

**Comment on “Federal Credit and Insurance Programs:
Housing”**

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Table 1
GSE Housing Goal Performance Relative to Market
 (Share of Single-Family Mortgages within Goal Category)

A. Low- and Moderate-Income Housing

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|--------------|
| Fannie Mae | 29.2% | 35.0% | 40.1% | 37.1% | 38.5% | 37.9% | 39.7% | 41.0% | 41.4% | 42.5% | 45.5% | 47.0% |
| Freddie Mac | 28.7% | 32.3% | 35.6% | 33.9% | 34.5% | 35.7% | 38.8% | 42.3% | 41.3% | 40.7% | 44.7% | 43.5% |
| Conventional Conforming Market | 34.4% | 38.9% | 41.8% | 41.4% | 42.2% | 42.1% | 42.8% | 44.8% | 43.9% | 42.9% | 44.6% | 44.6% |

B. Underserved Areas

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Fannie Mae | 18.3% | 18.2% | 22.5% | 22.8% | 23.3% | 21.8% | 21.3% | 21.3% | 23.4% | 24.0% | 26.0% | 26.3% |
| Freddie Mac | 18.6% | 17.6% | 19.2% | 19.1% | 19.6% | 19.7% | 20.0% | 21.5% | 22.2% | 22.4% | 25.3% | 23.4% |
| Conventional Conforming Market | 22.2% | 21.9% | 24.3% | 25.4% | 24.9% | 24.8% | 24.2% | 25.2% | 26.2% | 25.2% | 26.3% | 27.6% |

C. Special Affordable Borrower

| | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|--------------|
| Fannie Mae | 6.3% | 8.8% | 11.4% | 10.5% | 11.6% | 11.3% | 12.4% | 13.2% | 13.7% | 14.6% | 16.1% | 16.8% |
| Freddie Mac | 6.5% | 7.8% | 9.2% | 8.9% | 9.4% | 10.0% | 12.2% | 14.0% | 14.0% | 13.5% | 16.0% | 15.3% |
| Conventional Conforming Market | 10.4% | 12.6% | 14.1% | 14.4% | 15.0% | 15.1% | 15.4% | 17.0% | 16.6% | 15.6% | 16.1% | 15.9% |

Sources: Bunce (2002), Table A.1, for 1992-1995; U.S. National Archives and Records Administration (2005), Table A.14, for 1996-2003. GSE data for 1992-1995 calculated by purchase year of mortgage; GSE data for 1996-2003, and market data for all years, calculated by origination year of mortgage.

Table 2
GSE Loans to First-Time Homebuyers: 1999-2003 Average

| | Fannie Mae | Freddie Mac | Conventional Conforming Market |
|--|------------|-------------|--------------------------------|
| All Races/Ethnic Groups | 26.0% | 26.2% | 38.5% |
| All Minority Households | 7.0% | 5.8% | 11.8% |
| African-American and Hispanic Households | 4.3% | 3.4% | 8.2% |

Source: Bunce and Gardner, 2004.

APPENDIX A

Comparative Rates of Return on Homeownership and the Stock Market

Assume: \$50,000 house purchase price; 3% down payment and 3% closing costs

| | | |
|---|-----------|--------------|
| Starting date: | July 1982 | October 1992 |
| Mortgage rate | 15.25% | 8.50% |
| Mortgage principal | \$48,500 | \$48,500 |
| Monthly payment | \$622.97 | \$372.93 |
| Outstanding principal balance after 5 years | \$47,911 | \$46,313 |
| Addition to home equity | \$ 589 | \$ 2,187 |
| House price appreciation over 5 years | \$14,045 | \$ 7,042 |
| Home equity after 5 years | \$16,034 | \$10,729 |
| Equity/Initial cost | 5.345 | 3.576 |
| Annual rate of return | 39.8% | 29.0% |
| Annual return net of 6% sales commission | 32.6% | 19.5% |
| <hr/> | | |
| S&P 500 at starting date | 185.834 | 1067.052 |
| S&P 500 after 5 years | 680.134 | 2640.585 |
| Ratio | 3.660 | 2.475 |
| Annual return on S&P 500 | 29.6% | 19.9% |

Sources: Housing data: U.S. Department of Housing and Urban Development, Office of Policy Development and Research, *U.S. Housing Market Conditions*, August 2005, Historical Data tables; Standard and Poor's 500 Index Total Returns monthly data: www.neatideas.com/data/index.htm.