Administration of Barack Obama, 2013

Remarks at a Virtual Town Hall Meeting and a Question-and-Answer Session on Housing in Los Angeles, California

August 7, 2013

Zillow Inc. Chief Executive Officer Spencer M. Rascoff. Welcome, and thank you for joining us today. Zillow is honored to host this unprecedented event and connect homeowners, renters, and prospective buyers with President Obama, who's ready to answer your housing questions.

The housing market has come a long way in the last year, and we're all very happy to see most local markets bouncing back after the housing recession, with many homeowners free from negative equity and sellers enjoying a competitive environment. Still, there are concerns about the future. And we've received thousands of questions over the last couple of days via social media. Today we'll pose some of these questions—your questions—to the President.

I'm honored to welcome President Barack Obama. Mr. President.

The President. Great to see you.

Mr. Rascoff. Thank you.

The President. Thank you so much.

Mr. Rascoff. Mr. President, our first question comes from Andrew Houston in Gainesville, Florida. Let's watch his video.

[*At this point, a video was shown.*]

Q. Good morning, Mr. President. My name is Andrew Houston in Gainesville, Florida, and I was wondering how you feel rising interest rates over the last 3 months are going to affect the housing recovery going forward. I was actually fortunate enough to refinance at historically low rates earlier this year, but I am still well in excess of 30 percent negative on my mortgage, and I'm wondering how these interest rates are going to affect the future value of my home. Thank you very much for your time.

The President. Well, it's a great question, and obviously, particularly in States like Florida, where, when the housing bubble burst, it was very painful. A lot of people have been watching the interest rates and watching what are happening with home values.

Just a little bit of historic context. What we saw in terms of the plunge in home prices in the midst of the great recession was something we hadn't seen in a very long time. And it hurt a lot of families. Homeownership is the quintessential element of the American Dream. It's what all of us understand when we say we want to have some middle class security.

And so what we did over the first 3½, 4 years of my administration was throw everything that we could at helping homeowners who had seen their houses go underwater to slowly build back that equity. With the help of the Federal Reserve, interest rates came down. And as you said, Spencer, what we've seen is healing pretty much across the country when it comes to the housing market.

We've also seen a lot of refinancing activity, in part because we modified some administrative rules so that folks who had Government guarantees could refinance even if they were underwater. And it saves people a lot of money, up to $3,000. We've seen interest rates now tick up. So far at least, though, the housing market has continued to be fairly robust. And there's been reporting just this week, some of the data has come in showing that you're still seeing some good, steady growth.

But I think that all of us recognize that it is still a soft housing market, in part because it's still a soft employment market. There are still a lot of folks who are out of work. And the real economy is directly related to the housing market. So what we've heard from the Federal Reserve Chairman is that he thinks it's important for interest rates to remain relatively low so long as unemployment remains high. That should continue to help the housing market.

But given that interest rates tick up a little bit as the economy improves, it is especially important for Congress to act on the proposal that we put forward, which says let's not just let a few people refinance, let's allow everybody who is potentially eligible to go ahead and refinance. It can end up being the equivalent of a $3,000 tax cut, basically, money in your pocket; or, alternatively, as Andrew was talking about, it gives homeowners an opportunity to start building back some of the equity in the home that they lost during the great recession.

Mr. Rascoff. And you're referring to HARP 3, which we have a lot of questions about, so we're certainly going to discuss that. To keep the long-term perspective, mortgage rates have ticked up about a point, but we're still in the low fours, which, if you take the long view, is still an incredibly low rate for a mortgage.

The President. Well, not to get too personal, but our home back in Chicago—not the White House, which, as I said, that's a rental—[*laughter*]—our home back in Chicago, my mortgage interest rate, I would probably benefit from refinancing right now. [*Laughter*] I would save some money. When you're President, you have to be a little careful about these transactions, so we haven't refinanced. But there's no doubt that somebody like Michelle and I, who bought our house several years ago, that if we went out to the market right now, we'd end up saving some money.

Mr. Rascoff. Right, right.

This next question comes from Jill Fitzpatrick, from Louisiana, and she's from a part of the country where home values have bounced 20 percent off the bottom. Let's watch Jill's video.

[*A video was shown.*]

Q. My name is Jill Fitzpatrick. I was wondering what changes you think could be made to help second-time homeowners. I refer specifically to young families who lost considerable equity in their first homes due to the housing bust, families faced with buying a second, larger house now in a market like New Orleans, where I live, where prices have skyrocketed astronomically, pricing many of us out of what should have been a logical and economically feasible next move.

