

BUILDING OUR FUTURE: INCREASING HOUSING SUPPLY IN AMERICA

HEARING

BEFORE THE
SUBCOMMITTEE ON HOUSING AND INSURANCE
OF THE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED NINETEENTH CONGRESS

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BUILDING OUR FUTURE: INCREASING HOUSING SUPPLY IN AMERICA

Tuesday, March 4, 2025

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING AND INSURANCE,
COMMITTEE ON FINANCIAL SERVICES,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:18 p.m., in room 2128, Rayburn House Office Building, Hon. Mike Flood [chairman of the subcommittee] presiding.

Present: Representatives Flood, Rose, Timmons, Garbarino, Fitzgerald, Lawler, De La Cruz, Downing, Hill, Cleaver, Tlaib, Torres, Garcia, Williams of Georgia, Bynum, and Waters.

Also present: Representative Liccardo.

Chairman FLOOD. The Subcommittee on Housing and Insurance will come to order.

Without objection, the chair is authorized to declare a recess of the committee at any time.

This hearing is titled "Building Our Future: Increasing Housing Supply in America."

Without objection, all members will have 5 legislative days within which to submit extraneous materials to the chair for inclusion in the record.

Chairman FLOOD. I now recognize myself for 4 minutes for an opening statement.

OPENING STATEMENT OF HON. MIKE FLOOD, CHAIRMAN OF THE SUBCOMMITTEE ON HOUSING AND INSURANCE, A U.S. REPRESENTATIVE FROM NEBRASKA

I am pleased to call to order the first Housing and Insurance Subcommittee hearing of the 119th Congress.

Before discussing the subject of this hearing, I would like to welcome my friends on both sides of the aisle to this important subcommittee. The jurisdiction of the Housing and Insurance Committee touches every single congressional district, and I look forward to working with each of you on the issues that affect your constituents.

I am a straight shooter. I do not hide the ball, and I will do my best to be fair to everyone on this subcommittee regardless of political affiliation.

With that, let me pivot to an introduction of today's hearing. The issue we are exploring today is one that touches the lives of every single American, both in the towering cities on the coasts and in

rural communities in the middle of the country, and that is the cost of housing.

According to the National Association of Realtors, the median annual existing home price in 2024 was up 69 percent relative to 1995, and that is adjusted for inflation.

This housing affordability challenge affects everyone. Young people saving up to buy their first home are renting for longer. Middle-class workers are struggling to make the rent, and Americans today feel less secure about their financial future because their bills are going up.

When it comes to housing affordability, I hope this hearing will help contextualize this problem and give members of our subcommittee an opportunity to explore root causes.

Let us start with a few things we can rule out. The problem is not that people are not making enough money. Wages are up over the last several years. The problem is not that people are not saving enough money. Savings exploded during the coronavirus disease 2019 (COVID-19) pandemic and have only recently trended back downwards. It is also not that the government does not spend enough money on Federal programs. We are coming off a period with historic levels of government spending.

The reason for high housing costs is simple: We are not building enough homes in this country to meet the demand. Some estimates put the gap between housing supply and demand at around 3.85 million units nationwide. Some put it even higher, at more than 5 million units.

The root of that housing supply problem is a little trickier to pin down to just one cause. Regulatory barriers at the State and local level, like zoning and land-use policies, play a large role in making it more difficult to create more housing in places that need it. Another driver is the actual cost of materials and the cost of labor used to build a home.

For projects that use Federal dollars, either through Low-Income Housing Tax Credit or funds from a Federal program like the HOME Investment Partnership, those dollars are not free. They come with regulatory requirements at the Federal level that can make it more challenging to actually give taxpayers the best bang for their buck.

Finally, we can explore whether there are any challenges related to the financing side that keeps projects from getting off the ground.

I am excited to dig deeper into each of these issues today, and I look forward to our witnesses' testimony.

With that, I yield back.

Chairman FLOOD. The chair now recognizes the ranking member of the subcommittee, Mr. Cleaver, for 4 minutes for an opening statement.

OPENING STATEMENT OF HON. EMANUEL CLEAVER, RANKING MEMBER OF THE SUBCOMMITTEE ON HOUSING AND INSURANCE, A U.S. REPRESENTATIVE FROM MISSOURI

Mr. CLEAVER. Thank you, Mr. Chairman and I look forward to working with you. I am absolutely elated over the fact that we

have issues that we both would like to resolve in these key positions. Thank you very much for your receptivity.

This is the first hearing of the Subcommittee on Housing and Insurance in the 119th Congress.

Our Nation is struggling with a fair-housing and affordable-housing crisis. In 2023, Americans filed a record-breaking number of fair-housing complaints.

At the same time, the cost of renting and purchasing a home has reached historic heights. Since 2019, rents in the United States have increased 46.8 percent. The average sales price of a home now exceeds half-a-million dollars.

When a typical family sits at the table to pencil out how they will get by for the next month in Missouri or in Nebraska—or anywhere else, for that matter—housing is the single largest expense.

I appreciate your willingness, Mr. Chairman, to engage with me on what are clearly commonsense solutions. It is my hope that we pass bipartisan legislation into law that would improve the quality of life for American families. I support the Identifying Regulatory Barriers to Housing Supply Act, under consideration today.

Local jurisdictions are rightfully asking the Federal Government for funding and resources to tackle this housing crisis. It is responsible to ask them to assess how local land-use policies are limiting the impact of the Federal funding and driving up the very costs they are trying to reduce.

Some jurisdictions have made developing more housing illegal or cost prohibitive. Others are doing an incredible job figuring out how to optimize their zoning laws and are welcoming innovation in design, technology, and construction.

I also support the Housing Supply and Innovation Framework Act under consideration, which would require Department of Housing and Urban Development (HUD) to study, develop, and publish guidelines and best practices for local zoning.

These are constructive pieces of legislation. Zoning reforms are absolutely necessary but not sufficient by themselves. Senator Elizabeth Warren, Senator Raphael Warnock, and I have introduced the American Housing and Economic Mobility Act. This legislation would generate 3 million new housing units and bring down rents. This is also a constructive approach.

It goes without saying that reported efforts to decimate HUD funding, programs, or staff are not constructive. It would also not be constructive for Congress to pass housing legislation that HUD does not have the capacity or the resources to implement.

Yesterday, I joined Ranking Member Waters and others at HUD to elevate current concerns about executive actions. This demonstration followed reports that the Department terminated hundreds of probationary employees, reportedly plans to slash the Department's workforce by one-half, and has already withheld funding serving families, seniors, and people with disabilities.

The congressional Public Housing Caucus has also sent a letter to Secretary Turner on how cuts would exacerbate the housing crisis and increase waste, fraud, and abuse. We have requested an urgent meeting with the Secretary. Secretary Turner testified to Congress that he would run a transparent and accountable Department.

Thank you again, Mr. Chairman. I look forward to this hearing today and look forward to working with you. I yield back.

Chairman FLOOD. Thank you, Mr. Cleaver.

The chair now recognizes the chairman of the full committee, Mr. Hill, for 1 minute.

STATEMENT OF HON. FRENCH HILL, CHAIRMAN OF THE COMMITTEE ON FINANCIAL SERVICES, A U.S. REPRESENTATIVE FROM ARKANSAS

Chairman HILL. I want to thank my friend from Nebraska, Chairman Flood, for assuming the gavel on this important subcommittee, our Housing and Insurance Subcommittee.

Mr. Flood has been long interested, as you can tell in his opening statement, in rolling up his sleeves and doing the hard work first to understand the challenges before reaching out in a bipartisan way and looking for solutions. This hearing is a great example of that approach.

The typical family median cost of a Federal Housing Administration insured (FHA-insured) home in my home State of Arkansas is \$175,000. In 2020, a 30-year mortgage rate was 3.1 percent. With a 10-percent down payment, that family could be in that house for \$680 a month. Now, after Biden's inflation, the mortgage rate is 6.8 percent, and that monthly payment is now over \$1,000. Plus, in Arkansas, the average homeowner's insurance rates were \$3,300 in 2023. Now they are up 9 percent to \$3,600.

Housing affordability is important, not only in Arkansas and Missouri and Nebraska but across the country. I look forward to working with my colleagues.

I yield back to the chair.

Chairman FLOOD. The chairman yields back.

Today, we welcome the testimony of Hon. Paul Compton, a Managing Partner at Compton Jones Drescher, LLP.

We welcome Dr. Emily Hamilton, who is a Senior Research Fellow and director of the Urbanity Project at the Mercatus Center at George Mason University.

We welcome Mr. Buddy Hughes, who is the Chairman of the Board with the National Association of Home Builders.

We welcome Ms. Tara Vasicek, who is the City Administrator for the City of Columbus, Nebraska, and we welcome Ms. Nikitra Bailey, the Executive Vice President with the National Fair Housing Alliance.

We want to thank each of you for taking the time to be here. Each of you will be recognized for 5 minutes to give an oral presentation of your testimony. Without objection, your written statements will be made part of the record.

I would add that when the Ranking Member of the full Financial Services Committee, Ms. Waters, arrives, we will take a short break and ask her to make remarks for 1 minute.

Hon. Compton, you are now recognized for 5 minutes for your oral remarks.

**STATEMENT OF HON. PAUL COMPTON, MANAGING PARTNER,
COMPTON JONES DRESHER, LLP**

Hon. COMPTON. Thank you, Chairman Flood, Ranking Member Cleaver, Chairman Hill, members of the subcommittee. Thank you for this opportunity to testify and share my perspectives on increasing the housing supply.

I have practiced law at the intersection of real estate, banking, tax, and affordable housing for more than 30 years. After my Senate confirmation in a bipartisan vote in 2017, I served as General Counsel of HUD under Secretary Ben Carson. Since that time, I have returned to private practice, focusing on affordable housing.

In July 2024, I had the privilege of testifying before this subcommittee concerning cutting through government red tape in order to increase the supply and affordability of housing. I appreciate this opportunity to follow up on that.

In that testimony, I expressed my view that over-regulation, particularly at the State and local levels, has driven up housing prices. The biggest part of the solution, in my view, lies in restoring checks and balances at those same levels to curb the continuous growth in housing regulation over the past 40 years.

Numerous studies establish several facts. The real cost of housing construction has not meaningfully increased over the past 40 years when adjusted for inflation. The real cost of housing has substantially outstripped inflation over that period. The core components of that excess cost are land costs driven by land-use regulation, the direct cost of regulation, and the indirect cost of regulation, raising risk of creating homes.

From community to community, and indeed from Federal agency to Federal agency, there is great variation in the nature of regulation. How Massachusetts regulates housing is different from California, which is certainly different from Texas. Moreover, how HUD regulates housing is different from how the United States Department of Agriculture (USDA) regulates housing.

One result of this is, the housing market, particularly for single-family and smaller multifamily developments, is incredibly localized in nature. Thus, I believe that the first conclusion for this committee is that there are not one or even two or three problems but there are many, many.

I believe that we must first view this systemically—that is, how can our overall governing structures be adjusted so that there is not a continuing bias to more regulation?

Second, we must look aggressively at each opportunity to pare back regulations.

In the Federal context, I can give one example of this. Under HUD's National Environmental Policy Act regulations, nearly every program, from FHA loans to Community Development Block Grant (CDBG) to HOME Program grants, requires a governmental environmental review and notification process for the public. There are thousands, if not tens of thousands, of these each year.

Yet, over the last 6 years, as this process has delayed countless projects by many months and cost millions of dollars, it has resulted in a grand total of four environmental impact statements. We simply are regulating in a way that is excessive in light of the benefits that it is producing.

In many cases, as I noted, it is not just merely the cost of red tape and regulation, but it is the increase in risk.

There are several other elements that I would like to specifically call out.

As I noted, first of all, it is eliminating most or perhaps all HOPE HUD programs from the coverage of the National Environmental Policy Act (NEPA). Under the revised definition contained in the Fiscal Responsibility Act of 2023, they simply do not meet the definition of a major Federal action. This does not mean that any of the substantive environmental requirements change, but only that the bureaucratic process of notice and review does.

Second, make Federal property available for housing. This is more difficult than it sounds, but there is one clear and easy way to do it, and that is through the authority of the Department of Defense to enter into enhanced-use leases, which provide ground leases that could then be combined with FHA financing to create housing in these locations.

We looked, under Secretary Carson, many times at using Federal land for housing, and it is incredibly challenging to do that, but the military, through its Enhanced-Use Lease Program, can easily do that if we can just get HUD and the Department of Defense (DOD) on the same page.

Next, I would reconsider the scope of limitations caused by habitat restrictions—in particular, the northern long-eared bat. This covers almost the entire eastern United States and causes many, many delays in projects.

Mr. Chairman, thank you. I will be delighted to answer questions on this and other topics.

[The prepared statement of Hon. Compton follows:]

**WRITTEN STATEMENT OF
J. PAUL COMPTON, JR.
PARTNER, COMPTON JONES DRESHER LLP
BIRMINGHAM, ALABAMA**

Before the United States House of Representatives
Financial Services Committee,
Subcommittee on
Housing and Insurance

March 4, 2025

“Building Our Future: Increasing Housing Supply in America”

Chairman Flood, Ranking Member Cleaver and Members of the Subcommittee, thank you for the opportunity to testify and share my perspectives on increasing housing supply, and particularly workforce housing¹, in the United States.

My name is Paul Compton and I have practiced law at the intersection of real estate, banking, tax, securities and affordable housing for more than 30 years. After my Senate confirmation in a bipartisan vote in 2017, until 2020, I served as General Counsel of HUD under Secretary Ben Carson. Since that time I have returned to private law practice in Birmingham, Alabama, continuing to focus on affordable housing and commercial real estate.

In July 2024 I had the privilege of testifying before this Committee concerning cutting through government red tape in order to increase the supply and affordability of housing. I appreciate this opportunity to follow up on that testimony.

