Housing Market Starts to Look Healthy

ECONOMIC VIEW
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Growth has been slow and steady, unlike the big leaps in the boom years.

MAX WHITTAKER FOR THE NEW YORK TIMES

FUTURE HOMES **More new homes were sold in July than in nearly a decade as builders have ramped up construction.**

New construction tends to be for smaller homes millennials can afford.

It has been an excruciatingly long time coming, but the housing sector in the United States is finally getting healthy. Thank millennials and homebuilders who are starting to produce more of the starter houses young people demand.

That's the conclusion to be drawn from a recent report that shows more new homes were sold in July than in nearly a decade. Buyers purchased single-family houses at the annual rate of 654,000, the highest rate since October 2007, the government said. That is 31 percent higher than a year earlier. Those numbers are volatile and include a wide margin of error, but combined with other evidence, the housing market seems to be solidly on the mend.

Builders have started work on new housing units at a pace of more than 1 million homes a year every month since April 2015, more than doubling from a low of 478,000 in the spring of 2009. Residential investment has made a positive contribution to overall gross domestic product for eight of the last nine quarters (and economists think that a drop in the second quarter was an aberration).

And in home price trends, there are some good signs, too, though not in the obvious way. In a new Census Bureau report, the median sale price for new homes actually fell, to $294,600 from $310,500 in June. That is a strong hint that there is more supply being built at the lower end of the housing market, exactly the kind of smaller houses that young adults can afford. "For years, the market has been practically begging builders to both ramp up their efforts overall and to put more focus on serving the less expensive end of the market," said Svenja Gudell of Zillow. "Today's data confirms both are happening in earnest."

That data isn't adjusted based on the size and quality of the house, meaning it implies a shift toward slightly smaller houses. But home price data that is adjusted for price and quality shows price gains that are gradual and steady — not a return to double-digit percentage rises that were evident in the boom-bust cycle of a decade ago. The S.&P./Case-Shiller home price index composite of 20 major cities has been rising at something very close to a 5 percent rate for two straight years.

That rate is a bit higher than the rate of growth in incomes, but is less worrisome than the double-digit percentage gains in home prices that prevailed from the summer of 2002 to mid-2006, the peak of the housing bubble.

Here's a narrative of the housing market over the last decade. As the housing bubble popped in 2007 and a global financial crisis and recession developed in 2008, home prices plummeted. Builders slashed their production of houses to below the level that long-term demographics would suggest is necessary to house an ever-growing population. There was a combination of oversupply from the boom years and tight credit because of the financial freeze-up. And people who had lost jobs and income because of the recession were in no position to buy.

But that was nearly a decade ago, and now we've had years when young adults have entered their prime home-buying time. Yet relatively few new houses to fulfill eventual demand were built. Mortgage rates have stayed near record lows, and job creation has been relatively strong. All that has been missing is homes in the right places and at the right prices.

The homeownership rate has been falling steadily from a record peak at the end of 2004, when it was 69.2 percent, to 62.9 percent in the second quarter of this year.

Today's young adults have not become homeowners at the same rate that earlier generations did. That probably reflects a mix of a weak economy and the lack of affordable housing supply in many of the hottest markets combined with perhaps some cultural shift toward buying homes later or even not buying at all.

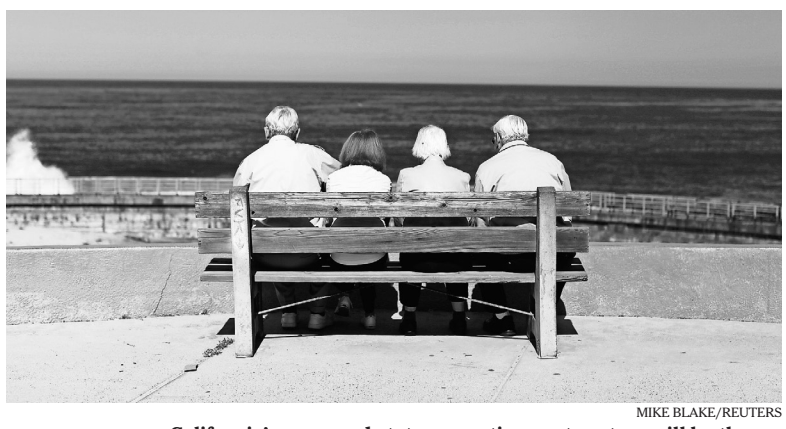
The current level of homeownership looks less disappointing if you consider the period of the mid-2000s to be an aberration born of the loose credit of the housing boom. The current 62.9 percent homeownership rate is the same as it was in the first half of 1965 and is only a bit below its level in the mid-1980s, when it hovered at 63 to 64 percent.

