# The Federal Reserve on Home Ownership

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by Carla Hill, Managing Editor

Homeownership has always been a hallmark of America life. In recent years, homeownership became more readily accessible. In fact, according to the Federal Reserve, "Tax incentives, mortgage insurance from the Federal Housing Administration, and other government policies all contributed to a long rise in the U.S. homeownership rate--from 45 percent in 1940 to a peak of 69 percent in 2004."

At first glance, this accessibility seemed like a positive step, since research has shown that high levels of homeownership can increase school and community involvement, lead to higher graduation rates, and of course neighborhood stability. But predatory lending and underwriting practices meant that many buyers became homeowners before they were financially ready.

Federal Reserve Chairman, Ben S. Bernanke, addressed the issue last week, saying, "... we have been concerned about reported irregularities in foreclosure practices at a number of large financial institutions. The federal banking agencies are working together to complete an in-depth review of practices at the largest mortgage servicing operations. We are looking intensively at the firms' policies, procedures, and internal controls related to foreclosures and seeking to determine whether systematic weaknesses are leading to improper foreclosures."

He noted, "Homeownership is only good for families and communities if it can be sustained. Home purchases that are very highly leveraged or unaffordable subject the borrower and lender to a great deal of risk."

What is being done to stave off further financial and housing crises?

In response to the fallout from the financial crisis, the Fed has helped stabilize the mortgage market and improve financial conditions more broadly, thus promoting economic recovery.

This week, The New York Times reported that the Fed is poised again to aid the economy through "quantitative easing, a strategy of buying Treasury securities to put downward pressure on long-term interest rates. The hope is that new action by the Fed will make a deflationary spiral of falling prices less likely, and make it somewhat easier for consumers and businesses to borrow and spend."

The Fed is also involved on local levels, with programs such as MORE and HOPE NOW.

According to Bernanke, "MORE involves all 12 Federal Reserve Banks and the Board of Governors in a collaboration that pools resources and combines expertise to inform and engage policymakers, community organizations, financial institutions, and the public at large. ... A number of Federal Reserve research projects also have been initiated as part of the MORE program. They include studies focusing on foreclosure prevention, financial education, and adverse neighborhood effects resulting from foreclosures."

The HOPE NOW Unemployment Taskforce helps unemployed homeowners keep their homes. How does it work? It is an alliance between counselors, mortgage companies, investors, and other mortgage market participants. This alliance maximizes outreach efforts to homeowners in distress to help them stay in their homes and creates a unified, coordinated plan to reach and help as many homeowners as possible.

To find out more about the HOPE NOW program, please visit hopenow.com

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