Paul Lopez:
Welcome to Housing Developments.

Jim Tobin:
I’m Jim Tobin.

Paul Lopez:
And I’m Paul Lopez. Hey, a new old format is back.

Jim Tobin:
We are back.

Paul Lopez:
I know.

Jim Tobin:
And better than ever, as they say.

Paul Lopez:
Better than ever. For those of you who don't know, I am not Jerry Howard, I am Paul Lopez taking on Jerry's role. Jerry has moved on after a great career at NAHB for over 30 years.

Jim Tobin:
Yeah, it's hard. Glad to have you in the chair, and of course, Jerry and I did this for several years together, so had some great time. I’m looking forward to some more good times with you as we reboot Housing Developments, and bring the news to you in an easy to listen to format.

Paul Lopez:
And in case you’re the one of dozen people who don't know this already, the CEO is still amongst this podcast. Jim, congratulations.

Jim Tobin:
Thank you, Paul, I appreciate it. It's an honor and pleasure to be given the helm of NAHB in the Federation, and I'm looking forward to the next 81 years of the Federation, and being part of that as well. So thank you.

Paul Lopez:
No, absolutely. So the regular format's going to be something like at the beginning, we'll talk what's happening in housing. The vast majority of the time we will have a guest to talk about a deep dive issue, but today, given it's the first one, I really think it's important that we speak to you about your views. And this is beyond NAHB obviously, but we are the biggest and baddest association regarding housing, so what we do here affects the industry. So just give me your sense of where do you see NAHB, where do you want to take it, where it wasn't before?
Jim Tobin:
Yeah. Well, thanks. Yeah, I think we start with the... You've heard me talk about this, the mission. The twin mission of NAHB, or maybe the twin missions, but it's NAHB and the Federation delivering... The ability to deliver safe, decent, affordable housing to all Americans, number one. And then number two, how do we make sure that our members continue to have the business climate so that they can thrive as well, and put food on the table for their families, be great members of their communities. Those are the two things that we work on every day, that's what gets me out of bed, and what gets the staff out of bed. And then of course, how do you translate that mission into the value proposition? And you said it, we are the voice of housing. I believe that we are the one place in Washington DC, and in every local association and state capital, we are the voice of home building. And if you want to be part of that, and if you're a home builder, a remodeler. Whether you're multi-family, single family, affordable market rate, it does not matter.

You want to be part of this association, and because we wake up every day thinking how we can make the climate better for you to not only do your business, but thrive in that business as well. And I'm excited to be part of that, and bring some change, and make sure that we continue to honor where this federation and this industry has been for decades.

Paul Lopez:
Excellent. So before we move on, just quickly, you were chief lobbyist.

Jim Tobin:
I was.

Paul Lopez:
Obviously, you moving up, there was a void there. Can you tell us who your successor is?

Jim Tobin:
Yeah, thanks. So wrapping up my 25-year government affairs career at NAHB to take on the new role, but I'm extraordinarily proud to have named Lake Colson, who was the head of the federal lobbying team under me, is now will be the chief lobbyist of NAHB. And I'm thrilled, Lake is... For those of you who know Lake, he's a tireless lobbyist, a man who loves nothing more than breaking in new shoe leather, and getting up there and shaking hands, and kissing babies, and does that better than anybody I've ever met. So I'm proud to call Lake not only my friend and colleague, but now the chief lobbyist.

Paul Lopez:
No, that's awesome. So congratulations to Lake, I just want to make sure that everybody understood that we're all intact and moving forward together.

Jim Tobin:
Yeah, that's right. That's right.

Paul Lopez:
So let's talk housing issues right now. First and foremost, and this is housing adjacent, the debt ceiling. Right now, that's basically eclipsing everything else happening here in Washington DC. What's the latest?

Jim Tobin:
Yeah, the latest is finally the four corners. That means that leaders of the House and Senate, both Democrat and Republican, have met with the President on Monday after, I don't know, 90 days of quiet... A Cold War, so to speak. Of course, we're still in the phase of Kabuki dancing, and pointing fingers, and not moving off everybody's line in the sand. But we are apparently, according to the Treasury Secretary, heading towards a June 1st deadline, where maybe the world ends. I never breached the debt ceiling, I don't know what the world looks like after that. But the Republicans in the House, they are demanding that we see some spending reductions, as well as some entitlement reforms. And then the White House basically says, "We can't monkey with the debt. What we need to make sure is we have a clean debt ceiling, and then we'll have those conversations."

