claims Act, said Cecala.

"For a variety of reasons, banks want to reduce their footprint in the mortgage market," said Cecala, adding that government compliance costs have risen too. "It's a direct result of the settlements with the federal government."

He said nonbank market share grew from 23.4 percent in 2008 to 48.3 percent in 2016.

Cecala said that over the last few years, the Justice Department has sued scores of lenders for violating the False Claims Act on government-insured loans. Since 2010, banks in the United States have paid over $56 billion to settle Justice Department fraud suits, according to *The New York Times*.

Recently, Wells Fargo agreed to a $1.2 billion settlement, while SunTrust Mortgage settled for $968 million. Other federal government settlements include: First Tennessee Bank ($212.5 million), MetLife Home Loans ($123.5 million), Freedom Mortgage Corp. ($113 million), Branch Banking & Trust Company ($83 million), Franklin American Mortgage Company ($70 million), M&T Bank ($64 million), Regions Bank ($52.4 million) and Walter Investment Management Corp. ($29 million).

Quicken Loans, Deutsche Bank, Barclays, Credit Suisse, Royal Bank of Scotland, UBS and HSBC are all awaiting their turn, *The Wall Street Journal* reports.

"The big banks have restricted their mortgage business," said Cecala. "Instead, banks like Chase and Bank of America are making jumbo loans to more affluent borrowers. More than 50 percent of their business is jumbo loans." While the big banks migrate to the jumbo loan market, they have left a void that is being filled by nonbanks and the federal government, said Cecala.

Hoarding Excess Reserves

Instead of making loans to borrowers, big commercial banks are depositing their trillions of dollars in profit into excess reserves with the Federal Reserve, according to Peter G. Miller, a syndicated real estate columnist and author of the *"The Common-Sense Mortgage."* Miller said money lent to banks and other

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intermediaries by the Federal Reserve since September 2008 are simply sitting idle in banks' reserve accounts. Banks in the United States currently hold $2.3 trillion in excess reserves at one of the 12 regional Federal Reserve Banks, over and above what depository institutions are legally required to hold to back their checkable deposits, according to Federal Reserve research.

"The Fed pays the banks an interest rate of 0.5 percent," said Miller, referring to excess reserves held at the Federal Reserve. "The banks have $2.3 trillion in the Fed's excess reserves. They are holding this money off the market."

Comrade Capitalism

Increasingly, the federal government — FHA, VA, Fannie Mae, Freddie Mac and Ginnie Mae — has played a larger role in the mortgage financing industry as the large depository banks retreat from the home loan market. In all, these five entities own or have guaranteed more than $5 trillion in mortgage risk out of a residential mortgage market of $11 trillion, according to the Federal Reserve. That's nearly 50 percent of the outstanding mortgage risk.

Since 2006, federally insured loan origination has been steadily increasing. Loans insured by the FHA has grown from 3.4 percent of all loans originated in the first quarter of 2006, to 17.5 percent of all loans in the second quarter of 2016, according to ATTOM Data Solutions. In the first quarter of 2006, the FHA insured 79,705 loans compared with 273,356 loans in the second quarter of 2016.

Over the last 10 years, loans insured by the Veteran Administration (VA) has mushroomed, growing from 0.7 percent of all loans originated in the first quarter of 2006, to 8.7 percent of all loans in the second quarter of 2016, reports ATTOM Data Solutions.

Mortgage Industry Nationalized

One of the nation's leading banking experts, Richard X. Bove, vice president of equity research at Rafferty Capital Markets, said the U.S. mortgage industry has effectively been "nationalized" by the federal government.

"The mortgage industry is totally reliant on the U.S. government — and Congress refuses to act," said Bove, author of *Guardians of Prosperity: Why America Needs Big Banks.* "The government is buying and insuring 60 to 70 percent of all mortgages. The government owns the mortgage market. It's a nationalized market."

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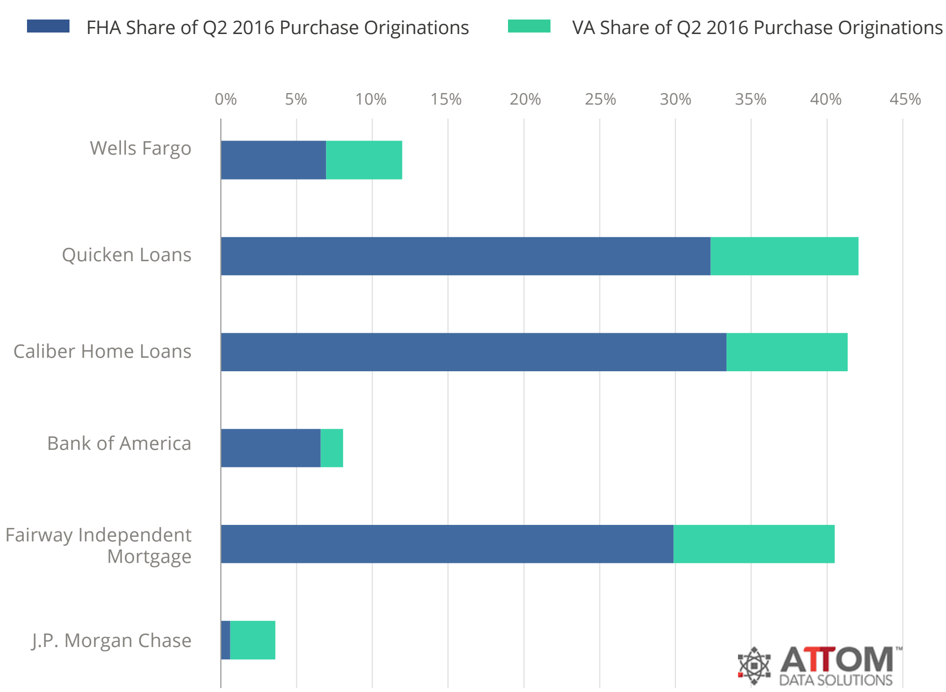
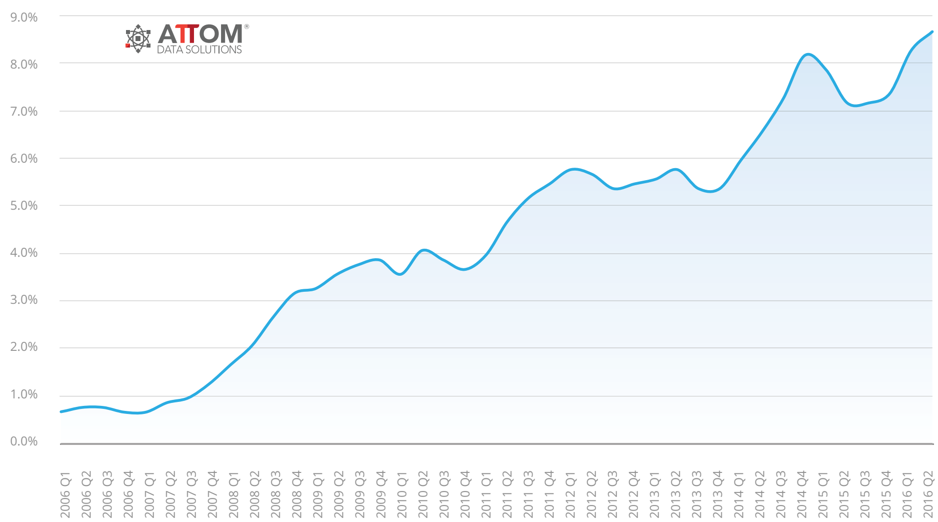
> *The banks have **$2.3 trillion** in the Fed's excess reserves. They are holding this money off the market."*

