The Daily Dish

Of Fleas and Elephant Guns

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There is little doubt that there is no bigger hot button issue in the presidential campaign than inflation. The Biden Administration and campaign remains on the defensive about rising prices, but has little coherent policy to deal with the issue. It confuses inflation – increases in the overall price level – with increases in the price of specific goods and services – drugs, gasoline, food, and so forth.

Consider, for example, the amusing "Biden-?Harris Lowering Costs Agenda." The housing section continues to tout pandemic-era subsidies (rental assistance to 8 million renters to help pay rent, keep them in their homes, and cover utility bills during the pandemic; homeowner assistance to over 500,000 homeowners for mortgage payments, utility expenses, and property taxes during the pandemic), even though this largely happened on the Trump Administration's watch, and are simply demand subsidies, which can only increase prices. (Genuine expansions of supply are the most sure-fire way to lower prices.) This is continued in:

- Providing rental assistance to more than 5 million households, including an additional 100,000 low-income families.
- Mortgage Relief Credit. President Biden is calling on Congress to pass a mortgage relief credit that would provide middle-class first-time homebuyers with a tax credit of $10,000 over two years.
- Down Payment Assistance for First-Generation Homeowners. The President continues to call on Congress to provide up to $25,000 in down payment assistance to first-generation homebuyers whose families haven't benefited from the generational wealth building associated with homeownership.

But the really hilarious quantitative focus is closing costs. Recall that the median sales price for a home in the United States is $420,000, so going after the $6,000 or so in closing costs isn't going to move the needle much. Nevertheless, the initiative includes a Consumer Financial Protection Bureau (CFPB) push to "pursue rulemaking and guidance to address anticompetitive closing costs imposed by lenders on homebuyers and homeowners."

Sure enough, if you flip over to the CFPB website, you will find: "CFPB Launches Inquiry into Junk Fees in Mortgage Closing Costs," which offers the line that "in recent years the cost of a credit report has risen substantially. Rising costs can prevent lenders from competing for every potential mortgage because these fees drive up the cost of considering an applicant." Subsequently, the CFPB launched a request for information, which is bureaucratese for "can we find anyone who will complain in writing about anything that irritated them in the closing process?"

> This request for information seeks input from the public on the impact closing costs have on borrowers and the mortgage market, including the degree to which they add overall costs or otherwise cause borrower harm, and any impact such fees may have on the ability to purchase a home, anticipate and afford monthly payments, or refinance an existing mortgage. In addition to hearing from the general public, the CFPB is particularly interested in hearing from consumers, industry participants, social services organizations, small business owners, consumer rights and advocacy organizations, legal aid attorneys, academics and researchers, and State and local

government officials.

But you can cut to the chase by checking out this Fair Isaac Corporation (FICO) blog, which traces the recent price increases and notes: “With that change, FICO began collecting in 2023 approximately $0.60 to $2.75 per FICO Score, which equates to approximately $2-$8 total for all three scores out of a $40 to $70 (or more) tri-merge [credit] report.

Does the CFPB think this sort of fee is the driving reason for high closing costs, and by extension, high housing costs? While the agency’s commitment to detail can be applauded, this may be yet another case of the administration’s junk fee obsession missing the forest for the trees.