The President. Well, I think the point that was made there is really important. Most of us, when we buy our first home, we buy a starter home. When Michelle and I bought our first home, we bought a condo, and lived in it for about 10 years before we then moved into a full-fledged stand-alone home. And the reason we were able to do it was because we built up some equity, as well as got some raises and eventually were able to get the down payment together for a larger house. It's tougher now for folks who have lost their equity.

I can't say that there is a magic formula in a situation that was just described, in a place like New Orleans. On the one hand, it's great that housing values have bounced back; on the other hand, most folks haven't gotten all their equity back if they purchased right in 2005 or 2004, right before the bubble popped.

What we do know is that if, number one, we keep interest rates low, that will help. Number two, that keeping the overall economy moving in the right direction means that there is a stronger market for homes and the values of the existing starter home goes up. The good news is, is that you've got a lot of potential families or families that put off buying a home during the midst of the recession, and so if you look at the numbers, the amount of new family formation is going to be increasing fairly rapidly. There's going to be pent-up demand. And potentially, those smaller starter homes, they're going to increase in value as well.

And one of the things that we've been looking at is, finally, how can we make sure that more people whose homes are still underwater can potentially benefit from the refinancing programs that we talked about.

Mr. Rascoff. All right. So that's a perfect segue to the next question, which is in fact about HARP 3. So this question comes from Colin Robertson. And of course, HARP is the Government program which lets homeowners who are underwater on their home refinance their mortgage, as long as they're not more than 20 percent underwater and as long as their loans are backed by Fannie and Freddie. About 10 percent of the questions submitted today were about HARP.

So Colin writes to us. He says: "What's happening with MyRefi or HARP 3? Is there any hope of such a program?"

The President. I think there should be hope. Keep in mind that this is a program that not only I put forward and supported and talked about during the State of the Union, but this was an idea that was strongly supported by Mitt Romney's chief economic adviser. So there shouldn't be an ideological barrier to getting this done. This should be something that Democrats and Republics can come together and get done.

Now, Congress, I think all of us recognize, has been a little broken lately. But the good news is, is that there are Republican and Democratic Senators, at least, who have been in a conversation about how do we learn the lessons of the past and start building a firmer foundation for housing going forward. And a lot of the concerns, a lot of the questions had to do with how do we get Fannie and Freddie reformed so that they are not in a situation in which taxpayers are essentially subsidizing huge risks that they're taking.

As part of a package, you could see Fannie and Freddie reform that protects taxpayers, puts housing on a more stable footing, but in the interim also provides some immediate relief to homeowners, giving them a chance to refinance while interest rates are still low.

So this is something that I'm going to push again once Congress gets back in September, once they're back in session. As part of a broader package of housing reform, let's see if we can potentially even get this done before the end of the year.

Mr. Rascoff. And we're going to talk about GSE reform, which was a very hot topic among the questions that were submitted as well.

This question is from Jason Boatman, from Phoenix. Phoenix, of course, is one of the parts of the country that was hardest hit by the recession. It's where you delivered a very important housing address yesterday. Let's see what Jason has to say.

Jason writes: "I live in the greater Phoenix area. My neighborhood has been hit very hard by the foreclosure crisis. Things are finally starting to look up, but we're certainly not back to prerecession levels. How is the administration planning to help homeowners in areas like Phoenix regain our footing?"

The President. Well, there were some areas like Phoenix, like Las Vegas, parts of Florida, that had been especially hard hit. So in the immediate aftermath of the crisis, one of the things that we did was to get a special fund allocated to those States specifically to help some of these communities. In some cases, it meant more hands-on help and counseling for homeowners in these areas. In some cases, it was a question of States or local communities finding ways to get some of the foreclosed properties off the market or at least stabilized so that they weren't depressing adjoining properties.

And we are continuing to work with the mayor of Phoenix, the mayor of Las Vegas, those communities that had been especially hard hit.

In some areas, one of the questions is, are there so many foreclosures and abandoned properties that it actually pays off for us to either repair them and put them on the market as rental properties, or alternatively, in certain areas of the country where these are really rundown properties, go ahead and tear them down.