Peter G. Miller | Real estate columnist and author

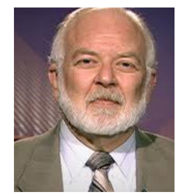
NONBANKS DOMINATE LOW DOWN PAYMENT LOAN SHARE



VA LOAN ORIGINATION (2006-2016)



> *"The government is buying and insuring 60 to 70 percent of all mortgages. The government owns the mortgage market. It's a **nationalized market**."*



Richard X. Bove
Vice president of equity research at Rafferty Captial Markets

Bove — who predicted the subprime mortgage meltdown in a chilling 2005 report titled "The Powder Keg is Going to Blow" — worries that new government rules, namely the Dodd-Frank Act, have curbed mortgage profits and, therefore, bank profits. He called the government's reaction to the financial collapse of 2008 a "disaster in the making for the people of this country and the banks that serve them." In "Powder Keg," Bove argued that loose lending standards had created the housing bubble and that it was going to end abruptly and painfully.

"As a result of all these changes, you find that the banking industry is extremely reluctance to make mortgages in the fashion that they did in the past," said Bove, noting the pull-back in depository lending. "Many banks can't make money by making mortgages. The net effect is what the industry wants is to make mortgages that they can sell to Fannie Mae and Freddie Mac. But the U.S. Treasury Department wants Fannie Mae and Freddie Mac out of business by 2017 or 2018. So, the question becomes: Who's going to buy these mortgages? And if we're talking about 30-year, fixed-rate mortgages, which are yielding less than 4 percent, who's going to be crazy enough to buy these mortgages?"

The powder keg did blow up in the fall of 2008, with the worst financial crisis since the Great Depression.

Fast forward to today, and Bove suggests that the current setup with the government dominating the mortgage industry isn't sustainable. According to Bove, the heavy government involvement in the mortgage industry is a recipe for disaster.

But not everyone is so bearish.

Credit Box Too Tight

According to the Washington, D.C.-based Urban Institute, home lending credit standards are too tight. Laurie Goodman, one of the best-known mortgage analysts on Wall Street, said the "credit box is tight" largely due to "meticulously originated, squeaky-clean loans."

"A near-zero default environment is clear evidence that we need to open up the credit box and lend to borrowers with less-than-perfect credit," writes Goodman in an Urban Institute blog.

"There's something interesting and important going on in the mortgage market today: borrowers who took out mortgages in the past five years have rarely defaulted, making them better at paying their mortgages than any other group of mortgage borrowers in history," wrote Goodman in her Urban Institute blog.

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"There have been almost no defaults on mortgages originated in the past five years."

Goodman, co-director of housing finance policy at Urban Institute, said "Our analysis suggests that given this environment of meticulous underwriting, borrowers with lower credit scores may well perform better than their counterparts performed in the past," Goodman concludes. "Put simply, it's time to lend again to borrowers with less-than-perfect credit."