In that testimony, I expressed my view that while overregulation, particularly at the state and local level, is the cause of high housing prices, the solution is the need to reestablish checks and balances, especially at the state and local level, to continuous growth over the past 40 years in housing-related regulation. Numerous studies, but in particular a comprehensive review of scholarship on regulation and housing supply conducted for the National Bureau of Economic Research more than ten years ago by Joseph Gyourko and Raven Molloy, in my mind, definitely establishes several facts:

- A. The real, that is, inflation adjusted, cost of housing construction has not meaningfully increased over the past 40 years.

¹ There is not a federal definition of “workforce housing”. It is commonly used but could mean many things. Sometimes it is synonymous with affordable housing and, indeed, sometimes uses the same HUD rent levels, which are usually 60% or less of median income. However, more commonly, it is intended to refer to median income levels of 80% to 120%. Most often, it signifies housing that would be affordable by middle and lower-middle class working persons. In this respect, it is usually intended to mark a distinction from housing that is supported by HUD Section 8 project-based assistance or housing choice vouchers or similar programs from the United States Department of Agriculture or public housing.

B. The real cost of housing has substantially outstripped inflation over that period.

C. The core components of that excess cost are land costs, indirectly driven by land use regulation, the direct cost of regulation and the indirect cost of regulation in terms of time.

In my prior testimony, I noted my view that there are hundreds of federal government red tape impediments and tens of thousands of state and local ones (some spurred by federal requirements), which like the tiny ropes of Lilliputians in *Gulliver's Travels*, ensnare and keep flat on its back market forces and entrepreneurship which could otherwise make housing much more abundant and less costly in the United States. I believe that Jonathan Swift's classic, *Gulliver's Travels*, remains as accurate a political satire today as it was when written almost 300 years ago. And the problems America faces in this case are as old as bureaucracy.

From community to community, and indeed even from federal agency to federal agency involved in housing programs, there is great variation in the nature of regulation. How Massachusetts is regulating housing is different from California, which is certainly different from Texas. Moreover, how the United States Department of Agriculture is regulating its housing programs is different in many respects from the way that the United States Department of Housing and Urban Development is regulating its. One result of this is that the housing market, particularly for single-family and smaller multifamily developments, is incredibly localized in nature.

Thus, I believe that the first conclusion for this Committee is that there is not one or even two or three or four or five answers to this problem. Instead, I believe that it first must be viewed systemically; that is, how can our overall governing structures be adjusted such that there is not a continuing bias to more regulation?

Second, we must look, aggressively, for each opportunity to pare back regulations, even if in some cases it is possible to concede that they are helpful but on the other hand they exert an overall drag which is against the public interest. In this respect, I note that the same NBER paper which I referenced earlier examined whether public benefit from increasing regulation outweighed the higher real cost of housing and concluded that this is likely not the case. Instead, those who benefit from regulation have greater influence in the local political process and policymakers have an inflated view of the benefits and underestimate the costs of regulation.

In the federal context, I can give one example of this. Under HUD's National Environmental Policy Act regulations, nearly every program, from FHA loans to disbursing proceeds of CDBG and HOME Program grants, requires a governmental environmental review and notification process. There are thousands, if not tens of thousands, of these each year. Over the past six years, this process, which in each case adds many months and thousands of dollars to the cost of the housing projects which are involved, has resulted in a grand total of four environmental impact statements being deemed to be required. And most of those related to Rental Assistance Demonstration

projects which are themselves usually reconstructions of public housing projects in dense urban areas; it is hard to conceive that these are, in the abstract, the sort of project that would actually have broad scale environmental concerns. But whatever the benefit of these environmental impact statements, we have otherwise imposed enormous costs across the housing sector, at least insofar as any federal dollars were concerned. As I will discuss in a moment, that is one of the reasons that implementation of the National Environmental Policy Act (“NEPA”) needs to be reconsidered broadly.

In many cases, it is not the requirements or expense of the red tape itself directly that is the chief impediment but rather the enormous cost in time which these cumulatively impose. For projects costing in the hundreds of thousands to many millions of dollars, these extended timetables imposed by otherwise not individually unreasonable government objectives collectively impose enormous costs. First, they impose costs for professionals and for reviewing and coordinating them. Second, there is the time value of money. Third, and perhaps most importantly, they impose the cost of much more risk. Simply put, bad things can happen during delay, such as increased costs, higher interest rates, land sellers who lose patience, investors who find other opportunities, and downturns in the economic cycle. This all especially affects smaller projects, where regulatory costs are fixed and high relative to the project size and a small increase in risk turns profit to loss. And the threat of that means nothing gets done.

As I noted in July, much of the growth in regulation has occurred since individual and small business real estate investors were economically pushed out of the market by the 1986 Tax Act. Indeed, the Reagan 1986 Tax Act brought us the low-income housing tax credit, a temporary provision at the time, which was intended to help offset the recognized impact of effectively taking individual and small business investors out of the residential rental real estate market. While this is multifamily rental real estate, items that affect its cost and availability have a direct impact on the cost of single-family homes, as these serve as functional equivalents for many persons. Thus, lower multifamily rental rates generally result in lower housing costs and vice versa.

The most problematic tax provision is the so-called passive activity loss limitation contained in Section 469 of the Internal Revenue Code. This essentially precludes anyone, other than a “widely-held C corporation”, which typically means a public corporation, from using “passive losses”, which include any losses generated from real estate, primarily through depreciation, to offset either active income or so-called portfolio income, which would include dividends and capital gains. There is an exemption for “real estate professionals” but that is only someone who essentially is involved full time in the real estate business as a developer or broker – usually the people who are actually looking for investors and are not frequently the principal investors themselves.

Further, this cordoning off of individual investors located in the same communities they would in many cases be investing in has skewed development in the United States to larger projects and larger cities. Stated most clearly, a real estate investment fund in Columbus, Ohio has little interest in participating in the development of small-scale market-rate housing development in Columbus, Nebraska.

Thus, my first and principal suggestion, especially as the Congress turns its attention to considering the expiration of the Tax Cut and Jobs Act, is to restore the ability of individual investors and closely held businesses to invest in local residential real estate. Specifically, I recommend that passive loss limits and other related impediments to investment in residential real estate be repealed with respect to those individual investors and closely held businesses, at least if investing within, say, 50 miles of the home or principal business office of such individual or business.

Second, the following are some of those Lilliputian pieces of red tape on the federal level which could be “snipped”:

1. Eliminate most, or perhaps all, HUD programs from the coverage of NEPA. Under the revised definition contained in the Fiscal Responsibility Act of 2023, they simply do not meet the definition of a “major federal action”. This is because HUD does not control the location or nature of the projects, but instead simply sets broad parameters for what it will finance. Moreover, it is difficult to conceive that NEPA, primarily aimed at nuclear power plants, hydroelectric dams, canals and air bases, should instead be deemed to be applicable to providing some of the financing to a private party for 80 apartment units in the middle of a city block. This doesn’t mean that any of the substantive environmental requirements change but only the bureaucratic process of notice and review does.

Courts have held the Council on Environmental Quality regulations, on which the regulations of HUD and every other federal agency are based, were themselves unconstitutional. The current Administration has directed that those rules be withdrawn. This presents a clear field for better regulation by HUD and other federal agencies that are involved in similar housing programs to remove one of the greatest federal regulatory costs to the programs which they ostensibly support.

2. Encourage HUD and the Department of Defense to get on the same page to permit FHA Section 221(d)(4) and 223(f) financing to be used for projects which are located on excess federal land that are otherwise part of military bases and which are leased to private entities. The beauty of this is that literally no legislative or regulatory action is needed. The Department of Defense has clear authority to enter into ground leases and HUD has the ability to finance projects on leased land. It just happens HUD has never done this for land leased from, yes, the same federal government which it is a part of. And DoD needs to recognize that, as the party taking the credit risk, HUD needs a say on various items under the lease. This is one of the clearest and cleanest ways that we can use federal lands to support increasing the housing supply. Other avenues have many, many strands of red tape; believe me, we looked at this very hard at Secretary Ben Carson’s direction when I was General Counsel of HUD. It is, practically speaking, impossible to effect in a broad or rapid way. Moreover, there is a great need for housing in areas surrounding military bases for service members and their families. The private market can do this at a fraction of what it costs for the Department of Defense to build its own housing. This one is a no-brainer and after more than two years of trying to get two

federal agencies on the same page about this, I hope that incoming leadership will be able to do this.

3. Abolish so-called mixed wage decisions with respect to the application of the Davis-Bacon Act to residential development. Treat all residential development as simply that – residential without dividing the project up into subsets creating incredible complexity and cost for builders. Note that this occurs simply through (likely unenforceable) administrative fiat at the Department of Labor and not even regulation or official guidance. Thus, it can readily be rescinded.

4. Withdraw HUD's policy concerning limitations on criminal background checks for rental tenants -- the so-called "Check the Box Rule". This was implemented simply by a memorandum of the General Counsel of HUD during the Obama administration without any administrative process, and now is in clear contravention of Supreme Court guidance on disparate impact. Further, the Biden Administration brought enforcement actions and published further sub-regulatory guidance broadening its scope. It makes operating rental properties more costly, especially with respect to liability insurance, and increases risk of crime to other tenants.

5. Reconsider the scope of limitations on development imposed by habitat restrictions related to threatened and endangered species, such as the northern long-eared bat. Its covered habitat is most of the eastern half of the continental United States. It precludes cutting trees for significant parts of the year, thus affecting thousands of projects. And in particular, the trees that are especially off limits to being cut are dead trees which are likely to constitute a safety hazard to the humans near them.

6. Review and streamline HUD site and neighborhood standards regulations. These are based on 50-year-old notions of what land use planning should be. They are, in effect, an additional federal zoning layer. Sec. Turner's recent rescission of the Affirmatively Furthering Fair Housing regulations is a step in the right direction.

7. Improve the low-income housing tax credit. This would include increasing the amount of available credit, lowering the required threshold to obtain tax credits in conjunction with private activity bond financed projects from 50% to 25% and, generally, simplifying the credit. Regarding simplifying the credit, unbundling it from the enormous complexity of partnership tax allocations would result in a distinct savings in transaction costs. The "Allocation by Agreement" model works well for many state low-income housing tax credits and could be used on the federal side as well with no economic changes but a distinctly simpler approach. Proposed changes in pending legislation are generally all good but they are incremental. If Congress really wants to address the broad scale housing issue, it is time to be bold.

8. Review generally any "add on" requirements to programs which impede the speed or efficiency with which they can be implemented. Examples would be incentives for construction which require union labor or specific domestic content, requirements for construction which impose specific climate or energy requirements, childcare requirements for employers, particularly precise tenant targeting requirements, or

general requirements that impose upon private business the obligation to operate under bureaucratic norms (more policies and more paperwork).

9. Provide incentives and penalties to states to encourage them to set limitations on the amount of local regulation on housing. The focus on action at the state level is important for several reasons. First, it is simply more manageable than trying to address the huge number and variety of situations across this enormous and varied nation. Second, the problems often occur in particular communities where regulations are intended to be a barrier against people moving in from relatively nearby. States are more responsive to all of those voters and not just the ones inside the regulatory walls. Third, this better preserves federalism, albeit not perfect, and has less risk of micromanagement from Washington, D.C.

10. Have HUD's excellent Office of Policy Development and Research study and quantify the cost, in terms of time itself but especially increased risk, of regulatory delays on housing production.

Thank you for this opportunity to bring these thoughts and issues before you. I look forward to your questions and the opportunity to hopefully provide further insights into this crucially important but immensely complex issue.

Chairman FLOOD. Thank you, Hon. Compton.
Dr. Hamilton, you are now recognized for 5 minutes for your oral remarks.

STATEMENT OF EMILY HAMILTON SENIOR RESEARCH FELLOW AND DIRECTOR OF THE URBANITY PROJECT, MERCATUS CENTER AT GEORGE MASON UNIVERSITY

Dr. HAMILTON. Thank you, Chair Flood, Ranking Member Cleaver, and members of the subcommittee. I am Emily Hamilton, a Senior Research Fellow at the Mercatus Center at George Mason University.

Outdated land-use and building regulations that restrict housing supply and drive up costs are a key driver of the affordability problems we are discussing today.

While State and local governments played a primary role in shaping these policies, Federal action matters too. In some cases, Federal policies directly limit housing supply, and, in others, Congress can provide leadership by supporting State and local reformers working to modernize outdated rules.

Today, I will highlight three areas where Congress can help State and local policymakers learn from what is working and repeal its own rules that are standing in the way of housing construction: first, reforming land-use regulations; second, expanding opportunities for siting manufactured housing; third, introducing improved analysis into the building code development process.

To the first area, reforming land-use regulations.

Rules that require each housing unit to use a lot of land place a high floor on the cost of building, but we have many examples of reforms that facilitate improved affordability. For example, Houston reduced the amount of land required for each new single-family house by two-thirds. As a result of this policy change, 80,000 houses have been built on small lots and Houston is the most affordable large Sun Belt metro.

Congress could facilitate knowledge-sharing by directing HUD to publish model policies for facilitating new, less-expensive housing construction based on proven land-use reforms like this. It could also lead, by example, to repealing the Height of Buildings Act for D.C., which squeezes apartments out of the city's central business district.

To the second area, expanding opportunities for siting manufactured housing.

Manufactured housing is the least expensive way to build a new home in the U.S. today. However, many localities are choosing not to zone land for new manufactured housing.

Congress Members could sing the praises of policymakers in States including Maryland, Montana, and Nebraska who have passed laws requiring their localities to allow manufactured housing to be used on any lot where site-built housing would be allowed, as well as policymakers in States like Arkansas and Texas who have banned aesthetic requirements that may make manufactured housing impractical.

Federal statute currently requires every manufactured house to sit on a permanent steel chassis, even if the house is going to be attached to a foundation, never to be moved after its delivery from

the factory. Congressional reform could improve the affordability of manufactured housing by removing this permanent-steel-chassis requirement, reducing costs and opening up opportunities for more flexible use of manufactured units.