The advantage of putting these on the rental market is obviously if somebody is living in them, they're more likely to maintain them, and it creates the kind of atmosphere in the neighborhood that allows property values to go back up. And we've got a lot of creative programs like that. What we want to do is make sure that there are enough resources coming out of Congress. And the Secretary of Housing and Urban Development I know has a number of ideas about how we can have even more of an impact in revitalizing some of those communities that have been hardest hit.

Mr. Rascoff. It's been great to see in some of these communities institutional investors have been buying up tens of thousands of these properties and rehabbing them and then renting them, in some cases, renting them to the existing homeowners who are underwater on their own home.

The President. That makes a lot of sense, and it's good business sense. Look, we know that a basic principle of the free market is if you can buy low and sell high, you're in a pretty good spot. These institutional investors pulling together big chunks of property, going ahead and making them rental properties, which help to cover their costs immediately, but they're also hoping to see appreciation in the long term. That can be good business sense for them. But just as importantly, or more importantly, for those middle class families where they saw these property values drop, having that kind of stabilization can really make a difference.

And in a place like Phoenix, we've actually seen 20, 25 percent increases in property values. People are feeling much more optimistic about the future than they were before. And we're also seeing more housing construction going up, which tells you that there's still pent-up demand out there. We've just got to make sure that we get everybody firing on all cylinders to maximize it.

Mr. Rascoff. This next question comes from Jacob. Jacob is among the one-in-three millennials who lives with his parents because he can't find affordable housing. So let's watch Jacob's video.

[*A video was shown.*]

Q. Good morning, President Obama. My name is Jacob, and I live in L.A. I'm a recent college graduate with a full-time job, but I still live at home with my parents. I'm wondering, with massive student loan debt, will I ever be able to move into a house of my own? Not even looking to buy, just looking to rent.

The President. Well, Jacob asks a question that a lot of young people are asking right now. And there are two components to it. Number one, we need more affordable, quality rental housing. And what I said in my speech yesterday, all of us, long term, have the aspiration of a home of our own. But in a lot of markets, renting is a great option, especially if you're still young. And so as we look at the various housing proposals that I've put forward—making sure that people can refinance, making sure that we're reforming these GSEs—one of the components is also making sure that we've got more resources to construct or get on the market more affordable housing.

And that is not something that people should shy away from, deciding that at this stage in their lives—Jacob looked like a pretty young guy—that renting is probably the best option, until you know that you can actually purchase safely, soundly, and make your payments. Part of what happened during the housing bubble was that people who probably should have been renting were encouraged to go into the housing market, and they got hurt and the economy as a whole got hurt.

But he also mentioned something else, which is the fact that a lot of young people, what for their parents would have been the down payment on a home right now is going to service their student loan debt.

Mr. Rascoff. Right.

The President. So I know that Zillow is focused on housing and not college education, but I will say that some of the initiatives that I'm putting forward to drive down the cost of college and the debt burdens that young people have when they get out of school can make a huge difference in the housing market over the long term, because the $30,000 or $25,000 on average that young people from State universities are coming out with in terms of debt, that's a down payment on a house.

And so we've got a whole range of ideas about how we can drive tuition down, work with universities to be more efficient, help young people graduate faster so that they're not ending up spending more money, reducing the interest rates on student loans. All that will have an impact on the housing market.

I should add, by the way, there's another issue that doesn't seem like it's related to the housing market, but actually is related, and that's immigration reform. We know that if we get immigration reform done, suddenly, you've got all kinds of families coming out of the shadows, paying taxes, paying penalties, but they're also going to be really likely to buy homes, oftentimes in some of the neighborhoods where you have the most foreclosures, the most trouble. They add value to a community, increase property values.

And over the long term, it's one of the reasons why it's estimated that immigration reform would actually add a trillion dollars to the overall economy, it's partly because they'd be buying houses.

Mr. Rascoff. It's what's so interesting about the housing industry overall is it impacts all these disparate issues, from immigration to student loans to the global economy. So it's——

The President. Well, part of—and the reason is, is because this is where most Americans have their wealth.

Mr. Rascoff. It's where our wealth is. Yes. [*Laughter*]

The President. So if you've got trillions of dollars tied up in housing, if we get that right, then it makes a big difference everywhere else.

Mr. Rascoff. All right, so the big one, GSE reform. This next question comes in from Steve from Bloomington, Minnesota. And Steve writes: "If Congress is successful"—and if you're successful—"in scaling Fannie Mae and Freddie Mac down, what model fills the gap?"