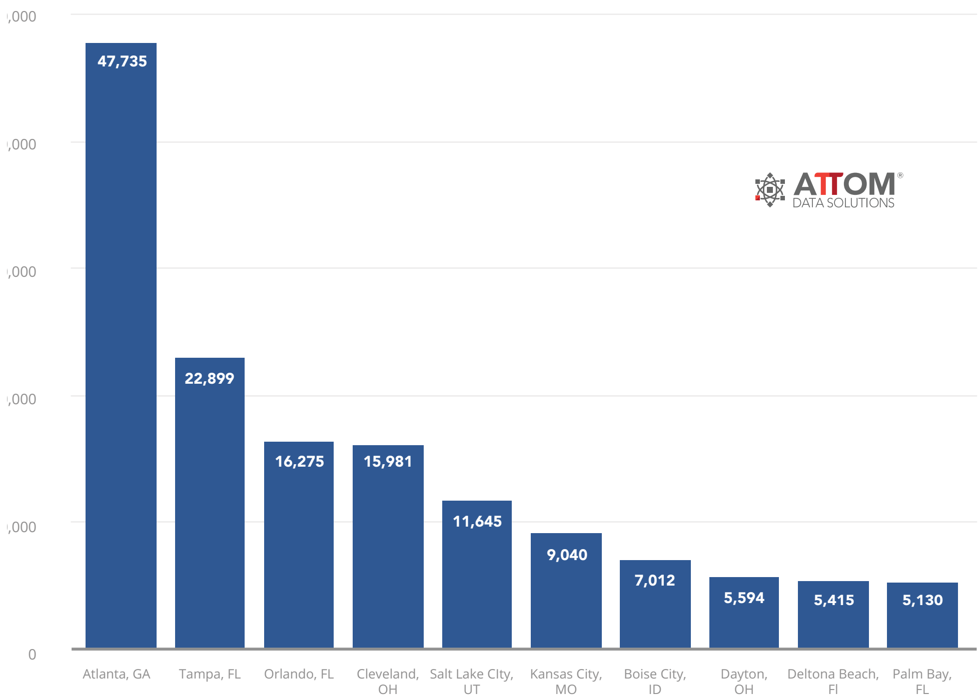
GSE Risk Transfer

Goodman said the federal government's mortgage credit risk has been greatly reduced because the government has slowly transferred credit risk from the GSEs to private mortgage bond investors. In 2012, she said, the Federal Housing Finance Agency, the administrator of Fannie Mae and Freddie Mac, launched the Credit Risk Transfer program, transferring mortgage risk to private investors.

Fannie and Freddie don't make loans; they insure them. They buy loans from lenders, wrap them into mortgage-backed securities and guarantee to make investors whole if the mortgages default.

"The GSEs have transferred 90 percent of the risk to the private sector," said Goodman, citing the Urban Institute's "Housing Finance At a Glance" report. "This is the GSEs answer to reducing taxpayer exposure. Fannie Mae has transferred $622 billion, while Freddie

TOP 10 PURCHASE LOAN MARKETS, Q2 2016



A near-zero default environment is clear evidence that we need to ***open up the credit box*** *and lend to borrowers with less-than-perfect credit."*

Laurie Goodman | Co-director of housing finance policy, Urban Institute

Mac has moved $543 billion in credit risk to the private sector."

Today, nonbank mortgage lenders such Quicken Loans, PHH Mortgage and loanDepot.com accounted for 63 percent of home-purchase loans backed by the FHA, according to the American Enterprise Institute's International Center on Housing Risk. Because they are outside the traditional banking establishment, the new nonbank lenders avoid regulatory scrutiny generally applied to big banks.

Christopher Whalen, a senior managing director at Kroll Bond Rating Agency, said since the financial crisis of 2008 and the passage of Dodd-Frank in 2010, the mortgage industry has changed drastically. Whalen said higher capital

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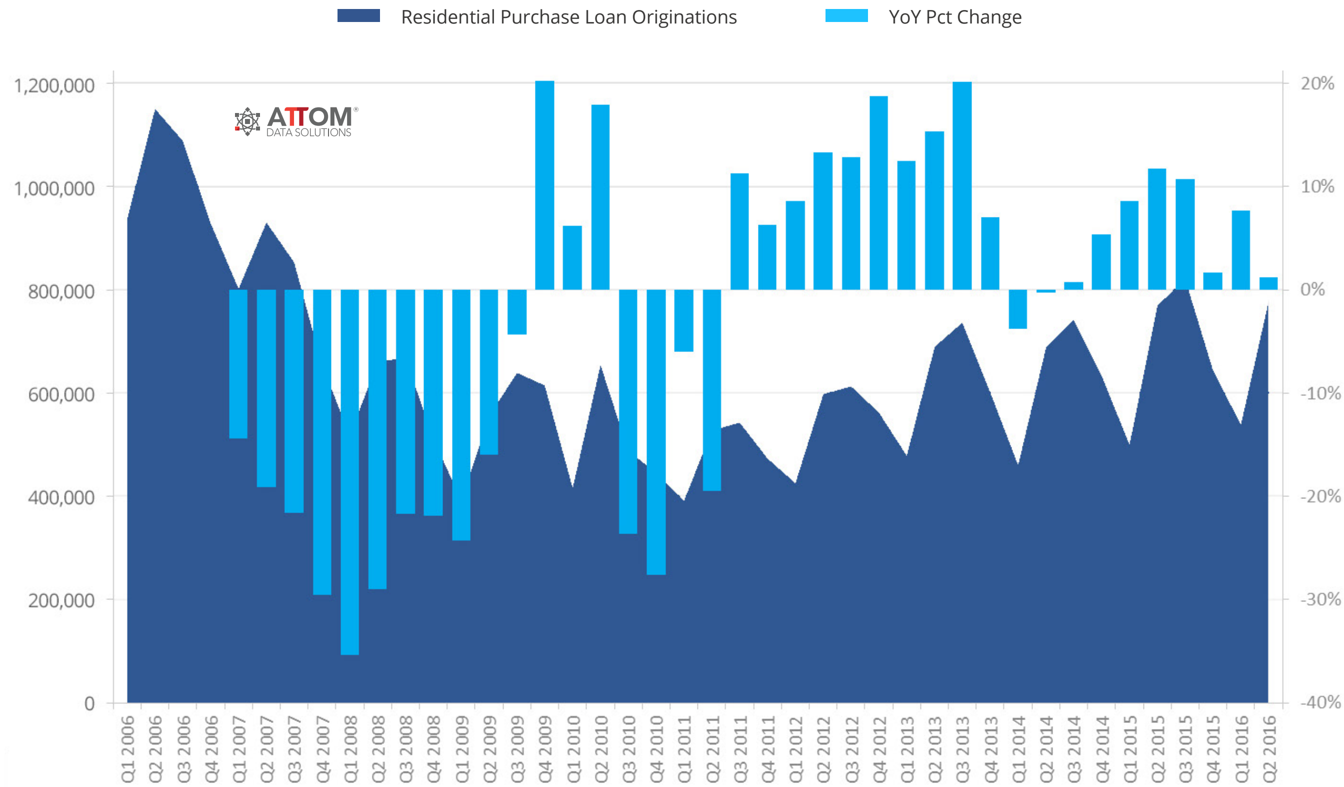
RESIDENTIAL PURCHASE LOAN TRENDS