Finally, introducing economic analysis into the building code development process.

While HUD's code for manufactured housing provides the most economical way to build new housing today, most new housing is built according to a State or local building code. In the U.S., these codes are based on model codes published by the International Code Council.

A 2022 survey found that just those building-code regulations adopted in the past 10 years make up 11 percent of the cost of building new apartment buildings.

Americans deserve building codes that achieve high safety standards while remaining cost-effective, but the model codes that provide the foundation of U.S. building codes are not based on rigorous analysis.

HUD could help by creating model codes for areas where State and local policymakers are expressing interest in reform, including a code for single-stair multifamily buildings up to six stories and a version of the International Residential Code that could cover up to six units.

To conclude, the heavy lifting in zoning and building-code reform must come from State and local policymakers, but Congress can aid these efforts by shining a light on successful policies and repealing its own rules that are standing in the way of more housing at better prices.

Thank you.

[The prepared statement of Dr. Hamilton follows:]

Expanding Opportunities for the Construction of Starter Homes and Workforce Housing in the United States

EMILY HAMILTON

Senior Research Fellow, Urbanity Project, Mercatus Center at George Mason University

Subcommittee on Housing and Insurance of the US House Committee on Financial Services
 Building Our Future: Increasing Housing Supply in America

March 4, 2025

Thank you, Chair Flood, Ranking Member Cleaver, and members of the subcommittee. I am Emily Hamilton, a senior research fellow at the Mercatus Center at George Mason University, where I am codirector of the Urbanity Project.

Housing affordability is a serious and growing problem for too many Americans. While the share of households that are renters has remained relatively steady for several decades, the share of income that the median renter spends on rent has increased by 25 percent since 1980. The increase is even sharper for households with children and for those living in the country's regions with some of the highest-paying jobs.¹ Outdated land use and building regulations contribute significantly to the undersupply of housing and housing affordability challenges.

Land use and building regulations are predominantly implemented at the state and local levels. At the federal level, policymakers can support housing reform by providing leadership on reforming the rules that are standing in the way of badly needed housing. Federal policymakers can use their platforms to aid knowledge sharing on best practices in land use and building regulations, and, in a few cases, federal policymakers can reform specific federal rules that are driving up the cost of housing construction.

Federal policymakers can support and supplement state and local reform efforts to improve the feasibility of building starter homes and workforce rental housing by

1. reforming zoning,
2. expanding opportunities for siting manufactured housing, and
3. introducing improved analysis into the building-code development process.

¹ Emily Hamilton, "Zoning Out American Families," *Discourse*, February 23, 2023.

Zoning Reform

New data are creating opportunities for evaluating zoning across the country, and one estimate finds that 75 percent of the land where US cities allow residential development is limited exclusively to detached single-family housing.² Housing types, such as townhouses or apartment buildings, that allow buyers or renters to share a piece of expensive land across multiple households are allowed on only a small share of land.

Just as importantly, localities almost always require that each single-family house sit on a large yard. Minimum lot size requirements vary widely across the country. In the West, the typical new house sits on a lot less than 7,000 square feet, while in the Northeast, the typical new house sits on a lot about three times as large.³ In places where land is expensive, either due to particularly high demand for housing or due to high agricultural land value, these rules place a high floor on the cost of building a new house.

There are many successful examples of zoning reform that have addressed this issue and improved housing supply and affordability. For example, in 1998, Houston policymakers reduced minimum lot size requirements from 5,000 square feet to 1,400 square feet in the city center, and in 2013 it expanded the successful policy to cover the entire city. As a result of this policy change, 80,000 houses have been built on small lots that would not have been approved for this use prior to the rule change.⁴

Minimum lot size requirements also have indirect effects on starter-home construction. Because few buyers want a small, basic house that is nonetheless expensive due to land costs, minimum lot size requirements incentivize builders to provide large, expensive houses. In Houston, we see that minimum lot size reform has made the construction of smaller houses profitable, with smaller lots improving affordability both directly and indirectly.⁵ As figure 1 on the next page shows, among large Sun Belt metros, Houston has the lowest ratio of house prices to incomes, reflecting its relative openness to starter-home construction.

While Houston is notable for its reforms that make single-family construction less expensive, localities from Minneapolis, MN, to New Rochelle, NY, have seen reforms that have expanded opportunities for multifamily construction leading to large increases in workforce housing supply.⁶ Congress could encourage this type of reform and lead by example by repealing the Height of Buildings Act that applies to Washington, DC, squeezing apartments out of the city's central business district. It could also facilitate knowledge sharing of policies proven to make workforce-housing construction feasible by directing the Department of Housing and Urban Development (HUD) to publish model policies that facilitate new, less-expensive housing construction.

² Emily Badger and Quoctrung Bui, "Cities Start to Question an American Ideal: A House with a Yard on Every Lot," *The New York Times*, June 18, 2019.

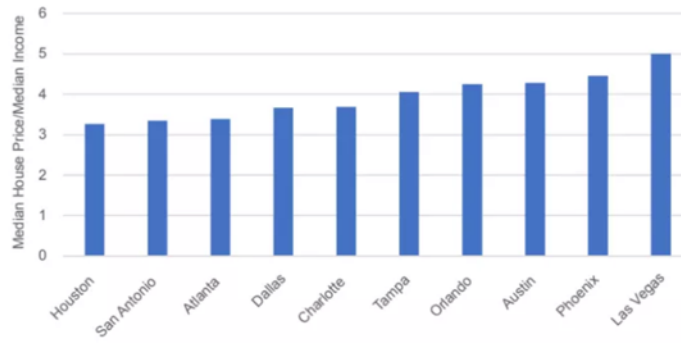
³ US Census Bureau, "Characteristics of New Housing, Lot Size, Single Family Completed," 2024, <https://www.census.gov/construction/chars/current.html>.

⁴ Emily Hamilton, "Learning from Houston Townhouse Reforms," (Mercatus Policy Brief, Mercatus Center at George Mason University, April 2023).

⁵ Mike Mei, "House Size and Household Size: The Distributional Effects of the Minimum Lot Size Regulation" (job market paper, University of Michigan, October 17, 2022), https://mikemei.com/uploads/1/3/7/2/137207430/mei_mike_2022_jmp.pdf.

⁶ Alex Horowitz and Ryan Canavan, "More Flexible Zoning Helps Contain Rising Rents," Pew, April 17, 2023.

FIGURE 1. Household median income as a multiple of median house price of metropolitan statistical areas



Source: Zillow Research, Housing Data (database), "ZHVI All Homes Time Series (\$)," accessed March 24, 2023, <https://www.zillow.com/research/data/>; and US Census Bureau, American Community Survey (database), accessed March 24, 2023, <https://www.census.gov/programs-surveys/acs>.

Expanding Opportunities for Siting Manufactured Housing

Manufactured housing built to the Department of Housing and Urban Development's code is the least expensive way to build a new home in the US today. The median income of the homebuyer of manufactured housing is \$57,000 compared to \$93,000 for site-built housing.⁷ In spite of the affordability advantages of manufactured housing, these homes have shrunk from about 20 percent of all new single-family houses prior to 2000 to just 9 percent of total new single-family houses today.⁸

The decline of manufactured housing as a share of all new housing has been driven in large part by increasingly scarce land being zoned for manufactured housing.⁹ As with the construction of small, site-built starter homes, manufactured housing requires inexpensive land to be a viable option. This means allowing manufactured housing to be placed on small lots. Localities can go further to make low-cost housing a viable option by addressing subdivision regulations that mandate wide streets and expensive finishes that drive up the cost of each home in a new subdivision.

Several states, including Nebraska, Montana, and Maryland, have adopted laws requiring localities to allow manufactured housing to be used on any lot where site-built housing would be allowed. While this is a promising step, policy barriers stand in the way of working Americans using manufactured housing. In addition to the literal exclusion of manufactured housing, many local zoning rules include

⁷ Karan Kaul and Daniel Pang, "The Role of Manufactured Housing in Increasing the Supply of Affordable Housing," The Urban Institute, July 2022.

⁸ Donald H. Layton, "Manufactured Housing Is a Good Source of Unsubsidized Affordable Housing—Except When It's Not: Key Facts and Figures, and Some Unusual Economics (Part 1)," NYU Furman Center, February 21, 2023.

⁹ Esther Sullivan, *Manufactured Insecurity: Mobile Home Parks and Americans' Tenuous Right to Place* (University of California Press, 2018).

aesthetic requirements that make manufactured housing infeasible to build, such as requirements for a specific roof pitch or bans on low-cost siding materials.

While zoning is a key barrier to the viability of manufactured housing, recent changes to HUD's code for manufactured housing have improved opportunities to use these homes in new configurations as duplexes, triplexes, or fourplexes in places where local rules make these less-expensive options possible.¹⁰ Congressional reform could go further and eliminate the current permanent steel chassis requirement for manufactured housing. Manufactured housing without a permanent chassis would both reduce construction costs and create improved opportunities for multistory configurations that may be particularly desirable in higher-cost markets.

Introducing Economic Analysis into the Building Code Development Process

While HUD's code provides the most economical way to build new housing today, most new housing is built according to a state or local building code. In the US, these codes are based on model codes published by the International Code Council (ICC), a nonprofit organization. Their basic codes are the International Residential Code (IRC), which applies to one- and two-unit housing structures, and the International Building Code, which applies to larger multifamily buildings. Both the complexity of these codes and their compliance costs have ballooned in recent years, particularly for the International Building Code. A 2022 survey found that building-code changes adopted since 2012 make up 11 percent of the cost of new buildings.¹¹

Unlike many zoning regulations, building code rules serve important health and safety purposes. However, the model codes that provide the foundation of US building codes are not based on the rigorous analysis that is crucial for achieving safety objectives in a cost-effective manner. To take one example, the IBC requires two means of egress from all multifamily buildings over three stories. This requirement has been a feature of US building codes since well before sprinkler requirements and other fire-safety improvements have drastically reduced the risk of fire deaths in multifamily buildings, and many countries that allow taller apartment buildings to have a single staircase have better fire safety outcomes than the US.

Pro-housing Yes In My Backyard (YIMBY) advocates have begun supporting a reform that allows taller apartment buildings to be built with a single-staircase.¹² This is an important reform that could open up opportunities for less-expensive, higher-quality apartments.¹³ Additionally, some state and local policymakers are considering allowing more than two units to be built under the International Residential Code, which offers substantial cost savings relative to building under the International Building Code.¹⁴

¹⁰ Andrew Justus and Alex Armlovich, "Two Big Developments in Manufactured Housing Reform: New Rules, New Bill," Niskanen Center, October 21, 2024.

¹¹ Paul Emrath and Caitlin Sugrue Walter, "Regulation: 40.6 Percent of the Cost of Multifamily Development," National Association of Home Builders and the National Multifamily Housing Council, 2022.

¹² Stephen Smith, "Reform Efforts Across North America," *Reform Trackers*, Center for Building in North America, last accessed February 27, 2025, <https://www.centerforbuilding.org/trackers>.

¹³ Sean Jursnick and Peter LiFari, "The Single-Stair Solution: A Path to More Affordable, Diverse, and Sustainable Housing," (Mercatus Policy Brief, Mercatus Center at George Mason University, February 2025).

¹⁴ Daniel Herriges, "A Trailblazing Reform Supports Small-Scale Development in Memphis," *Strong Towns*, January 26, 2022.

While these discrete reforms could make important improvements in workforce-housing availability, the underlying problem is that US building codes need to be based on better reasoning. Whereas federal agencies are required to provide rigorous benefit-cost analysis for significant rules, the ICC uses no such process. The lack of analysis in the code development process allows rule changes to be made based on emotion rather than science.¹⁵

Americans deserve building codes that achieve high safety standards while remaining cost effective. HUD could help by identifying cost-saving measures in new ICC model codes, making it feasible for states or localities to adopt just these rules and not new codes in their entirety, which may have cost-increasing requirements.¹⁶ HUD could also publish model codes for areas where state or local policymakers are expressing interest in reform, such as a code for single-stair multifamily buildings up to six stories and a version of the IRC that covers more than two units.

Conclusion

While the heavy lifting in zoning and building-code reform must come from state and local governments, Congress can aid these efforts. Members can point to successful reforms in their districts or elsewhere, encouraging state and local policymakers in their states to learn from these successes. Congress could go further by directing HUD to publish best practices in zoning and building codes to support starter homes and workforce housing. In specific areas, such as the Height of Buildings Act and the steel chassis requirement for manufactured housing, Congress could act directly to repeal regulations that are standing in the way of more housing at better prices.

¹⁵ Emily Hamilton, "Reforming US Building Codes," *Regulation*, Winter 2024-2025.

¹⁶ Salim Furth and Charles Gardner, "Boosting Housing Affordability: Practical Suggestions for Congress and the White House," (Mercatus Policy Brief, Mercatus Center at George Mason University, April 2023).

Chairman FLOOD. Thank you, Dr. Hamilton.

Mr. Hughes, you are now recognized for 5 minutes for your oral remarks.

**STATEMENT OF BUDDY HUGHES, CHAIRMAN OF THE BOARD,
NATIONAL ASSOCIATION OF HOME BUILDERS**

Mr. HUGHES. Thank you, Chairman Flood, Ranking Member Cleaver, Chairman Hill, and members of the subcommittee. Thank you for the opportunity to testify today on behalf of the National Association of Home Builders (NAHB).

The United States is facing a fever-pitched housing affordability crisis. Nearly 77 percent of U.S. households cannot afford just the median price of a new single-family home.

Even small price increases have sharp effects. Every time \$1,000 gets added to the cost of a home, a new home, an additional 106,000 households are priced out of the market.

What is fueling this unaffordability is the rising construction costs, which make it increasingly difficult for builders to produce housing that is attainable for buyers and renters, and lack of supply of over 1.5 million housing units.

The headwinds placing pressure on builders can be boiled down to five categories that we call the "five L's": lending, lots, labor, lumber, and laws.

