

## A Message from the President of the Youngstown Columbiana Association of REALTORS®

### PATRICK SAYS 'RELAX,' IN WORRYING ABOUT A HOUSING MARKET CRASH

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15 years ago, the housing market crashed, causing a worldwide recession. While that history is in our not-so-distant past, many are correlating the same things we are seeing in our current market conditions as a reason to push the panic button. Above list price sales, new construction delays and low interest rates point towards a Hindenburg-type crash but listen to Patrick and just, "Relax." While today's market cannot sustain itself, a crash equivalent to 2006 is unlikely and here's a few reasons to help you remove the paper bag from your face.

#### LACK OF LOOSEY GOOSEY LENDING STANDARDS

While money is cheap right now, lenders are not embracing the "anyone can get a loan" practices from 15 years ago. The practices that ultimately brought down banks and mortgage companies are not being leveraged in today's market. Standards for lending have raised, just like home prices, making obtaining a mortgage more transparent and secure. Stricter income, credit and asset checks make it real for not only the borrower but cushion the lender and the housing market with stricter regulations and processes in place.

#### COVID CARE PACKAGE FOR MORTGAGE PAYMENTS

One of the biggest issues with the housing market crash of 2007 were foreclosures, which increased housing supplied across the board. Foreclosures during times when unemployment are high causes a crash in equity for homeowners because prices start to plummet. This was a real concern during the pandemic but forbearance plans helped mitigate this risk. The forgiveness or postponement of mortgage payments allowed people to avoid delinquencies, focusing on getting back to work and back to paying their home payments. The success of the forbearance plans has declined the number of mortgages that were 60-89 days past due by almost a full percentage point, much stronger than were it was during the recession 15 years ago.

#### RATES ARE GREAT...STILL

I wish I could say that I wasn't surprised by the sales boom that followed the pandemic. The real estate industry and Realtors® across the country were panicking more than people are doing now over a potential crash. However, sales soared as buyers took advantage of record-low interest rates. For over a year, I've been preaching to you about the opportunity to take advantage of interest rates and there is no sign it will change. Through 2020, rates remained the 3% line while home sales reached their highest level in 14 years. Low rates will still help people find the homes of their dreams at price they can afford.

While no one can predict the future, we can learn from our past. There will be an adjustment in the market but a crash, not so much. So listen to Patrick and, "Relax."

*Patrick Burgan is the 2021 President of the Youngstown Columbiana Association of REALTORS®*