"The Consumer Financial Protection Bureau pretty much ***crippled the mortgage industry.****"*

Christopher Whalen
Seniro managing director at
Kroll Bond Rating Agency

requirements, new laws and regulations and a hostile legal environment have combined to reduce the willingness of big banks to take on mortgage risk.

"The Consumer Financial Protection Bureau (CFPB) pretty much crippled the mortgage industry," said Whalen, author of "Inflated: How Money and Debt Built the American Dream," a book on the history of borrowing in the United States. "The way that CFPB sees the world they want to make it impossible to do mortgages."

Like Bove, Whalen believes the U.S. mortgage market has effectively been "nationalized."

"We are going to have a good year," he said, referring the residential mortgage lenders. "The mortgage industry will probably do $2 trillion in business. But the industry is sick in terms of the back office. They're not making money. They're trading at half their book value."

"One of the untold stories of the social engineers (in Washington, D.C.) is to cut out one-third of the population from the mortgage market," said Whalen. "I'm very concerned that you are going to see some failures." ■

About Bill Green

LendingOne

Bill Green is the Founder and Chief Executive Officer of LendingOne and the Crestar Group of Companies. Crestar is comprised of private equity, specialty finance, and real estate businesses.

IS A BUY-AND-HOLD INVESTMENT **WORTH IT?**

BY BILL GREEN, FOUNDER AND CEO OF LENDINGONE

A smart investor can turn a buy-and-hold property into a consistent means of earning a monthly income, and a good risk adjusted return on your investment. Finding the right tenant and keeping them are important, so treat tenants like you would customers with exceptional service and quick response times when things go wrong. As long as your home remains occupied, you'll see a return each month. As an investor who has had years of experience dealing with long-term rental properties, it is always important to ask yourself some valuable questions before proceeding with any buy-and-hold investment because these will determine whether or not you find this method of investing worth it for the long haul.

What is the Value of a Buy and Hold Investment?

Each investor will give a different answer to this because it all depends on what they are looking to get from their investments. If I had a property valued over $175,000, I would fix and flip it,

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> *The market speaks, and it will help you to understand what the current demand is. The rental market is definitely seeing an upswing, and this could be caused by the* ***millennial generation****."*

but if it was priced under this amount, I would maintain a margin and keep it as a rental. One important factor that investors like about buy-and-holds is their potential to appreciate over time. The market will determine the value of your investment based on its location and the timing, but investors have the option of making improvements to the property or upgrading certain features and amenities to achieve forced appreciation.

Investments are made on cap rates, which is your net income of the property divided by the cost of the property. As a buyer, I want a higher cap rate (7 to 8 percent), with a lower percentage (2 percent) of appreciation later. For some investors, they will want the opposite, but I find that this strategy brings a more current return on my capital without relying on the possibility that my property may or may not appreciate in value down the road.

Is the Market Right for Renting?

The market speaks, and it will help you to understand what the current demand is. The rental market is definitely seeing an upswing, and this could be caused by the millennial generation. Students who are either finishing college or have recently graduated are looking at a pathway lined with debt and loans to pay off. They can't necessarily afford to save for the down payment to purchase a home, so renting is a better option.

After living in dorms or apartments for the last four years, some may want to get married, settle down and have kids. They'll need the space and potential a house can provide for the immediate future. And as an added bonus, if the rental market ever gets weak, you can always sell the property as a fix-and-flip, so your buy-and-hold investment will continue to be a profitable asset for your overall portfolio.

Should I Remodel or Not?

Your decision to rehab a buy-and-hold property may differ from a fix-and-flip. When you fix and flip, you approach the remodeling process with the mindset that the buyer is coming with their luggage, ready to move into a turnkey home, with no renovation required.

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> *It all comes down to the tenants' needs and what they are willing to pay for the duration of their lease."*

This of course is similar to renters. Obviously they don't want a house with broken down appliances or walls falling in, but as the owner, you have to decide whether certain upgrades like new cabinetry or flooring will be worth the expense.

Question whether these added renovations will increase the value and yield a higher rent as a result. The home is still livable with Formica countertops instead of granite, but you may see lower rents. It all comes down to the tenants' needs and what they are willing to pay for the duration of their lease. If they are comfortable with an extra $30 a month for an alarm system, then go ahead and install one.

Can I Manage it on My Own?

This all depends on three things: your level of experience, how many properties you currently have, and whether you want to deal with the tenants directly. If you are an investor who wants to gain more exposure to single family rentals, then becoming a property manager is a great opportunity. You'll need the time and proper rental software to help you with basic accounting, leases, rents, and listing the property. However, if you have multiple properties across different locations, you'll need to find time to visit each property for an inspection, collect rents, listen to tenants' complaints, and hire all the maintenance yourself.

The downsides of using a management company are that you lose day-to-day control over the property and have to trust them to deliver the same level of customer service you find acceptable. But, they'll also have more experience handling management situations, along with their own team of people they call for repairs on all their properties, which may be more cost effective in the long run. While they take care of all the issues with the property and tenants, you'll be free to pursue other investments.

Am I Ready to Become a Landlord?