Last year, NAHB released a 10-point plan to tame shelter inflation and ease the housing affordability crisis. We must work together to tackle these issues to ensure that all Americans have access to affordable housing.

On lending, a lack of capital, particularly for small builders, is a key constraint on supply. The Acquisition, Development and Construction (AD&C) loan is one of the most heavily used financing tools in a builder's credit toolbox. Unfortunately, AD&C credit is tightening. Home builders rely on community banks for these loan products, but fewer banks mean fewer opportunities for a competitive interest rate.

In addition to AD&C, builders utilize and rely on several Federal programs to help them supply new homes and apartments. These programs should be preserved and strengthened through practical regulatory processes.

The availability of building lots is a major issue limiting housing production. Many metro areas face a shortage of developed land. Zoning laws and land-use restrictions make it difficult to convert undeveloped land into housing. Passing the chairman's Identifying Regulatory Barriers to Housing Supply Act will help policymakers identify housing barriers that prevent the production of more supply.

Our Nation's skilled labor force cannot meet our housing needs. Month to month, there are over 300,000 open positions. We must support programs like Job Corps and legislation like the Creating Opportunities for New Skills Training at Rural and Underserved Colleges and Trade Schools (CONSTRUCTS) Act to help prepare young adults for rewarding careers in construction and other essential trades.

The cost and availability of materials, particularly lumber, significantly affect housing production. While lumber prices have fluc-

tuated, supply chain instability and tariffs on imported materials continue to create uncertainty for builders. Boosting our domestic supply of lumber and negotiating a long-term softwood lumber agreement with Canada can help stabilize this volatile market, giving builders greater price stability.

We respect regulation aimed at health, safety, and welfare. However, the HUD/USDA minimum energy standards, using the 2021 International Energy Conservation Code (IECC), offers minimal cost savings to homeowners. Instead, this mandate significantly increases housing costs, especially in the entry-level market, thereby limiting access to mortgage financing and disadvantaging buyers.

HUD and USDA should assist vulnerable home buyers and renters, not price them out of the market. This policy will deter new construction at a time when increasing the housing supply is crucial to lowering shelter inflation cost.

Thank you again for this opportunity. The five L's—lending, lots, labor, lumber, and laws—are significant headwinds facing the residential construction industry, but if we partner together to address each factor, then we will be able to create the housing supply that all Americans need.

Thank you again.

[The prepared statement of Mr. Hughes follows:]



Testimony of Buddy Hughes

**On Behalf of the
National Association of Home Builders**

**Before the
House Financial Services Committee
Subcommittee on Housing and Insurance**

**Hearing on
"Building Our Future: Increasing Housing Supply in America"**

March 4, 2025

Introduction

Chairman Flood, Ranking Member Cleaver, and members of the Subcommittee, I appreciate the opportunity to appear before you today on behalf of the National Association of Home Builders (NAHB) to share our views on how we can increase supply to make housing more attainable for homebuyers and renters. My name is Buddy Hughes, and I am a home builder and developer based in Lexington, North Carolina, with over 45 years of experience in the industry. I serve as NAHB's Chairman of the Board of Directors.

NAHB represents more than 140,000 members who are involved in building single-family and multifamily housing, remodeling and other aspects of residential and light commercial construction. NAHB's members construct approximately 80% of all new housing in the United States each year.

Regrettably, the overarching theme of our nation's housing landscape is a deep undersupply of units—both in the single-family and multifamily markets. Our research finds that there is a 1.5-million-unit shortage across the United States.¹ This housing deficit is fueling unattainable home prices and pushing Americans away from homeownership. To illustrate this, our “Priced-Out” survey finds that nearly **77% of U.S. households are unable to afford a median priced new home**. Even incremental price increases have impactful consequences. The study further underscores that for every \$1,000 increase in the median price of a new home, an additional 106,031 households are priced out of the market.²

Let's step back and look at the big picture: it is exceedingly costly to build housing, which limits supply, and pushes prices higher. The headwinds driving housing costs upward can be attributed to five key factors known as the “5 Ls”—lending, lots, labor, lumber (materials), and laws (regulations). Each one of these contributes to rising costs and ultimately limits the supply of new housing—making homeownership and rental housing more expensive. The sections below will break down each of the “5 Ls” and provide supporting economic data to further illustrate the headwinds home builders are experiencing.

The “5 Ls”

1. Lending (Financing)

Access to financing is a critical factor that affects both home builders and buyers. Most NAHB members are small businesses that rely on community banks to finance their home building and development activities. NAHB would like to thank full-committee Chairman Hill for his efforts to look at banking regulations that are a compliance burden on community banks and hinder their ability to meet the financing needs of small home building and development companies.

For private builders, the availability of construction loans and development financing plays a crucial role in determining how many new homes can be built. Tight lending conditions and higher interest rates discourage new construction. On the demand side, rising mortgage rates and stricter lending standards make it harder for buyers to afford homes.

¹ The Size of the Housing Shortage: 2021 Data: <https://eyeonhousing.org/2022/12/the-size-of-the-housing-shortage-2021-data/>

² Na Zhao, Nearly 77% of U.S. Households Cannot Afford a Median-Priced New Home, <https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics-plus/special-studies/2024/special-study-households-cannot-afford-a-median-priced-new-home-april-2024.pdf?rev=cb6f4f7d507341cb9ece97b90b6709c3>.

If financing remains difficult to secure, both supply and demand suffer, worsening the housing shortage. Home builders depend on several federal programs administered by federal agencies to help them supply new homes and apartments and build communities. Likewise, home buyers use an array of federal financing sources for their home purchase. While the following list is not exhaustive, it represents the most widely used and influential programs for NAHB members and the modest-income Americans they serve:

- Tax programs, such as the Low-Income Housing Tax Credit (LIHTC).
- FHA Mortgage Loan Insurance for single-family and multifamily housing.
- HUD's HOME Investment Partnerships (HOME) and Community Development Block Grant (CDBG) programs.
- HUD Rental Assistance, primarily Section 8 Project Based Rental Assistance (PBRA) and the Housing Choice Voucher (HCV) programs.
- USDA Rural Housing Service single-family and multifamily programs.
- Veterans Affairs (VA) Home Loan Program.

Each of these programs serves an important purpose and constituency—they are not interchangeable but are complementary. Different strategies are necessary to meet the housing needs of households with different income levels in different parts of the country. The toolkit of federal government programs that have been developed over the years in response to identified needs is essential to ensure that there are affordable options for providing housing across the country. In addition, conventional financing through Fannie Mae and Freddie Mac plays a critical role for the purchase of newly constructed homes and multifamily properties.

To ensure that home builders can continue using these resources to house low-to-moderate-income families, NAHB urges Congress and the Administration to:

- Improve the implementation and operation of these federal programs to make them more efficient and effective and to reduce regulatory burdens on housing providers.
- Provide full funding for all HUD and USDA rental assistance contracts.
- Provide robust funding in the amount of \$1.5 billion in FY 2026 for HUD's HOME program, which is the largest federal block grant used exclusively for housing purposes.
- Provide strong budgets for the USDA homeownership direct loan programs and multifamily housing programs.
- Ensure borrowers continue to have access to USDA-insured and FHA-insured single-family and multifamily loans and VA homeownership programs.

The Role of the Low-Income Housing Tax Credit in the Rental Market

The housing affordability crisis cannot be solved without increasing rental housing supply. Nearly half of renters are cost-burdened, spending over 30% of their income on housing.³ **Providing affordable rental housing for lower-income households is financially impossible without subsidies**, and the Low-Income Housing Tax Credit (LIHTC) is the most effective tool available.

³ U.S. Census: Nearly Half of Renter Households Are Cost-Burdened, Proportions Differ by Race, <https://www.census.gov/newsroom/press-releases/2024/renter-households-cost-burdened-race.html>

Created in 1986, LIHTC has financed approximately 4 million affordable apartments, ensuring long-term rent stability. However, demand far exceeds the availability of credits. The program offers two credits: a 9% credit covering 70% of development costs and a 4% credit covering 30%, requiring developers to secure additional financing through HUD loans and programs like HOME and CDBG.

LIHTC operates as a public-private partnership, shifting financial risk to builders and investors rather than taxpayers. Investors cannot claim credits until after project completion, and if a project fails, the IRS can reclaim the credits. This ensures accountability and quality development.

A key strength of LIHTC is state-level flexibility in awarding credits to address local needs, such as housing for seniors, veterans, or the homeless. Despite this, demand for affordable housing still outpaces supply. LIHTC properties outperform the broader multifamily market in financial stability, with a 0.50% foreclosure rate and no reported new foreclosures in 2021 or 2022.⁴ The program's success highlights its critical role in creating stable, affordable housing that strengthens communities and revitalizes neighborhoods.

- Expanding LIHTC through enactment of the bipartisan *Affordable Housing Credit Improvement Act* and ensuring HUD's continued support are essential to meeting the growing housing needs of American families.

Lending Economic Data

The Acquisition, Development & Construction (AD&C) loan is one of the most heavily used financing tools in a builder's credit toolkit. Unfortunately, borrowers and lenders agreed that credit for residential AD&C loans tightened further in the fourth quarter of 2024, according to NAHB's survey on AD&C Financing and the Federal Reserve's survey of senior loan officers.⁵ **A lack of capital for home builders—particularly for smaller, private home builders – is a key constraint on housing supply.**

According to the survey, Lenders primarily tightened credit by lowering loan-to-value or loan-to-cost ratios (reported by 72% of builders and developers) and reducing the amount they were willing to lend (61%). These restrictions make it more difficult to finance new development projects, exacerbating housing supply challenges.

Despite tightening credit, interest rates on AD&C loans declined for the second consecutive quarter across all four categories tracked by the NAHB survey:

- Land acquisition loans: 8.50% (Q3) → 8.48% (Q4)
- Land development loans: 8.83% → 8.28%
- Speculative single-family construction loans: 8.54% → 8.34%
- Pre-sold single-family construction loans: 8.11% → 7.75%

⁴Cohn Reznick publishes 2023 Affordable Housing Credit Study:

<https://www.cohnreznick.com/insights/cohnreznick-publishes-2023-affordable-housing-credit-study>

⁵ Credit for Builders Tightens, Cost Results Mixed: <https://eyeonhousing.org/2025/02/credit-for-builders-tightens-cost-results-mixed/>

However, the overall cost of AD&C credit remained mixed due to fluctuations in initial points charged on loans. While points decreased for land acquisition loans (from 0.77% to 0.55%), they increased for land development (0.68% to 0.75%), pre-sold single-family construction (0.26% to 0.67%), and speculative single-family construction (0.49% to 0.64%). These conflicting trends resulted in variable effective interest rates across different loan categories:

- Land acquisition: 11.17% → 10.79%
- Land development: 12.82% → 12.12%
- Speculative single-family construction: 12.61% → 12.86%
- Pre-sold single-family construction: 12.03% → 12.98%

While rates declined in some cases, overall borrowing costs remain elevated, particularly for speculative construction, where the effective interest rate has climbed since Q3.

On the homebuyer side: the NAHB/Wells Fargo Cost of Housing Index (CHI) found that in the fourth quarter of 2024, a family earning the nation's median income of \$97,800 needed 38% of its income to cover the mortgage payment on a median-priced new home. Low-income families, defined as those earning only 50% of the median income, would have to spend 76% of their earnings to pay for the same new home.⁶

The figures track closely for the purchase of existing homes in the U.S. as well. A typical family would have to pay 37% of their income for a median-priced existing home, while a low-income family would need to pay 74% of their earnings to make the same mortgage payment.

There was no change in the percentage of a family's income needed to purchase a new home (38%) between the third and fourth quarters of 2024. However, the cost burden did increase slightly for low-income families, rising from 75% to 76% of their income.

In addition to affordability challenges—part and parcel of the difficulty in obtaining a mortgage is finding available and affordable insurance. Any homeowner who has a mortgage is required to obtain and maintain a certain level of insurance to cover the property. However, over the past several years, the increasing number and severity of disasters, lawsuits, reinsurance pricing, and other factors have caused many insurance companies to not renew policies, raise prices, or leave certain states altogether. This has resulted in even higher premiums, in many cases less coverage, and has placed additional pressure on the state insurance plans that provide coverage when insurance is otherwise unavailable.

2. Lots

The availability of buildable lots is a key underpinning holding back housing production. Metro areas across the nation face a shortage of developed land. Unfortunately, zoning laws and land-use restrictions make it highly prohibitive to convert undeveloped or underutilized land into housing. To further

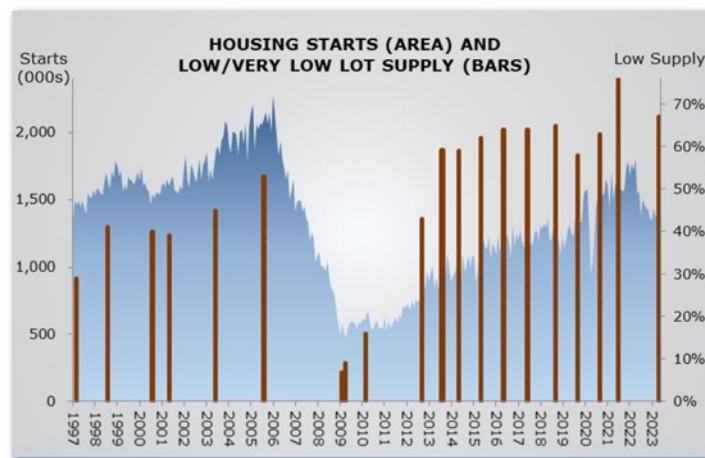
⁶ NAHB/Wells Fargo Cost of Housing Index (CHI): <https://www.nahb.org/news-and-economics/housing-economics/indices/cost-of-housing-index>

complicate this issue, the cost of preparing lots for construction has increased due to rising land prices, impact fees and infrastructure requirements.