The President. Well, we are fairly unique in the sense that most advanced developed countries don't have such a large government presence in the housing market. Traditionally, Fannie and Freddie was supposed to be subsidiary to the private marketplace. And prior to the great recession, in fact, Fannie and Freddie's portfolio was as a total a smaller percentage of the overall lending that was taking place in the housing market. Now it's significantly higher, right?

And what we've tried to do is to make sure that we're providing the support we need to help the housing market heal, but recognize you can't have a situation in which the Government is underwriting and guaranteeing all the mortgage lending that's taking place around the country and big profits are being made by these quasi-private institutions, and then if things go wrong, suddenly taxpayers are on the hook.

So a couple of things that we've done administratively, we've been trying to reduce the portfolio each year by an incremental amount so——

Mr. Rascoff. The loans owned by Fannie and Freddie.

The President. ——loans owned by Fannie and Freddie—not too quickly, but allowing the market to catch up.

Our long-term goal is to say let's have the private market get in there and provide those loans. And what the Government can do is to step in to make sure, for example, that there's still a 30-year mortgage available, to make sure that homes that are not too upscale are available for young families, for veterans, for folks who may have some limited means, but have saved and scrapped and are ready to go out there and buy.

But, for example, we increased the maximum home value that could be financed in the midst of the recession because it helped to strengthen homes. Now we're starting to scale that back. And we're actually confident that the private market can step in, do a good job, and the Government can be a backstop so that we still have affordability and 30-year mortgages, but it's not the dominant player.

And in some ways, it's a return to earlier models. The way to think about it, I think, is that during both the housing bubble and its aftermath, Fannie and Freddie just got too big, and that was anomalous. That was not sort of typical of what's happened during the course of our history in the housing market.

So the good news is that you've got a bipartisan bill; Senators Warner of Virginia and Corker of Tennessee are working together. The principles that they have announced are ones that are pretty consistent with me: Let's have the market get in there. Let's make sure you don't have a "heads I win, tails you lose" formula for Fannie and Freddie, so that taxpayers aren't left on the hook, but we're still focusing on affordability, we still are focused on a 30-year mortgage.

And my expectation is, is that if a bill passes—and I think it's the right thing to do for the economy over the long term—it's still going to be phased in. So the one thing we want to prevent is just at a time when the housing market is getting back on its feet, that suddenly you have a big shock to the system. This is something that would have to be phased in over a number of years and I'm confident could be done.

And look, lenders can go in there and make some money doing it. In fact, you could argue that part of the reason why a lot of first-time buyers or well-qualified buyers are having trouble right now is that a lot of lenders are worried that Fannie and Freddie and the Government-backed loans may end up squeezing them if for some reason buyers aren't making their payments. And so they're tightening up their——

Mr. Rascoff. Their own standards.

The President. ——status and that the market might be willing to take more educated risks about the market if, in fact, you had the private sector back in there.

Mr. Rascoff. So from Fannie and Freddie to loans not backed by Fannie and Freddie, this next question comes from Elias. And about 30 percent of our questions actually touch on themes that Elias asks about. Let's watch his video.

[*A video was shown.*]

Q. Mr. President, what help is available for homeowners who are looking to refinance, but don't have their loan backed by Freddie or Fannie? Thank you.

The President. Well that's—we've already talked about that. That's the HAMP 3 program——

Mr. Rascoff. HARP.

The President. ——HARP 3 program. And so this is something that can get done.

Keep in mind, by the way, this would be good for the entire economy, because some of the money would go back to building equity. But some folks would decide they're going to buy a new laptop for their kid who's going off to college, or they'd end up using that to help finance a new car. And as a consequence, the entire economy would be more likely to pop, which in turn would help the housing market and help home values.

Mr. Rascoff. So tell Elias to root for HARP 3. [*Laughter*]

The President. Well, don't just root for it. Everybody who's on Zillow, there's no reason why you shouldn't contact your Congressman and say, why aren't we doing this? This should be a no-brainer.

Mr. Rascoff. All right. Our last question comes from Jennifer in North Carolina. Jennifer writes in, she says: "I'm a high school teacher in North Carolina. I get paid so little that I can't afford my own apartment. The rent here goes up every year, but I haven't had a raise in years. A fixed mortgage would be more consistent than rising rents, but I don't have the job stability." So what advice would you give to someone like Jennifer, and how can the Government help?