The question now is how far this housing expansion has to run, given the pent-up demand. Residential investment is 3.8 percent of G.D.P., compared with a 4.6 percent average since 1947. That implies there is further room for gains, even assuming that there is no repeat of the bubble experience from the last decade.

It's a rosy picture — and there's reason to think it could last.

California's Pension Push

RETIRING
MARY WILLIAMS WALSH



MIKE BLAKE/REUTERS

SAVINGS MODEL **California's proposed state-run retirement system will be the first mandatory program in the country. Couples at a California beach.**

California is preparing to create a mandatory state-run retirement plan for an estimated six million workers at companies that do not now offer retirement benefits.

The move could make California the first state to require companies to take part in such a system. Colorado was considering the idea but decided against it in May, and New Jersey and Washington have opted instead for programs with very limited state involvement. But Connecticut, Oregon, Maryland and Illinois are moving forward with their own state-run retirement programs and are looking to California as an example.

Currently, California's plan would require companies with five or more employees to take part in its Secure Choice Retirement Savings Program. The biggest companies will start first, and the smallest companies will have three years to get ready.

The companies will not be required to contribute to the program, just enroll their workers. Nor does the measure make state taxpayers directly liable. But the financial services industry is questioning whether the program will be financially viable — and what will happen if it is not.

The California State Assembly has approved the measure; next, it must be reconciled with the State Senate's version. Gov. Jerry Brown, a Democrat, will have 30 days to sign the measure into law. The bill has the support of unions and the AARP, among others.

Important features still need to be worked out, such as who will manage the money and what investment options will be available.

The United States Department of Labor issued a safe-harbor rule, making it possible for California to run its program without conforming with the federal employee benefits law, known as Erisa, that covers all nongovernment workers. The Secure Choice program may still be subject to regulation by the Securities and Exchange Commission, raising constitutional issues.

The Investment Company Institute, which represents the mutual fund industry, said the new safe-harbor rule seemed to pose a double standard, because the fiduciary standards for company retirement plans were recently tightened, and state-led plans like Secure Choice were exempt.

In a statement, the institute said the Labor Department "plans to turn a blind eye on the track record of mismanagement and abuse in state-run programs."

Secure Choice will initially invest workers' money in Treasury securities, through a federal program called MyRA, for "My Retirement Account," according to Yvonne Walker, a board member working on Secure Choice and the president of a large union local.

After the start-up, she said, the board will decide about which other investment options to offer workers and who should invest their money. Lawmakers hope that by requiring companies to enroll their workers automatically, and leaving it to the workers to take the extra step of opting out, most people will get into the habit of saving for retirement.

Last year, the federal government opened its MyRA retirement program to promote retirement saving. But the Treasury yields appear to be too low to whip up much excitement among prospective savers.

Proponents in California wanted to have a bigger impact, so they pushed for a mandatory program with a wider range of investment risks and potential rewards.

As now written, California's legislation caps administrative fees at 1 percent of assets — higher than in some of the other states, according to Georgetown University's Center for Retirement Initiatives.

How It Will Work

1: California's Secure Choice measure calls for employers to enroll workers automatically, then start deducting 3 percent from each paycheck.

2: The money is to be transferred to individual retirement accounts, where it will earn tax-free investment income.

3: Eventually, workers will be able to increase or reduce the amount deducted from their pay.

4: Workers will also be able to opt out of the program and recoup their pay.

More Big Banks Bar Customer Lawsuits

YOUR MONEY
ANN CARRNS

Big banks are using the fine print of checking account agreements to restrict their customers' ability to settle disputes in court, even though most consumers want to keep their legal options open.

Over the last four years, the share of 29 big banks that use mandatory binding arbitration clauses has risen to 72 percent from 59 percent, according to an analysis by Pew Charitable Trusts.

And of 44 large banks analyzed this year, almost three-fourths used the clauses, Pew found.