- This results in a bottleneck that prevents the rapid expansion of housing supply, especially for entry-level homes. To help produce more lots, all levels of government should collaborate to remove barriers. The *Identifying Regulatory Barriers to Housing Supply Act* promotes state and local governments to encourage townhouses, duplexes, and triplexes; reducing minimum lot size requirements; and allowing more density on single-family zoned areas.

Lots Economic Data

As detailed earlier, credit access has been a challenge for the residential construction sector. This lack of credit in turn narrows the lot development pipeline. Obtaining lots to build on remains a challenge for many of NAHB's builders, although the shortages are not quite as widespread as they were in 2021. Responding to our May 2023 survey for the NAHB/Wells Fargo Housing Market Index (HMI), 42 percent of single-family builders characterized the supply of lots simply as *low*, and another 25 percent said the supply was *very low*, for a total of 67 percent of builders reporting some type of shortage.⁷



⁷ For Builders, Lot Shortage Eases But is Still a Problem: <https://eyeonhousing.org/2023/06/for-builders-lot-shortage-eases-but-is-still-a-problem/>

3. Labor

One of the most significant contributors to the housing shortage is the lack of skilled labor in the construction industry. The Great Recession led to a loss of 1.5 million workers from the construction sector. Additionally, fewer young people are entering the trades. The resulting shortage of skilled trades drives up wages and slows down construction timelines, leading to higher costs for builders and fewer homes being completed.

To address these challenges, NAHB strongly advocates for residential workforce development programs to help bridge these labor gaps. Developing a skilled workforce requires not just filling vacancies but ensuring a steady influx of new talent and fostering retention in the residential construction industry. Programs that offer training and career development can attract newcomers to the field, equipping them with the skills needed to succeed. Moreover, creating opportunities for career advancement and stability within the industry will help retain these workers, ensuring that the residential construction sector can grow and respond effectively to ongoing housing needs.

- NAHB continues to actively push for legislation to address these workforce challenges. For example, [H.R. 1055, the CONSTRUCTS Act](#), aims to ease the severe labor shortage in the home building industry. This legislation supports new and existing residential construction education programs, helping ensure a steady supply of workers to build the homes our nation needs.

In addition to the *CONSTRUCTS Act*, NAHB strongly supports continued full funding for Job Corps, a crucial program that helps prepare young adults for rewarding careers in construction and other essential trades. To further support these efforts, Congress should encourage more robust residential workforce development programs.

Labor Economic Data

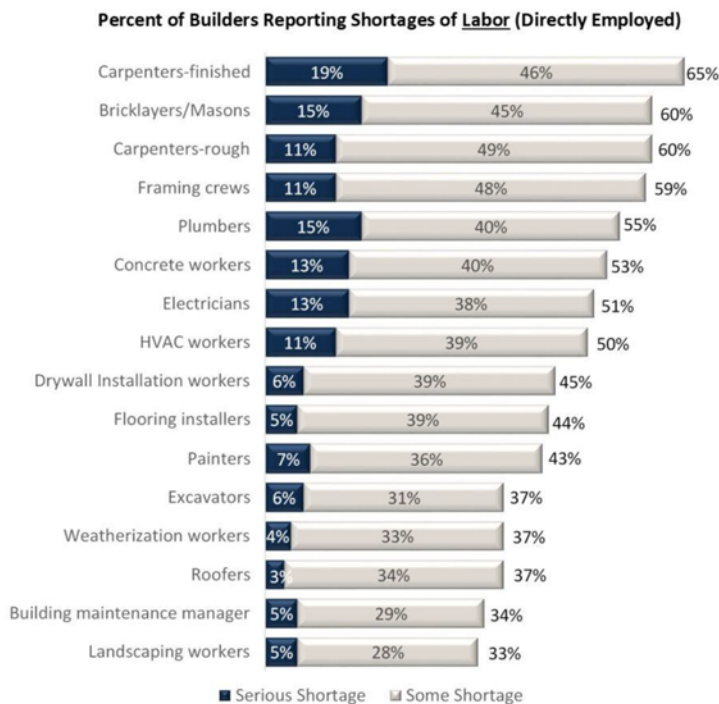
Despite some cyclical softening of the residential construction labor market, the skilled labor shortage in construction persists. Employment in the overall construction sector increased by 4,000 in January, after 13,000 gains in December.⁸ While residential construction lost 200 jobs, non-residential construction employment added 4,400 jobs for the month.

Residential construction employment now stands at 3.4 million in January, broken down as 956,000 builders and 2.4 million residential specialty trade contractors. The 6-month moving average of job gains for residential construction was 1,350 a month. Over the last 12 months, home builders and remodelers added 40,100 jobs on a net basis. The unemployment rate for construction workers has remained at a relatively lower level, after reaching 15.3% in April 2020 due to the housing demand impact of the pandemic.

⁸ Job Growth Slows in January: <https://eyeonhousing.org/2025/02/job-growth-slows-in-january/>

The number of open construction sector jobs decreased from a revised 272,000 in November to just 217,000 in December.⁹ This marks a significant reduction of open, unfilled construction jobs than that registered a year ago (434,000) due to a slowing of construction activity because of elevated interest rates. Due to issues related to immigration and an expected medium-term increase for residential construction activity, job openings in construction are expected to increase in the coming quarters.

A February 2024 NAHB survey asked builders about shortages in 16 specific trades. The percentage of builders reporting a shortage (either some or serious) of labor they employ directly ranged from a low of 33% for landscape workers to a high of 65% for those performing finished carpentry.¹⁰

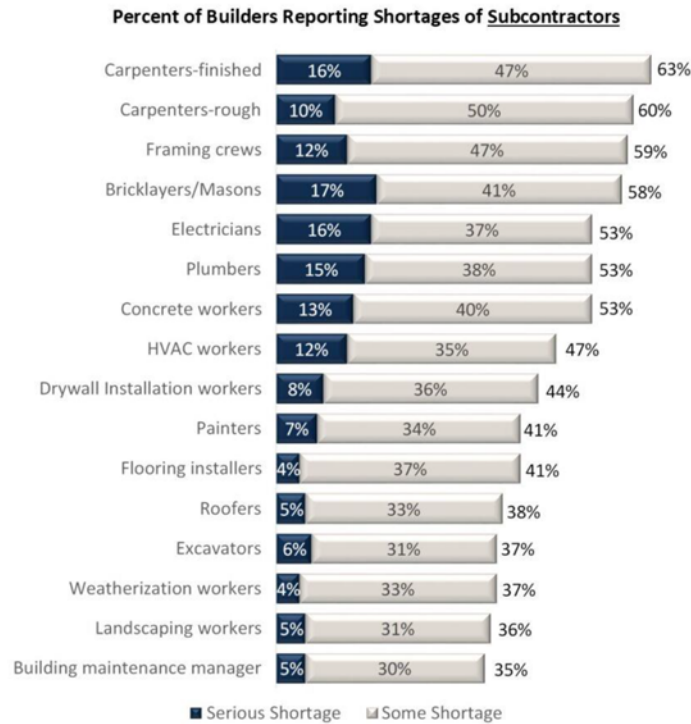


⁹ Construction Labor Market Softens: <https://eyeonhousing.org/2025/02/construction-labor-market-softens/>

¹⁰ Labor Shortages Ease, But Remain Worse Than in the Last Boom: <https://eyeonhousing.org/2024/02/labor-shortages-ease-but-remain-worse-than-in-the-last-boom/>

In the typical case, most of the physical work required to build a home is performed not by laborers employed directly by the builders, but by subcontractors. Home builders on average use 24 different subcontractors and subcontract out 84% of their total construction costs to build a single-family home.

The February 2024 HMI survey also collected information about shortages of subcontractors. The percentage of builders reporting a shortage of subcontractors ranged from 35% for building maintenance managers to 63% for finished carpenters.



4. Lumber (Materials)

Lumber and wood products are a major cost driver in housing affordability, accounting for approximately 15%¹¹ of the cost of construction for a single-family home. The availability and cost of these materials significantly impact housing production, and additional domestic supply can help stabilize what is otherwise a volatile market for wood products, giving builders greater price certainty.

While lumber prices have fluctuated, supply chain instability and tariffs on imported materials continue to create uncertainty for builders. Federal policymakers can help stabilize building material costs by increasing production of distribution transformers, ending tariffs on Canadian lumber and Chinese materials, and expanding domestic timber supply from federally owned lands in an environmentally responsible way.

- NAHB supports [H.R. 471, the Fix Our Forests Act](#), which will foster better forest management with the economic benefit of increasing the supply of federal timber products. (Despite our vast timber resources, the U.S. does not produce sufficient lumber to meet our industry's demand, requiring costly imports).

Lumber (Construction Inputs) Economic Data

The cost of building materials has surged 34% since December 2020, with the four-fold lumber price spike in 2021 adding more than \$30,000 to the price of an average new single-family home. The price of distribution transformers is up 71% since December 2020, and the severe shortage of transformers is delaying housing projects across the nation.

Prices for inputs to new residential construction were up 1.2% in January according to the most recent Producer Price Index (PPI) report published by the U.S. Bureau of Labor Statistics.¹² The Producer Price Index measures prices that domestic producers receive for their goods and services, this differs from the Consumer Price Index which measures what consumers pay and includes both domestic products as well as imports.

The inputs to the New Residential Construction Price Index grew 1.1% from January of last year. The index can be broken into two components—the goods component increased 2.1% over the year, while services decreased 0.3%. For comparison, the total final demand index, which measures all goods and services across the economy, increased 3.5% over the year, with final demand with respect to goods up 2.3% and final demand for services up 4.1% over the year.

The goods component has a larger importance to the total residential construction inputs price index, representing around 60%. For the month, the price of input goods to new residential construction was up 1.6% in January. Monthly growth of the index was relatively low in the past two years, as this monthly increase was the largest since March of 2022 (3.3%). The input goods to residential construction index

¹¹ Cost of Constructing a Home in 2024: https://eyeonhousing.org/2025/01/cost-of-constructing-a-home-in-2024/?_ga=2.243315653.1317129919.1740431202-274855501.1713786555

¹² Residential Construction Input Prices Increase to Start the Year: <https://eyeonhousing.org/2025/02/residential-construction-input-prices-increase-to-start-the-year/>

can be further broken down into two separate components, one measuring energy inputs with the other measuring goods less energy inputs. The latter of these two components simply represents building materials used in residential construction, which makes up around 93% of the goods index.

The 2.1% yearly growth in the goods component can be attributed to the rise in the prices of building materials, which grew 2.3% over the year. Meanwhile, the price of energy inputs was 1.6% lower than last year. Between December and January, building materials increased 1.4%, while energy inputs increased 4.3%.

At the individual commodity level, the five commodities with the highest importance for building materials to the New Residential Construction Index were as follows: ready-mix concrete, general millwork, paving mixtures/blocks, sheet metal products, and wood office furniture/store fixtures. Compared to last year, ready-mix concrete was up 4.1%, wood office furniture/store fixtures up 4.7%, general millwork up 2.4%, paving mixtures/blocks up 8.6% while sheet metal products were up 0.4%.

Lumber has been a particular challenge for home builders in the post-Covid era. The input commodity in residential construction that had the highest year-over-year percent change (across all input goods) in November 2024 was softwood lumber (not edge worked), which was 13.7% higher than November 2023.¹³ This is noteworthy because none of the other top wood commodities had a year-over-year change above 3% in November. Lumber supplies have been driving prices higher over the past month as the sawmill industry continues to adjust to the mill closures that occurred earlier this year. Higher lumber demand as residential construction rebounds due to lower interest rates is likely to continue to increase lumber prices.

5. Laws (Regulations)

Government regulations play a crucial role in shaping housing supply. As indicated earlier, many local governments impose restrictive zoning codes, lengthy permitting processes and expensive impact fees. At the state level, builders may confront growth management requirements, stormwater management mandates, and building codes that make new construction costly and time-consuming. Federal requirements, such as those related to unpredictable environmental permitting further compound the costs and challenges of providing attainable housing. Ultimately, excessive and outdated rules, coupled with the layering of regulations from local, state, and federal governments significantly limit the number of new homes that can be built. They hinder the building of all types of housing but have a particularly significant impact on the ability to provide affordable housing.

Importantly, the conversation regarding the regulatory burden associated with residential construction has shifted in a positive direction. Elected officials, from all levels of government, are increasingly highlighting the need to reform regulatory processes to diminish the hurdles home builders face.

¹³ Building Material Prices Increase in November Led by Lumber: <https://eyeonhousing.org/2024/12/building-material-prices-increase-in-november-led-by-lumber/>

The HUD/USDA Minimum Energy Standards (2021 IECC) Final Determination

There is growing concern over the increasing reliance on building codes—particularly stricter energy codes for new homes—as a “silver bullet” solution for various policy issues. This approach disproportionately burdens new construction while often failing to achieve its intended goals. NAHB is especially concerned about HUD and USDA’s Final Determination, which mandates that new single-family homes financed by these agencies comply with the 2021 International Energy Conservation Code (IECC) and that multifamily homes financed by HUD programs meet the 2021 IECC or ASHRAE 90.1-2019 standards.

Without adequate review or consideration of how it will affect home buyers or renters, HUD and USDA have rammed through this mandate that will do little to curb overall energy use but will exacerbate the housing affordability crisis. According to the NAHB “Priced-Out” data referenced earlier, around 107 million households already cannot afford the median price of a new home. Even HUD’s modest estimates indicate that compliance with the 2021 IECC would raise new home prices by an average of \$7,200 per single-family home, **thereby pricing an additional 724,525 households out of the market.**

With the nation facing a housing affordability crisis, it is crucial to avoid regulations that would further hinder homeownership for more Americans.

- On the legislative front, NAHB asks Congress to amend the Energy Independence and Security Act (EISA) to clarify that HUD and USDA are not required to continue updating energy standards for housing programs.

