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Feds' Dreamer policy a double whammy for housing market

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In this Nov. 17, 2009 photo, A "sold" sign is seen outside a home in Los Angeles. October home sales are up 10.1 percent, beating expectations, as tax credit spurs sales. (AP Photo/Reed Saxon) REED SAXON AP

The housing markets have taken another hit as a result of the Trump administration's immigration policies.

Those policies have already taken a toll on the construction sector, where there are currently an estimated 404,000 job openings — openings once filled, at least in part, by immigrants, some of whom probably came into the country illegally.

Now, the Department of Housing and Urban Development has said that so-called Dreamers are no longer eligible for federally insured mortgages. Dreamers are covered by a 2012 executive order signed by President Barack Obama — called Deferred Action for Childhood Arrivals, or DACA — that allows young people who were brought to this country illegally by their parents to avoid deportation.

According to federal estimates, there are nearly 800,000 Dreamers in the United States. They grew up here and consider themselves American in every way except on paper. Though mostly Latin American in heritage, they come from two dozen different countries.

The HUD ruling reverses a longstanding "look-the-other-way" position that Dreamers qualify for loans backed by the Federal Housing Administration under certain circumstances. Not only were most lenders caught off guard by the change, it also is contrary to what HUD Sec. Ben Carson told Congress earlier this year.

In response to a question during hearings in April, Carson said that the government's policies on FHA loans for Dreamers had not changed. He said he had checked with the FHA and "no one was aware of any change that had been made to the policy whatsoever."

"I'm sure we have plenty of DACA recipients who have FHA mortgages," he told lawmakers.

When President Obama signed the DACA executive order, then-Homeland Security Secretary Janet Napolitano said the policy "confers no substantive right, immigration status or pathway to citizenship."

The FHA had a long-maintained policy that non-citizens without legal residency are ineligible for government loans. For the most part, neither lenders nor the FHA paid any attention to that policy. But last year, the FHA quietly began telling lenders that Dreamers were no longer eligible, leading to confusion in the market. And now HUD has made its stance official.



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Len Wolfson, HUD's assistant secretary for Congressional and Intergovernmental Relations, said in a mid-June letter to California Rep. Pete Aguilar that "because DACA does not confer lawful status, DACA recipients remain ineligible for FHA loans."

He said the FHA has long maintained that non-citizens without legal residency do not qualify.

Democrats in Congress have already taken steps to change the new policy. The House Financial Services Committee has cleared legislation that would ensure DACA recipients cannot be denied federally backed mortgage because of their immigration status. Because the party controls the House, the measure is likely to clear that body. But a similar bill in the Republican-controlled Senate may not go anywhere, especially because it goes beyond the House measure to include loans purchased by Fannie Mae and Freddie Mac and guaranteed by the Department of Agriculture's Rural Housing Service.

The Senate bill is sponsored by a dozen Democrats. Among them are a number of presidential hopefuls, including Kamala Harris, California; Amy Klobuchar, Minnesota; Kristin Gillibrand, New York; Bernie Sanders, Vermont; and Cory Booker, New Jersey.

In the new construction sector, meanwhile, about 30 percent of all construction jobs, both residential and commercial, are held by non-native-born individuals, according to Census Bureau data. But in some states, immigrants take a larger share —42 percent in California, for example, and 41 percent in Texas.

There's no way of knowing how many undocumented immigrants work in the housing sector. Builders won't talk about it, and when pressed, they say it is up to their subcontractors, not them, to determine the status of the workers they employ. But Robert Dietz, the chief economist at the National Association of Home Builders, says he has heard "anecdotal evidence" from some of his members that last month, when President Trump announced an impending widespread roundup of immigrants targeted for deportation, there was "increased absenteeism" on job sites throughout the country.

According to the NAHB, the concentration of immigrants is particularly high in such key trades as carpenters, painters, drywall installers, brick masons and laborers. These are trades that require less formal education but consistently register some of the highest shortages reported by builders.

As of April, the number of construction-sector job openings was at a post-Great Recession high. The lack of labor is the top issue for builders, more challenging than the cost of land or materials, or even the cost of local building and zoning regulations.

The labor shortage impacts new construction in several ways. It takes longer to build and, if a builder is forced to hire inexperienced people, there's likely to be more than the normal number of defects — mostly cosmetic, but possibly structural — that will have to be addressed before or after buyers move in. But if builders hold out for experienced workers, it's likely to increase their costs, which is almost always passed on to buyers in the form of higher prices. And that, of course, contributes to the primary hurdle facing today's buyers: affordability.



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