This is really the most important question you can ask yourself before deciding on a buy-and-hold. Do you want the long-term responsibility of a rental property? If you can confidently answer this question, and all the previous ones, then it is time to start researching properties in locations that will give you the greatest pool of possible tenants and the best return on your investment. Plan your leases accordingly by avoiding vacancies during winter months when less people are moving. Get organized with either a management company or the proper software to help you oversee the property. Keep tenants happy because their rents are your monthly income. My final word of advice is invest wisely, understand the commitment that a rental property requires, and be prepared so your investments in buy-and-holds don't ultimately turn into buy-and-folds. ■

BRYAN COPLEY

CEO and Co-founder, CityBldr

citybldr

What is your elevator pitch for CityBldr?
"We're a marketplace for development sites. The backbone of our marketplace is artificial intelligence which determines the best use of every parcel of land.

How do you and your customers utilize ATTOM Data?
"If you are a builder or developer we show you the best development sites in any search area, whether or not they're listed for sale, and give you access to thousands of exclusive owner-registered properties.

If you're a property owner, you type in your address and we tell you if your property is more valuable in its current use or marketed on our platform as a development site to hundreds of developers.

We use machine learning to analyze big property data (ATTOM Data is our largest data set, along and 16 other data sources) that funnel into an algorithm to determine best use.

The problem with existing property valuation methodologies is that before you understand what a property is worth you need to evaluate not only what it is today but what it could be. This is how developers look at land, and how our algorithm does as well.

"That's exactly the problem we're solving with CityBldr. Is a property more valuable as its current use, or as another permitted use? Then we create a marketplace for buyers and sellers who want info on development sites.

"Good use case is a valuable redevelopment property in Capitol Hill, a hot Seattle neighborhood. The owner would realize an additional $1 million in value that they would never know about by going to Zillow. CityBldr tells the owner their property is most valuable to a developer – much more valuable. That's life changing information that property owners should have before making the decision to sell.

What's really exciting is how much the algorithm has improved since we released the beta early this year. Due to the nature of machine learning, each time ATTOM feed us a new batch of data at midnight, that course-corrects our algorithm and changes the weighting of our arbitrage index.

How is the marketplace responding to your products/services?
"We launched a premium product in May for developers. We now have 300 signed up. In June we launched the property online site and 3,500 have signed up. This is all just in King County, Washington.

"Last year we launched a consumer oriented product called Everyhome. We thought, 'we'll just put every property in the country up for sale.' What we discovered is that it wasn't consumer buyers that were nuts about the capability to bid on every property – it was developers, builders, investors, etc.

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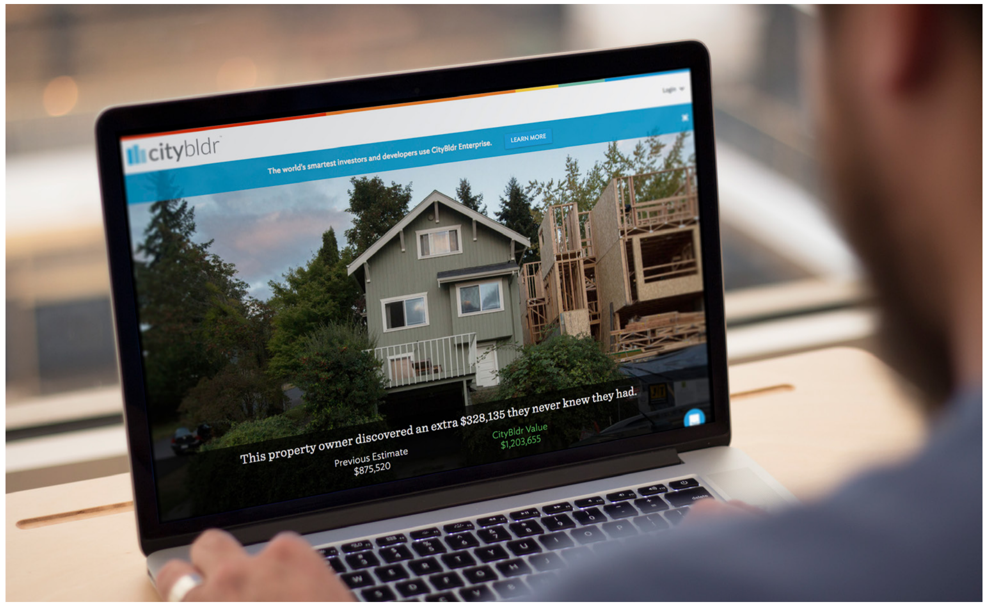
"Smart developers are using our data to become super developers, anticipating market changes to get ahead of changes in the market and spot arbitrage.

The specific sweet spot for CityBldr has been multifamily developers and builders. These developers have gone through and vetted our product, and what we've found we're particularly good at is identifying sites that are well-suited for multi-family development. That's important because there's a huge need for more housing in the markets we've moved into – Seattle, SF, LA, San Diego, and Portland.

"Our data is also being used by several investors, property flippers, to identify good opportunities that might not be listed on the market.

We've had almost 15,000 pro-active offers on off-market properties go out through our site.

There are other cool use cases though: we're working with cities to identify arbitrage and underutilized sites. We are partnering with non-profit affordable housing developers to find affordable housing development sites. We are working with a large trust to identify keystone sites to promote social good. It really helps to have data to make that decision. An additional upside to all of this is that by improving properties to their best use the byproduct is more functional communities, happier residents, better businesses and ultimately better cities.



Our data is also being used by property flippers to ***identify good opportunities*** *that might not be listed on the market."*

Why did you decide to use ATTOM Data?
"A lot of it had to do with the relationship we had with Matt (our sales representative). Matt gave us a lot of help in determining who would be the right fit for us. He was very forthright.

"The price seemed good. It was better or comparable with the rest of the market. And the fact that ATTOM is pro-entrepreneur was important to me as well.