Federal Environmental Permits

In many areas of the country, land development and construction projects are impacted by federal laws designed to protect and preserve the nation’s natural resources. While NAHB supports the intent of these laws, many of the associated permitting processes and compliance requirements are unclear, cumbersome, and/or costly and unnecessary. Two permitting processes which home builders and developers regularly encounter are the Clean Water Act (CWA) and the Endangered Species Act (ESA). Both are crucial in safeguarding the environment—however the permitting regime under these laws has become unwieldy.

For example, under the CWA, defining which water features on a landowner’s property are federally jurisdictional remains ambiguous, and a “streamlined” permit takes over one year to finalize. For the ESA, the Section 7 and Section 10 consultation processes are unpredictable and can take years to complete. These uncertain regulatory pathways hamstring housing by making the permitting process untenable for small-and medium-sized home builders.

- Clarifying definitions and placing enforceable timelines on permitting will enhance predictability and certainty under the CWA and ESA permitting regimes.

Laws (Regulations) Economic Data

A definitive 2021 NAHB study shows that, on average, regulations imposed by government at all levels account for **\$93,870 (24 percent) of the final price of a new single-family home built for sale**.¹⁴ Of the \$93,870, \$41,330 is due to a higher price for the finished lot, attributable to regulations imposed during the lot's development. The remaining \$52,540 is the result of regulatory costs imposed on the builder during construction, after the builder purchases the finished lot. NAHB conducts these studies every five years, with the next analysis expected in 2026.

The individual line items in the table range from under \$1,000 per home for the pure cost of delay during the construction phase of the project, to more than \$24,000 for changes in building codes over the past 10 years. Over time, the NAHB studies show that the cost of regulation continued to climb between 2016 and 2021, although not as fast as it did between 2011 and 2016. The current estimate of \$93,870 is up 11 percent from the \$84,671 in the 2016 study, and 44 percent from NAHB's 2011 estimate of \$65,224.

In the multifamily market, NAHB and the National Multifamily Housing Council undertook a joint research effort to find out how much government regulation adds to the cost of building new multifamily housing via a survey distributed to multifamily developers. The research finds that an average of 40.6 percent of total development costs can now be attributed to complying with regulations imposed by all levels of government.¹⁵

Among the categories of regulation captured by the survey, the highest average cost is the result of changes to building codes over the past 10 years (11.1 percent of total development costs). The second highest are the costs imposed when site work begins (8.5 percent). Moreover, some types of regulatory mandates can discourage developers from building in the very marketplaces that have the greatest need for more housing. For example, 47.9 percent of multifamily developers said they avoid building in jurisdictions with policies such as inclusionary zoning, and a full 87.5 percent avoid building in a jurisdiction with rent control in place.

Regulations cover a wide range of issues, and while they may be well-intentioned, the costs and burdens of any regulation must be carefully weighed against the benefits. Few would argue, for example, that basic safety standards for structures and workers are unnecessary. But, when regulation constitutes an average of 40.6 percent of a project's development costs, this raises questions about how thoroughly governments are considering the consequences of their actions.

¹⁴ Regulation Now Accounts for \$93,870 of the Average New Home Price:
<https://eyeonhousing.org/2021/05/regulation-now-accounts-for-93870-of-the-average-new-home-price/>

¹⁵ New Research Shows Regulations Account for 40.6 Percent of Apartment Development Costs:
<https://www.nahb.org/news-and-economics/press-releases/2022/06/new-research-shows-regulations-account-for-40-point-6-percent-of-apartment-development-costs>

Conclusion

Thank you, Chairman Flood and Ranking Member Cleaver, for convening this important hearing. The “5 Ls” are significant headwinds facing the residential construction industry, but if we partner together to simultaneously address each factor, then we’ll be able to create the housing supply Americans need. These are pivotal conversations, and NAHB stands ready to work with you and members of the Subcommittee to achieve thoughtful, effective policies to address these concerns and expand the availability of attainable, affordable housing for all Americans.

Chairman FLOOD. Thank you, Mr. Hughes.

Ms. Tara Vasicek, you are now recognized for 5 minutes for your oral remarks.

STATEMENT OF TARA VASICEK, CITY ADMINISTRATOR, CITY OF COLUMBUS, NEBRASKA

Ms. VASICEK. Good afternoon, Chairman Flood, Ranking Member Cleaver, and subcommittee members. Thank you for the opportunity to testify today and provide a local perspective on the nationwide housing crisis.

I am the City Administrator for the city of Columbus, Nebraska. Columbus has made significant efforts to increase housing production, recognizing a lack of available housing directly impacts our economic growth, workforce attraction and retention, as well as quality of life.

Through strategic initiatives, we have increased housing development significantly. However, despite our proactive approach and continued commitment to housing, the issue remains: Housing production is not meeting demand.

A few of the actions we have taken locally include removing locally controlled regulatory barriers, direct investment in housing development, and utilizing and leveraging all of the beneficial tools and incentives available to us.

Over the past 5 years, Columbus has undertaken multiple updates to our land-development regulations to remove barriers to housing production. Many cities have regulations that limit housing density; Columbus does not. Accessory dwelling units, mixed-use types are allowed by right in all zones. We have changed our codes to make in-fill development and adaptive reuse easy to complete.

Our local permitting process is efficient. All housing permits are issued within 2 weeks of the city receiving a completed application.

Currently, the city is leading a workforce housing development subdivision. There are currently 325 housing units of various densities being constructed—six times the units produced annually a short time ago.

The other major financial tool used for this project: tax increment financing, or TIF, similar to tax abatement in other States. TIF allows for the capture of up to 15 years of property taxes paid on the project's improvements to use as funding to build out the project. TIF is the most efficient tool available to Nebraska communities for housing development.

In addition to TIF, the city allocates a portion of local sales tax to economic development. Primarily, this funding goes to housing. We have also been successful in securing many grants. We currently have a significant revolving loan fund, which acts as short-term gap financing for workforce housing projects.

Columbus is very strategic when deciding what State and Federal grants we pursue. Many grants introduce excessive regulatory hurdles, leading to time delays, increased project costs, and long-term management challenges. These factors also negatively impact construction because they often limit the number of builders who are willing to participate. In a housing market as dire as the current, builders are going to pick the path of least resistance.

Despite our efforts to increase housing production, significant obstacles remain which continue to impede development. Locally, rising land and infrastructure costs are a significant challenge. At the State and Federal levels, complex regulations add additional time and expense.

The Federal regulation that we hear the most negativity about related to cost is the Environmental Protection Agency's (EPA's) stormwater management policies, which add hundreds of thousands of dollars to subdivisions.

CDBG is a Federal program the city of Columbus would like to utilize more for housing, but the beneficiary requirements often prevent us from seeking this funding. In order to provide affordable housing to individuals earning 50 to 80 percent Area Median Income (AMI), substantial incentives in addition to CDBG have to be provided.

The most affordable housing in any city will always be its existing housing stock, not new construction. Affordable new housing units can only be built because of substantial incentives and subsidies. Supporting workforce housing with CDBG could be very successful. By expanding market-rate housing in growing cities like Columbus, you will also free up more attainable and affordable housing options, which CDBG aims to support.

Finally, I would ask you to consider providing more funding opportunities for communities like Columbus who have reformed local regulations and are being proactive. By prioritizing funding for communities which have embraced reform, you can accelerate housing production and ensure local initiatives are met with the necessary resources to succeed.

I strongly believe, today, housing is one of the greatest limiting factors to continued economic prosperity for our Nation. Please join Columbus and so many other cities in thinking more critically about how we can all solve this vitally important issue.

Thank you for your time, attention, and this opportunity.

[The prepared statement of Ms. Vasicek follows:]



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**Testimony before the Subcommittee on Housing and Insurance
of the House Committee on Financial Services**

119th Congress

Hearing: Building Our Future: Increasing Housing Supply in America

**Tuesday, March 4, 2025 | 2:00 PM
2128 Rayburn House Office Building**

Testimony by:
Tara Vasicek
City Administrator
City of Columbus, Nebraska

Tara Vasicek has served as the City Administrator for Columbus since 2017. She has over 15 years of experience leading local government agencies. Tara has a Bachelor's degree from the University of Nebraska-Lincoln in Community & Regional Planning and Geography.

Chairman Flood, Ranking Member Cleaver, and Members of the Subcommittee:

Thank you for the opportunity to testify today and to provide a local perspective on the nationwide housing crisis. I am Tara Vasicek, and I represent the City of Columbus, Nebraska.

Columbus has made significant steps to increase housing production, recognizing a lack of available housing directly impacts economic growth, workforce attraction and retention, as well as quality of life. Through strategic use of various resources, we have made significant strides in boosting housing development. However, despite our proactive approach and continued commitment to removing barriers, the core issue remains—housing production is still not keeping pace with demand.

Local Actions Taken to Increase Housing Supply**Removed locally controlled regulatory barriers**

Over the past five years, Columbus has undertaken several Land Development Regulation updates to modernize and remove barriers to housing construction within our local regulations.

Zoning Flexibility

High density housing is allowed by right. Minimum lot regulations, including lot area, lot width, and site area per housing unit, have been eliminated in all residential zones except for rural residential. This allows developers greater flexibility in planning new subdivisions and infill development.

Accessory Dwelling Units (ADUs) are allowed in all zones except traditional R1 neighborhoods.

Mixed Use types are allowed across all zones.

Removed regulations limiting infill and adaptive reuse so land and properties can more easily be repurposed.

Permitting

A complete housing submittal is fully permitted in less than 2 weeks.

Streamlined the Development Review process. We have a time block every week for Development Review Team (DRT) meetings with developers. All City departments that have a hand in development are represented. This has greatly increase efficiency and effectiveness is getting new projects moving forward and keeping everyone working toward the same goal.

We actively educate builders on the types of housing most needed in the community and provide guidance on optimal subdivision planning to maximize the number of appropriate units constructed.

Direct Investments in Housing Development

The City Council allocated \$1 million to housing in 2024. These unencumbered funds allowed the city to purchase land and install infrastructure, creating 325 housing units which are currently starting construction. This project includes 238 apartment units, 64 rowhomes of various sizes, 14 townhome units, and 9 single-family detached homes.

This initiative was successful because the initial funding was flexible and without restrictions on location, housing type, or end users, allowing the city to meet local housing needs efficiently.

Utilizing Tools & Incentives

Tax Increment Financing (TIF) is the most effective tool available in Nebraska for housing development and its impact in Columbus has been significant. Since implementing TIF, the city has seen a more than 300% increase in housing production.

The City of Columbus also allocates a portion of local option sales tax to economic development. A majority of those funds over the last decade have been used to incentivize housing construction.

Columbus has been successful in securing grants to support housing and community development, ensuring valuable funding for key projects. We currently have a revolving loan fund for housing that has been built up over the years to over \$4.5 million.

We are also strategic in selecting which grants to pursue, as many come with requirements that are cost-prohibitive and overly burdensome. Some grants introduce excessive regulatory hurdles, leading to time delays, increased project costs, and long-term management challenges. Additionally, strict monitoring and compliance requirements often limit the pool of builders willing to participate, ultimately restricting development opportunities. By carefully evaluating each grant, we prioritize those who provide meaningful support without imposing unnecessary obstacles on progress.

Barriers Outside of Local Control

Despite our efforts to increase housing production, significant obstacles remain that continue to challenge development. Locally, rising land and infrastructure costs are the primary obstacles to new residential development.

At the state and federal levels, complex regulations add further delays and expenses, making projects more time-consuming and costly. Cities are often the face of all regulation, whether Local, State or Federal, we are required to adopt and enforce many types of regulations which we have little to no authority to change.

The most costly for Columbus: Federal Stormwater Regulations, State Energy Code Regulations

While we remain committed to finding solutions and pushing for policies that support growth, these external factors continue to impact our ability to keep up with housing needs.

Recommendations to Improve Federal Programs

1. Reforming Community Development Block Grants (CDBG)

- The low- and moderate-income (LMI) beneficiary requirement dramatically limits funding flexibility.
- Adjusting these thresholds would help communities like Columbus better utilize CDBG funds for housing development.
- Current affordability limits:
 - A family of four, with no other debts, earning 50% of the Area Median Income (AMI) can afford a \$118,000 home (5% down), while a family earning 80% AMI can afford a \$187,000 home.

The typical new home price is significantly higher than \$187,000 and unfortunately the average family today is not debt free. Hopefully these basic facts illustrate how CDBG's narrow scope severely limits who will benefit in the real world.

The most affordable housing in any city will always be its existing housing stock, not new construction. New homes can only match the price of existing if developers receive substantial incentives and subsidies.

The current housing shortage is so severe that governments cannot realistically provide enough subsidies to meet demand now and in the future. Supporting workforce housing development would be a more cost-effective solution because they would inherently require less subsidization. Increasing supply of workforce housing will allow families to move up into newer homes, naturally freeing up lower-cost housing.

Attempting to build new housing as the affordable housing option is exacerbating the problem, driving up the cost of federal and state housing programs for taxpayers. By expanding market-rate housing in economically prosperous cities like Columbus, we can open up more attainable housing opportunities for individuals and families that CDBG aims to support.

Instead of focusing solely on creating deeply subsidized housing, programs like CDBG should prioritize building housing that is affordable to the local workforce.

2. Federal Incentives for Pro-Housing Local Policies

Jurisdictions that have taken proactive steps to reform land development codes and eliminate regulatory barriers should be rewarded with increased funding opportunities and grants, with the only requirement being a commitment to housing production. By prioritizing funding for communities that have embraced reform, you can accelerate housing production and ensure that local initiatives are met with the necessary resources to succeed.

Conclusion

Columbus has proactively addressed our housing shortage by changing what we can control through deregulation, direct investment, and local incentives. However, our efforts alone are not enough to meet demand. Federal support in the form of funding flexibility, infrastructure investments, and incentives for pro-housing policies is essential to closing the gap. I strongly believe that housing is one of the greatest limiting factors of continued economic prosperity for this Nations communities. Please join Columbus and so many other cities in thinking more critically about how this vitally important issue can be solved.

