Bloomberg View

REAL ESTATE

Credit Crunch Lives on in Housing

OCT 22, 2014 3:09 PM EDT

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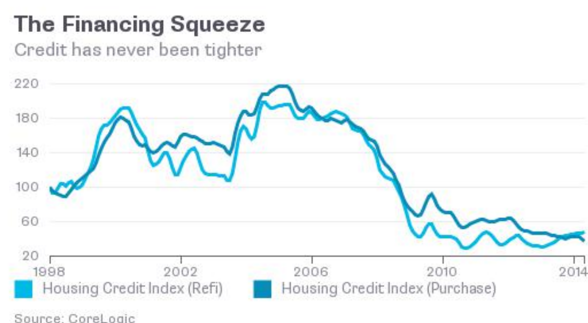
Don't be fooled by low mortgages rates, which once again are below 4 percent: Credit for buying a home or refinancing an existing mortgage has almost never been tougher to get.

What's behind this?

Leading up to the financial crisis, the U.S. housing bubble was a symptom of the broader decline in credit quality. As lenders struggled to keep the pipeline full of mortgages that could be passed on the Wall Street for packaging into securities, standards eroded to the point where almost anyone who asked could get a loan.

Since the financial crisis, though, banks have over-corrected and become so risk-averse that lending standards have swung to the opposite extreme. Despite last year's exuberance about a housing recovery, it is harder to qualify for a mortgage today than when the financial crisis began. We've said it before, but we'll say it again: When former Federal Reserve chief Ben Bernanke can't refinance his home mortgage, you know there's a problem.

This is illustrated in the chart below using an index developed by CoreLogic, a real-estate and financial-services data consultant:



Lenders aren't solely to blame. Not only were many of them forced to settle expensive litigation

stemming from their past practices, but regulators also imposed rules and guidelines that have had the effect of discouraging lending.

Regulators are starting to ease some of their requirements to expand consumer access to mortgage money. This will help, but won't be enough. The only way the U.S. housing market can only move toward a sustainable recovery is if employment and income growth -- along with access to credit -- improve.

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