Such clauses require customers to settle disagreements through a private arbitration process, rather than in a court. Most of the banks include language that bars customers from taking part in class-action lawsuits, which allow them to join in legal action that would be too costly or time-consuming to pursue individually.

"People won't act on their own if it doesn't make sense to do so," said Thaddeus King, an officer with Pew's consumer banking project.

As a result, consumers don't have much recourse if their disagreement involves a relatively small amount of money per customer, even if a large number of customers is affected.

An investigative series by The New York Times found that between 2010 and 2014, only 505 consumers went to arbitration over a dispute of $2,500 or less.

Yet customers overwhelmingly say they want to keep the right to sue their bank. In a survey conducted for Pew in November, 95 percent of consumers said they wanted to maintain their right to have disagreements heard in court, and about 90 percent said they wanted the right to join class-action lawsuits against their banks. Support for joining class actions was strong among people of all incomes and political bents.

Despite wanting to maintain legal options, however, fewer than a quarter said they would take legal action against their bank in a dispute over fees. Three-quarters said they would speak to a manager, and just 38 percent said they would close an account in protest.

The Consumer Financial Protection Bureau last year issued a detailed report on arbitration clauses, and it has proposed a rule covering many financial products and services — including bank accounts — that would bar arbitration requirements that preclude consumers from joining in class-action cases.

"I'm hopeful the rule will go into effect as written," said F. Paul Bland Jr., executive director of Public Justice, a public interest law group.

Q & A

¶ What sort of contracts would be covered by the proposed rule?
The rule would cover checking accounts, credit cards and other types of consumer loans that fall under the bureau's authority. (The use of arbitration clauses in mortgages is prohibited by the 2010 Dodd-Frank Act.) It wouldn't affect other types of agreements, like those for cellphone service or nursing home contracts, according to the National Consumer Law Center.

¶ When would the new rule take effect?
After taking the public comments into account, the bureau is expected to issue a final rule, which would take effect seven months later. So any changes probably won't be official until next spring at the earliest.

Some Phone Charging Practices Cause Damage

TECHNOLOGY
JONAH ENGEL BROMWICH

ETIENNE LAURENT/EUROPEAN PRESSPHOTO AGENCY

RECHARGING **Cellphone batteries deteriorate from overcharging, but it may not matter much to users.**

Chances are, you plug in your phone before you go to bed, thinking it's best to greet the morning with a fully charged device. Is this a good idea?

That depends. Many people don't expect to keep their phones for much longer than two years. Experts say those people are not going to notice much damage to their phone batteries before they start hankering for a new device. If that sounds like you, feel free to charge every night.

But frequent charging takes a toll on lithium-ion batteries. And it's not because they can be overcharged. "They know when to stop charging," said Edo Campos, a spokesman for Anker, which produces phone chargers

Android phones and iPhones are equipped with chips that protect them from absorbing excess electrical current once they are fully charged. So in theory, any damage from charging your phone overnight with an official charger, or a trustworthy off-brand charger, should be negligible.

But the act of charging is itself bad for your phone's battery. Most phones use a technology that allows their batteries to accept more current faster. Hatem Zeine of the wireless charging company Ossia says the technology enables phones to adjust to the amount of charge that a charger is capable of supplying.

The technology allows power to pulse into the battery in specific modulations, increasing the speed at which the lithium ions in the battery travel from one side to the other and causing the battery to charge more quickly. But this process also leads lithium-ion (and lithium-polymer) batteries to corrode faster. "When you charge fast all the time, you limit the life span of the battery," Mr. Zeine said.

If you're intent on preserving a lithium-ion battery beyond the lifetime of the typical phone or tablet, Mr. Zeine suggested using a charger meant for a less powerful device. "For example, if you used an iPhone charger on an iPad Pro, it's going to charge very slowly," Mr. Zeine said. "If the electronics are right, they can actually preserve the battery because you're always charging it slowly."

People looking to preserve their batteries should make sure their phones don't become overheated, Mr. Campos advised, because high temperatures further excite the lithium-ion in batteries, leading to even quicker deterioration. Apple's website says temperatures above 95 degrees can "permanently damage battery capacity."

Mr. Zeine and Mr. Campos noted that given the constant demand for new cellphones, charging overnight might not be a point of great concern for many people.