Thank you for your time and consideration.

Chairman FLOOD. Thank you very much.

Ms. Bailey, you are now recognized for 5 minutes for your oral remarks.

While we work on your microphone, we are going to recognize the Ranking Member of the full Financial Services Committee for her opening remarks of 1 minute, and we will work with Ms. Bailey's microphone to get it fixed.

STATEMENT OF HON. MAXINE WATERS, RANKING MEMBER OF THE COMMITTEE ON FINANCIAL SERVICES, A U.S. REPRESENTATIVE FROM CALIFORNIA

Ms. WATERS. Thank you very much.

Well, Committee Republicans claim to care about increasing housing supply, yet the Trump Administration's policies only make housing more expensive. Today, Trump imposed taxes on imports from Canada and Mexico that will increase housing costs and has gutted enforcement of consumer protection and civil rights in housing.

House Republicans are doing nothing as the Department of Government Efficiency (DOGE) ketamine clan infiltrates the Nation's key housing agency. So far, Musk has stolen funding from communities, illegally terminated staff, and accessed confidential data, including details about sexual assault against women.

All of this paves the way toward their end goal, evict America to put America's housing in the hands of private equity investors.

I urge Republicans to man up and hold Trump and co-President Musk accountable and immediately call Secretary Turner up to testify.

With that, I ask unanimous consent to submit four statements into the record from the following organizations: the National Income Housing Coalition, the National Association of Housing and Redevelopment Officials, the NAACP Legal Defense Fund, and National Association of Realtors.

I also request unanimous consent to submit two letters from the Department of Housing and Urban Development. The first is a notice to a grantee that their fair-housing grant has been canceled at the direction of Elon Musk's DOGE—

Chairman FLOOD. Without objection—

Ms. WATERS [continuing]. stating that the civil-rights funding, quote, "no longer effectuates the program goals or agency priorities."

There is more, but I am going to yield back my time because I just want to say: Republicans, if you want to do housing, you have to get rid of Elon Musk.

Chairman FLOOD. Your time has expired.

Without objection.

[The information referred to can be found in the appendix.]

Chairman FLOOD. Ms. Bailey, is your microphone working?

Ms. Bailey, why do you and Ms. Vasicek switch seats for just a moment?

There we go.

Ms. Bailey, you are recognized for your opening statement, your oral statement of 5 minutes.

**STATEMENT OF NIKITRA BAILEY, EXECUTIVE VICE
PRESIDENT, NATIONAL FAIR HOUSING ALLIANCE**

Ms. BAILEY. Thank you.

Chair Flood, Ranking Member Cleaver, Chair Hill, Ranking Member Waters, and other distinguished members of the subcommittee, thank you for the opportunity to testify during today's hearing on the need to increase the Nation's supply of fair and affordable housing for everyday people, including the frontline workers such as teachers, nurses, firefighters, police officers, and others who sacrificed their lives during the COVID-19 crisis to help our economy remain afloat.

I am Nikitra Bailey, Executive Vice President of the National Fair Housing Alliance (NFHA). NFHA leads the fair-housing movement, and we work to eliminate housing discrimination and ensure equitable housing opportunities for all people and communities. NFHA also ensures and represents the voices of over 200 local, nonprofit fair-housing agencies throughout the United States.

Our Nation is in a fair-and-affordable-housing crisis impacting millions. The actions of President Trump's executive orders attempting to ban diversity, equity, inclusion, and accessibility; punitively and haphazardly throwing together a Federal funding freeze; and canceling almost half of funding for local, nonprofit fair-housing agencies throughout the United States have caused chaos, fear, insecurity, and dysfunction around the country.

Instead of providing our Nation with practical solutions to address skyrocketing housing costs, a lack of affordable housing supply, increased complaints of housing discrimination, and technology's growing role in determining housing decisions with solutions, steps on the ladders of opportunity are being removed for everyday people. These haphazard executive actions will cause serious economic and personal injuries that will undermine our already-fragile housing market and our Nation.

Housing is fundamental to the American Dream, and people want elected leaders to quickly implement solutions so that they can ensure they can fairly access opportunity and share in our Nation's prosperity.

People are seeking opportunities and solutions that would drive down the rising cost of housing and provide fair-market risk, expand fair access to mortgage credit in underserved communities, reduce homeowners' insurance costs, and produce the development of over 5 million affordable-housing units.

Diversity, equity, inclusion, and accessibility are synonymous with hard work, fairness, merit, and standards of excellence. They are a cornerstone of our Nation's Constitution and civil-rights laws and help to ensure compliance with our Nation's robust anti-discrimination laws.

In fact, many of these concepts are codified in our civil-rights laws and regulations as well as the Constitution. Congress established fair housing as the national policy of the United States with the passage of the Fair Housing Act following the horrific assassination of Dr. Martin Luther King, Jr. The landmark legislation provides two promises: the right for all people to access housing free of discrimination; and the creation and inclusion of inclusive

vibrant communities with life-affirming amenities everyone needs to thrive.

The President cannot upend our country's national policy, the Constitution, or civil-rights laws with executive orders.

Congress must act quickly to make equitable housing investments that promote financial inclusion and stimulate economic growth for everyone. As housing continues to drive inflation, the Federal Reserve Board is powerless to handle housing inflation.

A housing market in which all people cannot participate fairly without regard to race, color, national origin, religion, gender, familial status, or disability is a broken market, both economically and morally.

The Housing Prices Response Act, sponsored by Ranking Member Waters, provides a sensible path forward. It includes \$150 billion in relief for the Nation's fair-and affordable-housing crisis to ensure people living in urban, rural, and suburban communities' housing needs are met.

Increased support and intervention from our Federal Government is needed, not a withdrawal from basic civil rights. Fair-housing laws improve people's lives and the communities in which they live, especially seniors needing to remain housed, women who have been battered and are seeking safety from abusers, and people with disabilities who use fair-housing laws to obtain accessible housing so they can properly use their kitchens and bathrooms.

They also strengthen our economy and make the Nation more prosperous. America is at its best when united and relentlessly pursuing a country where everyone—and we mean everyone—regardless of their background, has a fair shot at reaching the American Dream.

Thank you for the opportunity. I look forward to answering questions.

[The prepared statement of Ms. Bailey follows:]



Building Our Future: Increasing Housing Supply in America

Testimony of

Nikitra Bailey
Executive Vice President
National Fair Housing Alliance
1331 Pennsylvania Ave., NW, Suite 650
Washington DC
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Before the
Subcommittee on Housing and Insurance
of the
Housing Committee on Financial Services

March 4, 2025

Introduction

Chair Flood, Ranking Member Cleaver, and other distinguished members of the House Financial Services Subcommittee on Housing and Insurance, thank you for the opportunity to testify during the subcommittee's hearing entitled, *Building Our Future: Increasing Housing Supply in America*. I am Nikitra Bailey, Executive Vice President of the National Fair Housing Alliance® (NFHA™). NFHA leads the fair housing movement and works to eliminate housing discrimination and ensure equitable housing opportunities for all people and communities through its education and outreach, member services, public policy, advocacy, housing and community development, tech equity, enforcement, and consulting and compliance programs. NFHA represents over 200 local non-profit fair housing enforcement agencies throughout the U.S.

Our nation is in the throes of a fair and affordable housing crisis impacting millions and the actions of President Trump issuing executive orders attempting to ban diversity, equity, inclusion, and accessibility; punitively and haphazardly throwing together a federal funding freeze; and canceling almost half of the funding grants for local non-profit fair housing agencies throughout the U.S. have caused chaos, fear, insecurity, and dysfunction around the country. Instead of providing everyday people of our nation with practical solutions while they are struggling with skyrocketing housing costs, a lack of affordable housing supply, increased complaints of housing discrimination, and technology's growing role in determining housing decisions with solutions, steps on the ladders of opportunity are being removed for frontline workers-police officers, certified nursing assistants, teachers, firefighters, hospitality workers, and construction workers who risked their lives to keep the economy afloat during the COVID-19 crisis. These haphazard executive actions will cause serious economic and personal injuries that will undermine our already fragile housing market and our nation.

Housing is fundamental to the American Dream and people want elected leaders to quickly implement solutions to ensure they can fairly access opportunity and share in the nation's prosperity. Housing was a top concern for voters during the November election. People are seeking solutions that will drive down the rising costs of housing and provide fair market rents, expand fair access to mortgage credit in underserved communities, reduce homeowners' insurance costs, and produce the development of over five million affordable housing units. Voters supported initiatives nationally that would provide them the fair and affordable housing opportunities they deserve and that are essential to achieving the American Dream.

Diversity, equity, inclusion, and accessibility are synonymous with hard work, fairness, merit, and standards of excellence. They are a cornerstone of our nation's Constitution and civil rights laws and help to ensure compliance with our nation's robust anti-discrimination laws.

Despite recent efforts to spread misinformation and intentionally ignore the progress of civil rights in this country, here are the facts:

- Diversity, equity, inclusion, and accessibility initiatives are designed to create opportunities where none previously existed.
- Our country's fair housing laws, as well as our framework for civil and equal rights, are grounded in providing rights to people that have always made up this nation and contributed significantly to building and defending the nation.

- Inclusion guarantees everyone has the right to the promises and protections of our laws and that no one is omitted because of their protected class status.
- Accessibility ensures people can actually take advantage of the vital opportunities needed to thrive.

In fact, many of these concepts are codified in our civil rights laws and regulations as well as the Constitution.

Congress established fair housing as a national policy of the U.S. with the passage of the Fair Housing Act of 1968. The landmark legislation provides two promises:

- The right for all people to access housing free of discrimination; and
- The creation of inclusive and vibrant communities with life affirming amenities everyone needs to thrive.

The President cannot upend our country's national policy, the Constitution or civil rights laws via executive orders.

Congress must act quickly to make equitable housing investments that promote financial inclusion and stimulate economic growth for everyone as housing continues to drive inflation. The Federal Reserve Board lacks the power to lower housing inflation.¹ A housing market in which all people cannot participate fairly, without regard to race, color, national origin, religion, gender, familial status, or disability, is a broken market both economically and morally.

The Housing Crisis Response Act sponsored by Ranking Member Waters provides a sensible path forward. It includes \$150 billion in relief for the nation's fair and affordable housing crisis to ensure people living in urban, rural, and suburban communities' housing needs are met. Increased support and intervention from our federal government is needed, not a withdrawal from basic civil rights.

We welcome the Subcommittee's commitment to promoting fair and affordable housing for all.

My testimony draws heavily from previous testimonies² and highlights the following issues driving the fair and affordable housing crisis as well as describing necessary and practical solutions:

1. The Trump Administrations executive actions are worsening the fair and affordable housing crisis.
2. Segregation and discrimination continue to be part of the U.S. housing market.

¹ Samantha Delouya, [What's Propping Up Inflation? Blame Housing](#), CNN (Feb. 11, 2025).

² See, e.g., *Testimony of Nikitra Bailey, National Fair Housing Alliance*, Hearing before the House Financial Services Subcommittee on Housing and Insurance entitled, [The Characteristics and Challenges of Today's Homebuyers](#) (March 20, 2024); [Testimony of Nikitra Bailey, National Fair Housing Alliance](#), Hearing before the House Committee on Financial Services, entitled, *Boom or Bust: The Need for Bold Investments in Fair and Affordable Housing to Combat Inflation* (Dec. 1, 2022); [Testimony of Nikitra Bailey, National Fair Housing Alliance](#), Hearing before the House Select Committee on Economic Disparities and Fairness in Growth, entitled, *Promoting Economic Disparity and Fair Growth through Access to Affordable and Stable Housing* (March 1, 2022).

3. Appraisal discrimination continues to undercut wealth-building opportunities for households of color.
4. Many communities remain underserved because of the lack of small dollar loans.
5. Zoning can be a barrier to fair and affordable housing.
6. Institutional investors are exacerbating the fair and affordable housing crisis.
7. LIHTC and other tax credits are needed to provide consumers with housing options.
8. Some housing policies risk gentrification and displacement.
9. Climate-related disasters are causing rising homeowners insurance costs.
10. The GSEs need to fulfill their mission mandates and Congress should not allow the Trump administration to override Fannie Mae and Freddie Mac's congressional charters with privatization.
11. The Federal Home Loan Banks continue to reap private benefits rather than promote fair and affordable housing.
12. CDFI Fund investments support wealthy developers instead of potential homebuyers.
13. Artificial intelligence related to housing and lending offers both promise and peril.

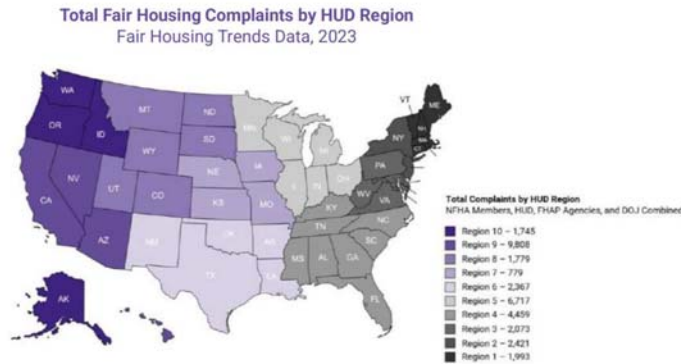
Background: People in America Are Facing a Dire Fair and Affordable Housing Crisis

The people of America are facing a dire fair and affordable housing crisis that impacts every aspect of their lives. In this country, place is inextricably linked to opportunity: where we live determines our access to fresh air, clean water, well-resourced schools, healthcare facilities, reliable transportation, good jobs, quality internet service, and much more. In the U.S., too many people are stuck in places that impede rather than promote their ability to thrive. Following is a description of how the housing crisis is both a "fair" and "affordable" housing crisis.