The President. Well, the first thing I'd say is teachers need to get paid more. And I mean that. Look, one of the challenges that we've seen is, is that middle class families—teachers, construction workers, firefighters—their wages and incomes have not gone up even if their jobs have held steady. Some of them have lost jobs.

And one of the big challenges for our housing market is making sure that not only do we have a strong employment market, but people, if they're working hard, they should be getting paid a decent wage. And a lot of what I'm doing and will continue to do for the remainder of my Presidency is focused on how are we improving middle class security. And teachers fall in that category.

Now, we already talked about the fact that renting can be a good option if we get more affordable rental housing on the market. And there are a number of communities that have been doing creative stuff. There are a number of properties that right now are sitting there not being rented, big chunks in certain cities. In my hometown of Chicago, for example, we could be renovating, rehabbing, and putting on the rental market thousands of units that would help to stabilize rental prices. Ideally for somebody like Jennifer, renting for a while at a affordable rate that allows you then to save a nest egg that lets you then put your down payment on a home. That's traditionally how folks did it.

It's nice if your parents can help you or your grandparents. But for folks like Michelle and I, who didn't come from a fancy background—actually we lived in Michelle's mom's house for a couple of years.

Mr. Rascoff. Just like Jacob. [*Laughter*]

The President. Just like Jacob—before we were able to get the down payment together. And that's how we do things.

So just one closing comment, Spencer. I think you guys have done a great job in helping to make consumers more empowered when they are buying a home, selling a home. And it's a wonderful service. One of the things that we're really proud of is the Consumer Finance Protection Bureau that we've put together, headed up by Richard Cordray, a former attorney general in Ohio. And the CFPB, as we call it, its entire job is how do we help consumers so they get a fair deal.

One of their key focus areas has been on home finance and mortgages. And we can expect that we're going to try to simplify mortgage as soon as the fall, so that you don't have a lot of fine print, you know exactly what you're getting. Somebody who's involved in a transaction can operate with some complete transparency; they can know what they might owe once they get a mortgage potentially approved.

The more knowledge consumers have, the more empowered they're going to be and the more likely they're going to be to live out the American Dream that I think all of us want to see not just for ourselves, but for our kids and our grandkids.

Mr. Rascoff. And we have been big fans of what the CFPB is trying to do with mortgages, and we've actually been working with them and giving them comments on it. So Zillow is all about transparency of information, empowering consumers. And so certainly if we can make it easier for people to understand the complexities of a mortgage, then that would be great for the country.

The President. Absolutely. Well, you guys have done a great job.

Mr. Rascoff. Thank you. Thank you very much, Mr. President. And a big thank you to the thousands of Americans who submitted questions. I hope this conversation answered a lot of them. And Zillow is honored to have hosted this event. Thank you.

NOTE: The President spoke at 10:01 a.m. at the Hilton Woodland Hills hotel. In his remarks, he referred to R. Glenn Hubbard, dean, Columbia University Business School, in his former capacity as chief economic adviser to 2012 Republican Presidential nominee W. Mitt Romney; Mayor Greg Stanton of Phoenix, AZ; and Mayor Carolyn G. Goodman of Las Vegas, NV. He also referred to his mother-in-law Marian Robinson. He also referred to the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

Categories: Addresses and Remarks : Los Angeles, CA, housing virtual town hall meeting and question-and-answer session.

Locations: Los Angeles, CA.

Names: Bernanke, Ben S.; Cordray, Richard A.; Corker, Robert P., Jr.; Donovan, Shaun L.S.; Goodman, Carolyn G.; Hubbard, R. Glenn; Obama, Michelle; Rascoff, Spencer M.; Robinson, Marian; Romney, W. Mitt; Stanton, Greg; Warner, Mark R.

Subjects: California : President's visit; Consumer Financial Protection Bureau; Economy, national : Household incomes, decline; Education : Postsecondary education :: Affordability; Education : Teachers; Housing : Federal Home Loan Mortgage Corporation (Freddie Mac); Housing : Federal National Mortgage Association (Fannie Mae); Housing : Housing market :: Decline; Housing : Housing market :: Improvement; Housing : Housing market :: Strengthening efforts; Housing : Mortgage market and lending practices :: Improvement efforts; Housing : Mortgage market and lending practices :: Refinancing; Housing : Rental housing, expansion and improvement efforts; Housing and Urban Development, Department of : Secretary; Immigration and naturalization : Reform; Reserve System, Federal.

DCPD Number: DCPD201300552.