What has been your experience with the data delivery?
"Been perfect. The data is updated every day, and always arrives on time. Predictably good. Every once in a while we have to tap you guys for something we're missing, but when we do you are super-responsive in getting it to us.

"You get back to us really fast, sometimes outside of business hours.

What has been your experience with the data quality?
"It's been predictable, it's been streamlined. ATTOM has done a good job of standardizing the data.

What has been your experience with customer service?
"It's been great. I couldn't ask for anything more on responsiveness and willingness to work with us as startup. ■

ATTOM™
DATA SOLUTIONS

The Leading Provider of Premium Property Data!

Features of the **ATTOM** Data Warehouse

Massive

A multi-sourced, enhanced national property data warehouse that contains information on more than 150 million U.S. properties including:

- **13.9 Billion Rows of Data**
- **6,300 Data Fields**
- **230 Data Tables**
- **99% Population Coverage**

Flexible

ATTOM's modularity allows clients to pick and choose only the data most important for their business, delivered in a variety of ways including:

- **Data File Licensing**
- **API**
- **Match & Append**
- **Marketing Lists**
- **Custom Reports**

Quality

Active data management processes add significant value that transforms commodity data into premium data featuring:

- **Enhanced Property Data**
- **Seamless Integration**
- **Best-in-class Support**
- **Timely Delivery**

www.attomdata.com

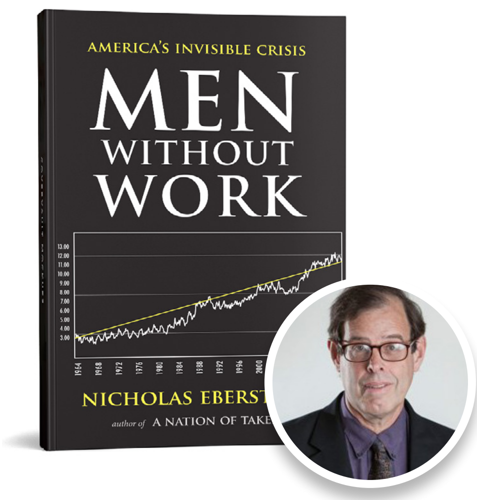
WHICH POLITICAL PARTY IS BETTER *for* HOMEOWNERS?

	HOMES IN DEMOCRAT DISTRICTS	HOMES IN REPUBLICAN DISTRICTS
# OF **SINGLE FAMILY HOMES** (BOUGHT 8 YEARS AGO)	892,558	1,512,064
AVG. **HOME VALUE**	✓ $340,544 (+38%)	$247,443
AVG. **GAIN IN HOME VALUE** SINCE PURCHASE	✓ $59,467 (+169%)	$22,086
AVG. **RETURN ON PURCHASE**	✓ 21%	10%
AVG. **PROPERTY TAX**	$3,659	✓ $2,514
AVG. PROPERTY **TAX RATE**	1.07%	✓ 1.02%
	✓ ★★★ WINNER	

There are many ways to approach the question of which political party is better for homeowners, but for this approach ATTOM Data Solutions looked at home values, appreciation, property taxes and equity for 2.4 million single family homes purchased eight years ago, broken down by congressional district. Those metrics were measured for all homes in congressional districts with a Democrat representative and for all homes in congressional districts with a Republican representative.

‘MEN WITHOUT WORK,’ AMERICA’S QUIET CATASTROPHE

BY OCTAVIO NUIRY, MANAGING EDITOR



Men Without Work: America’s Invisible Crisis

By Nicholas Eberstadt, demographer and political economist

About the Author

Nicholas Eberstadt is a political economist who holds the Henry Wendt Chair in Political Economy at the American Enterprise Institute (AEI), a politically conservative think tank. He is also a Senior Adviser to the National Bureau of Asian Research (NBR), a member of the visiting committee at the Harvard School of Public Health, and a member of the Global Leadership Council at the World Economic Forum. Eberstadt has written many books and articles on political and economic issues.

Why have U.S. homeownership rates plunged from nearly 70 percent in 2004 to 63 percent today?

Could part of the answer be that 10 million working-age American men are jobless — and are no longer looking for work?

According to a new book, “Men Without Work: America’s Invisible Crisis,” written by Nicholas Eberstadt, one of the country’s foremost demographers and political economist, America is facing an “invisible crisis” not seen since the Great Depression — men who have stopped looking for work.

“Over the past two generations, America has suffered a quiet catastrophe,” writes Eberstadt in the introduction. “That catastrophe is the collapse of work — for men.”

Today, argues Eberstadt, more than one in six men between 25 and 54 years old — the prime working years — are not merely unemployed but have withdrawn from the labor force entirely. That’s 10 million men, more than the entire population of New York City. “It’s kind of worse than it was in the Great Depression,” writes Eberstadt.

No one knows why this is happening. But it’s a big problem; and no one is talking about it. Until now.

“America is now home to an immense army of jobless men no longer even looking for work — more than 7 million alone between the ages of twenty-five and fifty-five, the traditional prime of working life,” writes Eberstadt, the Henry Wendt Chair in Political Economy at the conservative American Enterprise Institute in Washington, D.C.

Drawing on an impressive array of data, Eberstadt details the far reaching economic, social and political consequences created by men without work.

Eberstadt not only brings this “flight from work” to light, but he also shows the devastating social and economic damage by this largely invisible crisis. For example, only 84.3 percent of men aged 25 to 54 were working in 2015 compared to 94.1 percent in 1948.

For generations, working-age American men fell into one of two categories: either holding a paid job or unemployed. Today, however, there’s a third category: men who are outside the labor force altogether; neither working nor seeking work.

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According to Eberstadt, we are subsidizing sloth among the very segment of society who can, and should, be working. Meanwhile, federal income-tax paying workers — roughly half the population — pull the wagon for both the employed and jobless; hardly a "fair" and equitable equation.

