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## *My view: Millennials get housing break*

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As the housing crisis fades into memory, it's critical that the nation implement smart policies to keep the long, painful incident from recurring.

Regulations in place today – such as a prohibition of writing loans without verifying income – will reduce, if not eliminate, predatory and irresponsible lending practices.

But equally essential to a housing recovery is putting homeownership in reach for first-time buyers, particularly the millennial generation. Millennials didn't create the housing crisis, but they now find themselves working in a sluggish job market while paying sky-high rents that prevent them from saving for a down payment.

President Barack Obama's recent announcement to reduce the Federal Home Administration's annual mortgage insurance premium from 1.35 percent to 0.85 percent is a significant step toward making homeownership affordable, especially for younger buyers.

Because of the premium cut, an individual or couple buying a \$200,000 home with 3.5 percent down payment would save nearly \$80 a month, or \$957 a year.

When these mortgage insurance premiums were increased in 2013, it put homeownership out of reach for many Americans. The FHA loan programs were designed with a first-time home buyer in mind – particularly individuals who are cash-constrained, but otherwise demonstrate creditworthiness.

For a new homeowner or a family utilizing FHA programs to upgrade their housing situations, the savings are substantial. Further, the applicant must fully qualify and demonstrate ability to make the payments. This monthly reduction allows a bit more flexibility for qualification purposes.

The White House hopes the savings will help 250,000 new home buyers qualify and pay for a mortgage, while 800,000 others will be better able to refinance an existing loan.

Millennials also should be aided by Fannie Mae and Freddie Mac's decision to re-enter the mortgage market with lower down payment requirements; they are now as low as 3 percent. Accumulating a down payment is often the biggest hurdle for a first-time home buyer. This change should ease some of that burden.

Research from Zillow in September 2013, before Freddie and Fannie's decision to back 3 percent-down mortgages, had already found that "slightly more than one-third (36 percent) of renters aged 18-34 said they expect to buy a home within the



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next year. But more than half (54 percent) of 18- to 34-year-old renters said they expect to buy a home in 1 to 2 years or 3 to 5 years."

As the home sales season ramps up through the spring, however, it will be interesting to see if these new standards entice millennials and other home buyers. The new 0.85 percent premium still is higher than historic norms.

If it doesn't, bolder steps may be needed.