Paul Lopez:
We're aware of what's going on with the House and how McCarthy's having to deal with his group, in terms of trying to get them together. But even the Republicans on the Senate side have signed a note saying, "Unless there's some sort of reductions, we're..." They're not going to be a part of that either.

Jim Tobin:
And you're going to need 60 votes in the Senate to do anything, so the Democrats only have 51, and so you need to find nine Republicans somewhere, and they're in lockstep that they want to see some deal where there is at least some sort of nod to spending reductions. And as well as there is a pathway to looking at entitlement reforms. And I know Medicare, Medicaid, social security, the third rails of American politics, but we are heading towards cliffs in those as well, where outlays are going to outpace receipts soon. So we have to have this conversation, it's just whether it's attached to the debt ceiling or not.

Paul Lopez:
Does it surprise you that Mitch McConnell is letting that happen? He's always been the, "Yeah, there's craziness over here on the side, but at the end of it we know what we need to do." But he's been fairly quiet on this somewhat.

Jim Tobin:
Yeah, he's definitely playing a different role. There's a lot of people are waiting for him to ride in in his red cape, and save the day. I don't think that happens this time, because he knows that he doesn't have the bulk of his own caucus in the Senate that would back a compromise here that, like you just said, they're waiting for the House to act, so I think that's the big issue. And McConnell also has taken some beatings over the last couple of years as being too much, quote-unquote, the establishment, whatever that looks like. He's in a... It's not even a Cold War, it seems sometimes like an outright war with Trump, which that's where the base is. So I think McConnell is doing what he always does, reads the tea leaves better than anybody, and he knows where he's got some room to play. And in this case, he's going to let it play out on the House side.

Paul Lopez:
So I'm going to put you on the spot, who blinks first?

Jim Tobin:
Yeah, I think the White House has to blink. They have to... Which means they have to agree to some spending caps in the appropriations bill, and then maybe a commission on entitlements moving forward. But remember the House is going to blink too, because they're not going to get all that they want, which is massive spending reductions and some entitlement reforms. They're both going to have to blink, but I think the White House is going to have to come off its position.

Paul Lopez:
And I think you touched upon this a little bit, but is it going to be a one for one, "Yes, tied to the debt reduction, we are going to do X?" Or is it going to be a wink and a nod, "It's a clean bill, but I promise you X, Y and Z over here on the side?"

Jim Tobin:
Yeah, one for one, in my mind, means you reduce enough spending to give you enough debt cap to get you through to March of next year or something like that. If I'm Joe Biden, I want the debt ceiling to be raised past the election. I don't want this in my election year and having to have this fight again. So that, I think, is their part of the deal. But Republicans want a little bit more spending. I think it's going to come down to appropriations caps, defense and non-defense too, and that'll be hard for a lot of members to swallow.

Paul Lopez:
Okay, excellent. So that hopefully gets done before June 1st, right? But then now, we're starting to hear more and more about this border bill, which obviously affects our members in regards to the tight labor market that we're already experiencing. What's the latest on that?

Jim Tobin:
Yeah, so I've always talked about workforce is two sides of the same coin. One is training our domestic workforce, the great work that Ed Brady and HBI does, and of course, Mark Pursell and the Housing Endowment, and all of our local associations who have workforce development programs. That's obviously critical to the future of workforce for our industry. But the other side of that coin's immigration reform and NAHB's policy is clear, border security, a legal visa system for people to enter the country to work in the construction industry. E-Verify, which is an employer's responsibility to make sure that they are hiring work eligible people. And then of course, we have to figure out what we're going to do with the 11 to 12, or 13 million undocumented in the country, but that's NAHB's policy. What we're seeing on the hill this week is solving two of those issues. One, border security. The Republicans are going a lot farther than a lot of people think they should, certainly the Democrats. And two, an E-Verify bill is going to ride along with that. So nationwide E-Verify, it's a bill that we support. It's got a lot of protections for our small businessmen and women, it rolls out slowly for small businesses, but it's a measured approach to putting in a system where employers can have responsibility and comfort that they're hiring work eligible people in the country.

