



The Daily Dish

# Renters and the Future of Housing Finance

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Yesterday [Sen. John Thune \(R-SD\)](#) said that President Trump's infrastructure plan will likely be delayed to "sometime next year." The delay follows Senate Majority Leader Mitch McConnell's (R-KY) announcement on Tuesday that Congress will move toward "comprehensive tax reform and to infrastructure" following a health care vote next week. Representative Sam Graves (R-MO) said that tax reform must come before an infrastructure bill because "some of the pay-fors" will be in the tax reform bill.

On Thursday the House passed a bill [reauthorizing](#) the Department of Homeland Security (DHS). The bill now moves on to the Senate for consideration. If the bill passes the Senate it will be the first time that DHS has been reauthorized since its creation in 2001.

## *Eakinomics: Renters and the Future of Housing Finance*

According to the [Pew Research Center](#) "a decade after the housing bust upended the lives of millions of Americans, more U.S. households are headed by renters than at any point since at least 1965." Specifically, 43.3 million households rented and 75 million owned homes in 2016. In the case of renters, this is up from 34.6 million prior to the financial crisis (2006), while the number of homeowners has dropped from 76.1 million. Expressed slightly differently, the fraction of households that rented was 36.6 percent, just a hair under the 1965 rate of 37.0 percent.

The decision to own versus rent (known as the housing tenure decision, and — #FBF — the topic of my very [first](#) published journal article) has myriad determinants. Peoples' decisions are influenced by their tastes — there is a lot of speculation right now that millennials simply have less of a desire to own homes, their wealth and income, and the relative costs of owning versus renting. There are lots of policy decisions that affect the relative costs, whether it is tax policy, or zoning regulation, or federal housing subsidies, or many others.

A threshold question is whether policy should tilt the playing field one way or the other. For decades, the conventional wisdom was that homeownership was a good thing. Homeowners were assumed to have a greater stake in their communities, and owning a home was a tried-and-true way to accumulate retirement savings. I've never thought this was a very compelling case, and, in the aftermath of the crisis, there are many others who now look at renting in a new light.

The rise of renters gives a new perspective to the issue of reforming the housing Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac. The GSEs were at the heart of the mortgage meltdown in the crisis, were put into receivership, and — shockingly — remain there nearly a decade later. GSE reform is long overdue, but it has been hampered by the disagreements in the homeownership arena: the need for a government guarantee to the 30-year fixed rate mortgage, the best way to provide any guarantee, and the desirability of off-budget "affordable housing" funds. Less well-known is the fact that both Fannie and Freddie have important books of business in multifamily housing — i.e., renters — and that these businesses by and large performed

pretty well during the crisis.

Since the rental market is strong and the underlying businesses have performed much better, one possibility for jump-starting GSE reform is to begin with the multifamily reforms before turning to the knottier issue of single-family mortgages. Renting is important, and so will be the reforms to rental finance.