



VERMONT MORTGAGE BANKERS ASSOCIATION

VMBA Testimony on S.100

House Environment and Energy Committee

April 21, 2023

The Vermont Mortgage Bankers Association (VMBA) supports S.100. Vermont's housing shortage is not a recent development. The problem has been well-documented for years, and VMBA appreciates the legislature's efforts to address the issue. As you work through S.100, we encourage you to advance a well-funded, robust proposal that will support the creation and rehabilitation of as much housing as quickly as possible. Specifically, we support:

- Municipal and Act 250 permitting relief for housing that is meaningful and robust; and
- Substantial funding for the middle-income homeownership development program, the rental housing revolving loan program, and the rental housing improvement program.

With that said, we understand the delineation in committee jurisdiction. We know you're neither the housing committee, nor the appropriations committee. We want to support efforts to provide significant and meaningful municipal and Act 250 permitting relief. Such relief is critical if we're going to create the necessary housing that is needed in Vermont.

Purchasing and financing a home is challenging in today's environment. Prices remain elevated. Inventory – homes on the market – remains low, and interest rates remain above the historically low rates that Vermonters enjoyed for years. When we look at some of the recent statistics, we see that the scarcity of available homes is having a significant impact.

- From 2016 through 2022 at Union Bank:
 - The percentage of purchase transactions where the primary borrower is age 35 or less has declined 19%.
- Government and PMI loans are typically used by first time and/or low to moderate income home buyers who don't have a 20% down payment or may not meet the eligibility requirements of the GSE's, Fannie and Freddie.
 - Purchase loans involving a government guaranty such as FHA, VA and RD have declined 45% from 2016 to 2022.
 - Purchase loans involving private mortgage insurance have declined 18% from 2016 to 2022.
 - Purchase loans utilizing VHFA have declined 50% from 2016 to 2022. And Union Bank is the # 2 VHFA lender in the state.
 - The average loan amount on purchase transactions has increased 30% from 2016 to 2022.

- The average construction loan amount has increased 63% from 2016 to 2022.
- Only 1 in 3 pre-approvals result in a loan application due to the limited inventory.
- According to Redfin and Zillow the median home sales price in March of 2023 was between \$332,000 and \$335,00.
- The median household income in the State of VT for 2021 was \$67,674.
- To purchase a home for \$335,000, a borrower(s) would need to have \$67,000 (20%) for a down payment and household income would need to be approximately \$83,000 based on industry average eligibility requirements. If a borrower(s) only had \$16,750 (5%) for a down payment, household income would need to be approximately \$100,000 due to the need for either a government loan guaranty or private mortgage insurance.

- The experience at New England Credit Union is similar.
 - At best, pull through of around 33%
 - 1 in 3 people approved and looking for a home are able to find one
 - From VHFA, the median price of a home in 2022: \$310,000
 - Newly built: \$555,264
 - Loan amounts – NEFCU data from 1993 to the present
 - Average annual increase was 4%
 - 2022 saw a 15% increase
 - \$284,000
 - ~\$287,000 in 2023
 - From CNBC: As of 2022, VT is the 10th most expensive state to live in, 3rd most expensive to retire in 2023.
 - Lenders work a lot with conforming loan amount limit which is \$726,200.
 - Could VT soon be a high-cost area?
 - There are currently high-cost areas within the following states: California, Colorado, District of Columbia, Florida, Idaho. Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Tennessee, Utah, Virginia, Washington, West Virginia and Wyoming.
 - In calls with builders, we learned:
 - It is the permitting/zoning that impacts the cost, and
 - The upfront expectation for developers when it comes to establishing the infrastructure also makes it difficult to build and sometimes is why they pass on even bidding on a project.
 - Increase in modular and manufactured homes
 - This is again at the national and state level.
 - Permitting and zoning restrictions still play a part.
 - We are seeing an increase in non-conventional housing. Everyone is desperate. Recent inquiries include:
 - Yurts and
 - Shipping containers.

Thank you for your work on S.100 and for the opportunity to testify on the bill.