Paul Lopez:
It surprised me that Biden went as far as he did as he started rolling out his plan. Because a lot of it seemed like it came from the past administration, at least people were doing direct comparisons to that. Did that surprise you as much as it did me?

Jim Tobin:
No, I think that's where the center of gravity is for the Democratic Party. And this is the problem, if there's a big fear for some of the more moderate Republicans that if, once the Republicans do border security and E-Verify, they're not going to try to solve the other portions of this, which is visa reform or even dealing with the undocumented population. And then of course, the Republicans fear that the Democrats, all they want to do is just give amnesty to 13 million people that they think are all democratic voters, and they're never going to solve the crisis at the border. So we keep talking past each other, and this issue infuriates me just because the business community is united that we need comprehensive immigration reform. And it looks just like what I've laid out, with some nuances here or there, but yet we can't get the politicians to get out of the way. There is a meaty middle on Capitol Hill on immigration reform, it's just the wings of each party are driving the agenda right now.

Paul Lopez:
So when do you think this gets resolved?

Jim Tobin:
Yeah, your guess is as good as mine. It's too much of a political issue. One would think that the crisis at the border is a driving impetus to this, but I'm not so sure I see a grand deal coming together. I'd love it, it would be huge for our industry if we could resolve the immigration crisis. About 22 to 23% of the labor force in construction, not just home building but construction, is immigrant labor. It's part of the solution for our workforce issues.

Paul Lopez:
Yeah, absolutely. So the final thing I want to talk to you about in regards to what's going on Capitol Hill, or least in Washington, is FHFA. Couple weeks ago they came out with this new fee structuring program. They have walked it back considerably since then, we came out on it on several media channels in regards to what's going on, but just clarify what it actually means.

Jim Tobin:
Well, there's two... Well, first and foremost, NAHB is on record opposing any fee increases, whether it's for credit worthy borrowers or lower credit borrowers, those are just barriers to homeownership. That's it, and plain and simple. And we've worked with FHA, and I'm glad they listened to us. That rollback, I think, is in direct response to us and the housing industry reacting poorly to their decisions. But the ultimate... They are reassessing and pricing risk to the entities, to Fannie and Freddie in particular, with the goal of... There is a cost to the federal backstop, and they want to price that accordingly, number one. Number two, there is an effort to refill Fannie and Freddie's coffers. They depleted them all as we know in the great recession, they're now wholly owned subsidiaries of the federal government. If there is ever a time that they might be returned to the wild, so to speak, they need to make sure that their coffers are filled and they have the reserves in case they can absorb a future downturn. Hopefully nothing like we saw in 2008, but they have to do that.
And the way they do that is by recapitalizing themselves as through fees, so it's a balancing act, but I'm glad to see they listened to NAHB.

Paul Lopez:
No, absolutely. But in terms of going into the details of things, I mean, so what essentially happened was they increased some of the fees to those who are considered... Conforming loan risk candidates, and lowered the fees of those who were a little bit riskier traditionally, right?

Jim Tobin:
Yep.

Paul Lopez:
But the fees are still lower than they were before, it's just a question of raising it by a certain degree.

Jim Tobin:
Yeah, that's right, that's number one. There was this inference that it was a one for one, we're going to essentially redistribute wealth. We're going to raise fees on credit worthy borrowers in order to lower fees on riskier borrowers, and that's not what happened. They've reassessed the fees, independent of each other, but for a lot of people, if it looks like a duck and walks like a duck, it's a duck. But the reality is that yes, the fees are all increasing in certain spots, but lower risk borrowers are still going to pay more than credit worthy borrowers, because that's where the risk is. They're just going to be paying a little bit less, and if that reduces the barrier to ownership, then that's something we support.

Paul Lopez:
Is there anything coming up on Capitol Hill that we need to keep an eye out for?