Eberstadt's real attack is on America's too-generous social welfare state, which he sees as the real culprit for weak labor force participation. It isn't laziness that's destroying male culture, argues Eberstadt; it's the nanny state.

For Eberstadt, the solution to men without work is more small businesses and fewer government social giveaways. Specifically, Eberstadt suggests reducing disability insurance, food stamps and Medicaid, which he claims encourages sloth and turns able-bodied workers into slackers with low self-esteem.

Crisis of Masculinity

"These men appear to have relinquished what we think of ordinarily as adult responsibilities not only as breadwinners, but as parents, family members, community members and citizens," writes Eberstadt. "Having largely freed themselves of such obligations, they fill their days in the pursuit of more immediate sources of gratification."

So what are these men doing?

No, they aren't taking care of their kids while their wife is at work. That's because most aren't married; they're single. The primary source of gratification is watching television and movies.

Who are these jobless men? Many tend to be unmarried. Some live with their aging parents. Many are felons who have served time and have been released from jail; or convicted felons who did not serve time in jail. About 10 percent of men without work are pursuing some form of education or training that might lead to a job. Black men are more than twice as likely to constitute the "un-worker" than white or Latino men. And disability benefits — both temporary and permanent — are a major source of income for working age men who neither have a job nor are looking for one.

How can they do it? Eberstadt says they live off the employed, or on food stamps, and 63 percent of them received some form of social support or disability from state or federal government agencies.

"A Depression-scale collapse in employment for men, which is what we are witnessing today, could have far-reaching and highly destructive reverberations, regardless of why these workless men no longer hold down jobs," warns Eberstadt. "Imagine how different our country would be if another 9 to 10 million American men — most of them in prime working age — held down paying jobs today." ■

In San Francisco, Condo Tower Sinks, Leans

It's being called the "leaning tower of San Francisco," a reference to the leaning tower of Pisa, Italy.

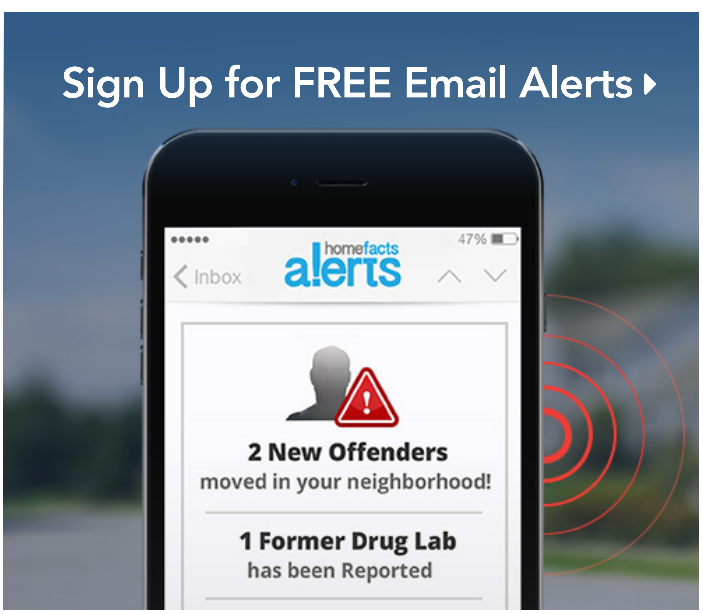
The luxury Millennium Tower, a 58-story condo tower in downtown San Francisco, has sunk16 inches into the ground since it opened in 2009, and is leaning six inches toward a neighboring skyscraper, according to a lawsuit filed by resident John Eng, accusing the building owner Millennium Partners and the Transbay Joint Powers Authority — the public entity behind the Transbay Transit Center under construction next door — of a "defective foundation."

In a city straddling two major earthquake fault lines, the engineering flaw has become a major public scandal. The builder of the tilting tower, Millennium Partners, blames the sinking on a neighboring transportation development next door being excavated by a government agency, Transbay Joint Powers Authority.

"The Millennium will continue to sink and tilt, thereby damaging homes and causing property values to drop in the building," the suit claims.

The suit *John Eng v. Millennium Partners* was filed on August 11, in San Francisco Superior Court.

Sources: *John Eng v. Millennium Partners, The Wall Street Journal*



Washington State Limits Lender Foreclosure Action

In a July 7, 2016 ruling, the Washington Supreme Court prohibited lenders from taking possession of property before foreclosure.

In *Jordan v. Nationstar Mortgage, LLC*, the Washington Supreme Court held that entering and securing a property before foreclosure completion by changing the locks constitutes "taking possession" in violation of Washington law.

In 2011, Laura Jordan came home from work to find herself locked out of her home. She had missed two mortgage payments, and the company servicing her loan, Dallas-based Nationstar Mortgage, had hired a vendor to change the locks without warning.

In a 6-3 ruling, Washington appears to be the first state in the nation that has invalidated the provisions, and consumer advocates say other states could follow suit or that the ruling could inspire additional class-action lawsuits.

Source: *Jordan v. Nationstar Mortgage, LLC*

Wells Fargo To Pay $1.2 Billion For Mortgage Fraud

San Francisco-based Wells Fargo, the nation's largest mortgage lender, agreed to pay $1.2 billion to settle claims that it engaged in mortgage fraud, resolving a major lawsuit brought by the federal government in the wake of the 2008 financial crisis.

The lawsuit — filed by U.S. Attorney Preet Bharara in Manhattan — was among a series of cases against the bank stemming from mortgages insured through a program by the Federal Housing Administration (FHA).

The 2013 lawsuit accused Wells of engaging in "reckless origination" and "misconduct in originating and underwriting government-insured home mortgage loans."

The case is *U.S. v. Wells Fargo Bank, NA*, U.S. District Court, Southern District of New York.

