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Default and Loss Experience for Two- to Four-Unit Properties.

Abstract

Two- to four-unit buildings disproportionately provide housing and income to low-income communities and minority owners and renters. This report explains why these loans are important, discusses how difficult it has become to obtain one, and establishes that an overcorrection by policymakers caused that difficulty. We need to encourage lenders to increase their loss tolerance and lend more readily for these properties. We recommend two policy actions: (1) ensure borrowers have counseling on how to minimize and manage income variability and how to be a landlord in a small building and (2) relax the current government-sponsored enterprise loan-to-value requirements.

Download the brief.

The Urban Institute

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