Jim Tobin:
Well, once we get past the debt crisis, then we get into the appropriations process. That's an area where NAHB is being very active this year on workforce development, the transformer issues, and just spending in general. We want to make sure that we don't... I think that we're going to see some cuts in domestic spending, and where they cut it is going to be important to NAHB. There's a talk about a tax bill towards the end of the year, that's another area where we play, whether it's the low income housing tax credit or some of the business taxes. It all sounds great, and everybody's very optimistic at the beginning of the year, we'll see what happens toward the end of the year. We're going to be in a situation where we have... We're going to need an omnibus bill at the end of the year, nothing really changes that. So we'll be very active for the second half of the year, no doubt about it.

Paul Lopez:
Let me get you away from your comfort zone. Well, a little bit. Inflation fell below 5% for the first time in two years, right?

Jim Tobin:
Right.

Paul Lopez:
But the index for shelter, that component of it still made up one of the top three greatest gains, because we make up 20% of that top level CPI. This is by design though, I mean, this is the fed's plan basically coming into effect, inflation dropping. But because they only have one arrow in their quiver, which is interest rates, housing still is being affected, right?

Jim Tobin:
Yeah, no, we're still feeling the squeeze of inflation, whether it's in building material prices, of course, or still fluctuating all over the place. But yeah, they need to keep driving down housing costs if that's one of the biggest components of core PCE. And until they get that under control, whether that's rents and how they compute it for ownership, they've got to continue to drive that down. So I think we're going to see... I think I'm optimistic that we're... We've seen the end of the rate increases, but they're going to hold them high for a while to keep driving that inflation number down and down. We talked to Rob, he's hopeful by the end of the year, we see some interest rate relief, but more importantly, that housing starts accelerating the recovery.

Paul Lopez:
And I know that housing is still in a tough spot, but it seems like the fed's actions are actually starting to pay off. We haven't seen any major recession, we haven't seen some sort of crisis. We survived a little bit of this banking issues that are happening, and it seems like everything's still... Is relatively okay. That doesn't mean that we're not going to suffer a little bit in the second... I think Rob has it that we'll start moving up in the fourth quarter, but for the most part, it could have been a lot worse.

Jim Tobin:
Could have been a lot worse, we're not out of the woods yet. I certainly don't want to be a downer, but I think we need to keep... Cast a wary eye to the future, but credit's going to get tighter, we know this, and that's part of what the Fed wants too. A lot of people thought that the Silicon Valley bank failure, if credit got tighter, that does a lot of the work for the Fed too. If people aren't spending, we're starting to see... More companies are announcing layoffs, and so that's all part and parcel of this. But hopefully it's a soft landing, but yeah, I feel like there's this relative calm at the moment that maybe we've averted the worst of it.

Paul Lopez:
Yeah, no, absolutely. Jim, this has been fun.

Jim Tobin:
Yeah, no, totally.

Paul Lopez:
Our first debut together.

Jim Tobin:
Yeah. That's right, that's right.

Paul Lopez:
I think it's been fun. So I really appreciate it, and we'll obviously be talking more about these issues and more.

Jim Tobin:
So Paul, new format, the reboot, what's our schedule? What's your vision for this now?

Paul Lopez:
Yeah, I think what we're looking at is once a week, you and me having this type of conversation. I think it's great. We'll have guests, I mean, obviously we want to focus on this new format and your role as as CEO, obviously. But in the coming weeks, I think we'll talk about a variety of issues. We'll deal with economics, we'll deal with federal housing affairs issues, and a variety of things. And we're going to try and keep this tight, right?

Jim Tobin:
Yep.

Paul Lopez:
We're trying to be mindful of people's times, but hopefully you'll be fairly knowledgeable.

Jim Tobin:
Yeah, that's right. Well, we appreciate everybody listening. Don't forget to like us, and follow us, and tell all your friends about us. But I'm excited, it's great to partner with you.

Paul Lopez:
And big shout out, this is all produced and edited by Reagan Hansford, and audio production is brought to you by NAHB Studio. So we're going to have some fun here.

Jim Tobin:
Yeah, we are. Well, thanks. All right. Well, that's... For our inaugural reboot, this is Jim Tobin.

Paul Lopez:
And I'm Paul Lopez.

Jim Tobin:
This was Housing Developments.

Paul Lopez:
Take care.

Jim Tobin:
Bye.