Sources: *U.S. v. Wells Fargo Bank, NA, U.S. Department of Justice*

SEPTEMBER 2016

State-by-State Foreclosure Activity Summary

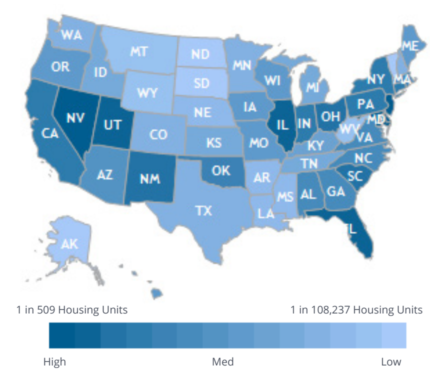
Rank	State	Default	Auction	REO	Total	1/every X HU (rate)	%Δ from Aug 16	%Δ from Sep 15
	U.S. Total	**21,868**	**33,590**	**27,514**	**82,972**	**1,600**	**-12.78**	**-23.97**
13	Alabama	0	763	650	1,413	1,550	1.80	9.28
45	Alaska	2	31	38	71	4,335	162.96	-35.45
14	Arizona	0	700	1,043	1,743	1,649	5.76	15.43
29	Arkansas	0	343	231	574	2,316	28.99	18.11
18	California	3,248	2,232	2,567	8,047	1,713	-20.61	-11.14
41	Colorado	146	293	214	653	3,428	-33.23	-28.40
9	Connecticut	670	159	326	1,155	1,290	-1.37	2.58
1	Delaware	252	262	91	605	680	9.80	59.21
	District of Columbia	1	101	20	122	2,466	7.02	269.70
5	Florida	3,008	3,070	3,448	9,526	950	-12.82	-33.37
15	Georgia	0	1,560	912	2,472	1,664	-6.75	-44.56
31	Hawaii	65	79	71	215	2,441	-23.21	-20.66
44	Idaho	2	68	86	156	4,330	-50.48	-56.30
4	Illinois	1,913	2,017	1,674	5,604	946	-5.40	-12.55
19	Indiana	291	883	466	1,640	1,714	-18.65	-43.25
36	Iowa	88	236	177	501	2,691	-29.93	-23.28
38	Kansas	193	185	60	438	2,832	-22.20	-41.05
40	Kentucky	150	326	152	628	3,087	-33.40	-9.64
32	Louisiana	0	515	299	814	2,443	32.79	-47.65
25	Maine	198	126	33	357	2,030	-10.30	7.85
6	Maryland	976	867	670	2,513	955	-34.52	-1.84
24	Massachusetts	695	432	453	1,580	1,783	-15.33	-12.12
30	Michigan	0	1,105	828	1,933	2,345	-9.46	-40.83
43	Minnesota	0	296	379	675	3,502	-26.55	-36.14
42	Mississippi	0	210	162	372	3,454	26.10	29.17
26	Missouri	0	571	719	1,290	2,111	-5.22	-20.22
46	Montana	0	37	33	70	6,954	9.38	48.94
34	Nebraska	111	118	84	313	2,573	8.30	13.00
3	Nevada	461	420	440	1,321	897	-9.52	-37.72
35	New Hampshire	0	173	57	230	2,684	-14.81	-33.14
2	New Jersey	1,854	2,080	1,233	5,167	691	-21.05	-34.55
10	New Mexico	250	290	145	685	1,324	-14.27	-8.67
20	New York	2,455	1,109	1,157	4,721	1,727	-19.17	-23.50
17	North Carolina	863	758	950	2,571	1,706	-8.54	-31.44
49	North Dakota	11	5	4	20	16,601	17.65	33.33
11	Ohio	1,083	1,489	1,229	3,801	1,351	-21.58	-35.50
22	Oklahoma	316	356	286	958	1,754	-14.00	-2.54
16	Oregon	53	634	320	1,007	1,674	8.86	-23.94
12	Pennsylvania	867	1,749	1,090	3,706	1,505	-14.19	-10.70
21	Rhode Island	0	136	129	265	1,747	-15.61	11.81
7	South Carolina	929	769	362	2,060	1,049	1.83	-13.59
48	South Dakota	0	17	9	26	14,199	-33.33	-43.48
33	Tennessee	0	474	674	1,148	2,473	-12.17	-38.68
27	Texas	25	3,114	1,686	4,825	2,111	20.84	-19.15
8	Utah	306	342	147	795	1,258	-27.26	18.30
47	Vermont	0	12	21	33	9,828	0.00	-25.00
28	Virginia	0	1,027	461	1,488	2,287	-25.79	-29.08
23	Washington	81	706	856	1,643	1,778	25.71	-20.78
50	West Virginia	0	22	31	53	16,664	-52.68	-51.82
39	Wisconsin	305	243	324	872	3,022	-34.44	-48.89
37	Wyoming	0	80	17	97	2,734	67.24	106.38

TOP 20

Foreclosure Rates in the Nation's 20 Largest Metros in September 2016

Rank	Metro	Housing Units Per Forelcosure Filing (Rate)
1	Tampa, FL	710
2	Chicago, IL	767
3	Philadelphia, PA	771
4	Baltimore, MD	867
5	Riverside, CA	950
6	Miami, FL	982
7	New York, NY	1,199
8	St. Louis, MO	1,273
9	Atlanta, GA	1,479
10	Washington, DC	1,552
11	Houston, TX	1,581
12	Phoenix, AZ	1,621
13	Seattle, WA	1,683
14	San Diego, CA	1,901
15	Los Angeles, CA	1,904
16	Dallas, TX	2,052
17	Detroit, MI	2,189
18	Boston, MA	2,349
19	San Francisco, CA	2,954
20	Minneapolis, MN	2,986

Foreclosure Rates for the U.S.



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