THE FAIR HOUSING CRISIS

Housing Discrimination Complaints Are at an All-Time High

Housing Discrimination Complaints by Region



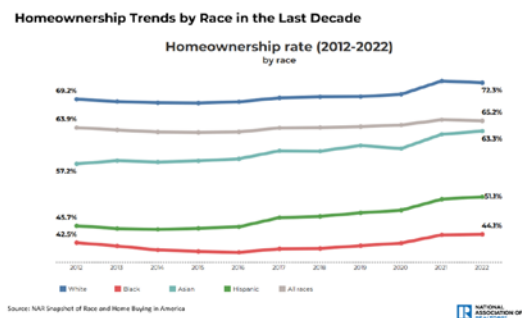
Throughout America, people are facing a dire fair housing crisis, which severely restricts their ability to access housing opportunities. At this moment, we are seeing the largest number of fair housing discrimination complaints ever.³ Every year, there are over 4 million instances of housing discrimination, with most going unreported. Discrimination based on disability accounted for the majority of complaints, while complaints of harassment increased by 66 percent and complaints based on color increased by 35 percent. The largest increases in complaints based on color originated from rental complaints and harassment complaints. There was also an uptick in “other” complaints based on age or student status, sexual orientation, gender identity or gender expression, and victims of domestic violence. The continued increase in domestic violence complaints is especially concerning, as it doubled in size from 2020 to 2021 and has continued to rise each year since.

Although private nonprofit fair housing organizations continued to process over 75 percent of these complaints, the Trump administration’s so-call Department of Government Efficiency (DOGE) abruptly issued letters canceling the Fair Housing Initiatives Program (FHIP) funding awards of these local non-profit fair housing agencies on the night of February 27, 2025. The FHIP was created in 1987 under the Reagan administration to establish and support a network of highly experienced private fair housing enforcement organizations throughout the nation to foster compliance with the Fair Housing Act and state and local fair housing laws through enforcement and education. Despite the FHIP being one of the U.S. Department of Housing and Urban Development’s (HUD) most efficient and effective programs, HUD sent notices terminating 78 grants effective immediately. These terminations included 37 Education and Outreach Initiative (EOI) grants, including EOI-Sexual Orientation and Gender Identity, EOI-

³ NFHA, [2024 Fair Housing Trends Report](#) (2024).

Advancing Racial Equity, and EOI-Targeting Fair Housing grants; 34 Private Enforcement Initiative grants; and seven Fair Housing Organizations Initiative Continued Development Component grants representing a total of \$12.1 million. These organizations have effectively assisted vulnerable communities, including people with disabilities, people of color, religious minorities, families with children, survivors of domestic violence, seniors, and LGBTQ+ people, with being made whole after experiences with housing discrimination. These organizations also reformed sexual harassment, racial steering, and redlining practices in housing. If anything, these private nonprofits need substantially more resources to address these critical problems and ensure fair housing opportunity for all.

The Black-White and Latino-White Homeownership Gap Remains Wide and Persistent



The homeownership gap remains wide and persistent. Currently, the homeownership rate is about 72 percent for White households, 51 percent for Latino households, and 44 percent for Black households. That means that the White homeownership rate is 64 percent higher than the Black homeownership rate, 41 percent higher than the Latino homeownership rate, and 14 percent higher than the Asian homeownership rate. In 1960 (before passage of the Fair Housing Act in 1968), there was a 27-percentage point gap between Black homeownership (38 percent) and White homeownership (65 percent).⁴ So, the current Black-White homeownership gap of 28-percentage points is **higher** than it was when housing discrimination was legal.

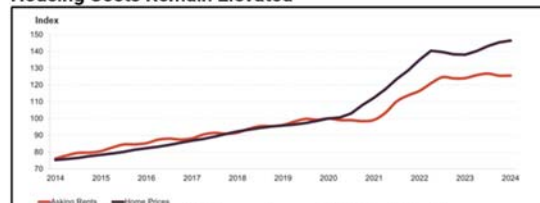
⁴ National Association of REALTORS® Research Group, [2024 Snapshot of Race and Homebuying in America](#) (2024); Urban Institute, [Reducing the Racial Homeownership Gap](#).

THE AFFORDABLE HOUSING CRISIS

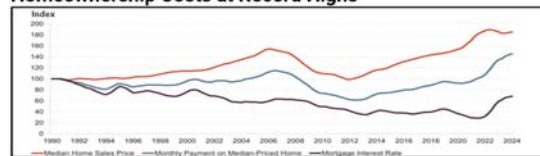
Housing Costs Are at Record Highs



Housing Costs Remain Elevated



Homeownership Costs at Record Highs



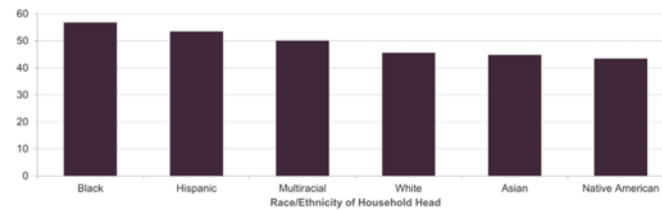
The people of America are facing a dire affordable housing crisis, which severely restricts their ability to access housing opportunities. Housing costs are a key driver of inflation and consumers in America are feeling the squeeze. In the U.S., the "shelter" category in the Consumer Price Index (CPI) includes housing costs like rent and homeownership. Currently,

shelter costs are the largest contributor to headline inflation.⁵ As of December 2024, the index for shelter was the largest contributor to the monthly increase in all items index, accounting for nearly 37 percent of the total increase. In addition, home prices continue to rise, with the median sale price in January 2025 increasing almost five percent year-over-year, which is the 19th consecutive month of annual growth.⁶

More Than Half of Renters of Color Are “Cost-Burdened”

PERSISTENT DISCRIMINATION HAS LEFT MORE THAN HALF OF BLACK AND HISPANIC RENTER HOUSEHOLDS COST BURDENED

Share of Renter Households with Cost Burdens (Percent)



Notes: Black, multiracial, white, Asian, and Native American householders are non-Hispanic. Hispanic householders may be of any race. Cost-burdened households spend more than 30% of income on rent and utilities.

Source: JCHS tabulations of US Census Bureau, 2023 American Community Survey 1-Year Estimates.

The number of cost-burdened renter households has reached record highs, further deepening the housing affordability challenge. As of 2023, 22.6 million renter households were “cost-burdened,” meaning they spent more than 30 percent of their income on rent and utilities.⁷ Black and Latino renters were more likely than White renters to be cost-burdened. More than half of Black renters (57 percent) and Latino renters (53 percent) were cost-burdened, while about 45 percent of White renters were cost-burdened. These disparities make it more difficult for Black and Latino renters to build wealth and save for down payments for homeownership.

Issues and Recommendations: Congress Should Promote Equitable Housing Solutions to Address the Nation’s Fair and Affordable Housing Crisis

Issue #1: The Trump Administration’s Executive Actions Are Worsening the Fair and Affordable Housing Crisis

The Trump administration has engaged in a series of executive actions that are only worsening the fair and affordable housing crisis. The actions turn the basic definition of fairness and civil

⁵ National Association of Home Builders, [Housing Inflation Moderates among Higher Energy Costs](#) (Jan. 15, 2025).

⁶ National Association of Realtors, [Existing-Home Sales Decreased 4.9% in January, But Increased Year-Over-Year for Fourth Consecutive Month](#) (Feb. 21, 2025).

⁷ Joint Center for Housing Studies of Harvard University, [Deteriorating Rental Affordability: An Update on America’s Rental Housing 2024](#) (Dec. 2024).

rights upside down to protect the powerful and undermine those merely seeking fair access to their opportunity to achieve the American Dream. These executive actions include:

- Planning to cut the U.S. Department of Housing and Urban Development's (HUD's) workforce by 50 percent.⁸ Some of the most drastic reductions impact areas that support highly vulnerable people, including seniors, homeless veterans and families, and people with disabilities, and provide billions of dollars to cities and counties across the country. Without sufficient staff to run these programs, community and economic development projects, disaster recovery efforts, and housing development across the country could come to a grinding halt.
- Canceling nearly half of the signed grant agreements of local fair housing organizations assisting people with disabilities, seniors, families with children, victims of domestic violence, and others in dire situations that all rely on these vital services to ensure they have safe, affordable, and accessible homes.⁹ The stories of affected people and organizations are included at [Appendix A](#).
- Attacking civil rights under the guise of terminating "'diversity, equity, inclusion, and accessibility' (DEIA) mandates, policies, programs, preferences, [positions], and activities in the Federal Government."¹⁰
- Suspending the activities and staff of the Consumer Financial Protection Bureau (CFPB) and its ability to fully enforce the Equal Credit Opportunity Act; removing its ban on medical debt in credit reporting; and allowing Elon Musk's so-called DOGE to access its highly confidential data without background screens, ethics training, or oaths required by federal employees.¹¹
- Suspending the activities of the U.S. Department of Justice (DOJ) Civil Rights Division and reassigning leadership to prosecute officials from sanctuary cities that protect immigrants.¹²
- Terminating LGBTQ+ people's rights by limiting the definition of "sex" to two unchangeable sexes (male and female), terminating civil rights protections on the basis of sexual orientation and gender identity, and preparing to repeal HUD's Equal Access Rule.¹³
- Increasing the cost of housing supplies and labor during the nation's fair and affordable housing crisis by imposing tariffs.¹⁴

⁸ Courtney Rozen, [US Housing Department to Shed Half Its Workers, Union Chief Says](#), Bloomberg (Feb. 13, 2025).

⁹ Jesse Bedayn, [Trump Administration to Slash Funding for Enforcement of Fair Housing Laws](#), Chicago Tribune (Feb. 28, 2025).

¹⁰ Trump Administration, [Ending Radical and Wasteful DEI Programs and Preferencing](#) (Jan. 20, 2025).

¹¹ Hugh Son, [Trump Administration, Musk's DOGE Plan to Fire Nearly All of CFPB Staff and Wind Down Agency, Employees Say](#), CNBC (Feb. 28, 2025).

¹² Chloe Atkins and Daniel Barnes, [Trump Is Reversing the Justice Department's Civil Rights Policies](#), NBC News (Jan. 31, 2025).

¹³ Trump Administration, [Defending Women from Gender Ideology Extremism and Restoring Biological Truth to the Federal Government](#) (Jan. 20, 2025); HUD, [Secretary Scott Turner Halts Enforcement Actions of HUD's Gender Identity Rule](#) (Feb. 7, 2025) ("It means getting government out of the way of what the Lord established from the beginning when he created man in His own image").

¹⁴ Erica York, [Trump Tariffs: Tracking the Economic Impact of the Trump Trade War](#), Tax Foundation.org (Feb. 13, 2025).

- Attacking, detaining, and deporting immigrants who perform much-needed housing construction and engage in other housing-related professions.¹⁵
- Delaying projects that improve communities by pausing the disbursement of funds appropriated through the Inflation Reduction Act or the Infrastructure Investment and Jobs Act.¹⁶
- Unleashing artificial intelligence and other automated systems on the housing market without the guardrails of a safe, secure, and trustworthy auditing framework.¹⁷
- Engaging in performative actions that will not lower costs, such as ordering agencies to deliver emergency housing price relief (without any authorization or funds to do so).¹⁸

Recommendation: Congress should—

- Lead the way in protecting congressionally mandated civil rights gained through people's blood, sweat, tears, and lives sacrificed; demonstrating an unwavering commitment to racial equity; promoting anti-discrimination measures; and recognizing the many ways that diversity, equity, inclusion, accessibility, and fair housing benefit American society.
- Fight for a fully-staffed and fully-funded HUD, CFPB, and DOJ as well as reinstatement of FHIP and FHAP grants to the private, non-profit organizations on the frontlines working to assist people with being made whole from potential discrimination.
- Pass the Housing Crisis Response Act, including provisions for first-generation down payment assistance, housing choice vouchers, rural rental housing, and housing for seniors and persons with disabilities.

Issue 2: Segregation and Discrimination Continue to Be Part of the U.S. Housing Market

The roots of discrimination in housing are deep, pernicious, and persistent. Thousands of race-conscious housing, banking, and other policies created systems and structures that were highly inequitable. Unfair laws and policies also produced a dual market—a separate and unequal housing system that rewarded White households while simultaneously debilitating Black, Latino, Asian American/Pacific Islander (AAPI), and Native American households.

The Homestead Act of 1862,¹⁹ which President Lincoln signed into law during the Civil War, provided more than 1.6 million land grants comprised of 270 million acres of Native American territory West of the Mississippi River (10 percent of all the land on the U.S. at the time and 14 percent of the land area of the lower 48 states) to White male settlers to encourage western expansion of the U.S. The land grants excluded Native Americans, Black Americans, and other people of color, and displaced many Native Americans from their ancestral lands. Twenty percent of the recipients, around 46 million adults, can trace their families' wealth to this single piece of legislation.²⁰

¹⁵ See, e.g., Trump Administration, [Protecting the American People Against Invasion](#) (Jan. 20, 2025).

¹⁶ Trump Administration, [Unleashing American Energy](#) (Jan. 20, 2025).

¹⁷ Trump Administration, [Initial Rescissions of Harmful Executive Orders and Actions](#) (Jan. 20, 2025).

¹⁸ Trump Administration, [Delivering Emergency Price Relief for American Families and Defeating the Cost-of-Living Crisis](#) (Jan. 20, 2025).

¹⁹ Act of May 20, 1862 (Homestead Act), Public Law 37-64 (12 STAT 392).

²⁰ Dedrick Asante-Muhammad, et al., [The Road to Zero Wealth: How the Racial Wealth Divide Is Hollowing Out America's Middle Class](#), at 15 (Sept. 2017).

Even laws that appeared to be racially neutral were implemented with racialized policies. For example, in the 1930s, the New Deal's federal Home Owners' Loan Corporation (HOLC) developed one of the most harmful policy decisions in the housing and financial services markets by creating a system that included race as a fundamental factor in determining the desirability and value of neighborhoods.²¹ The HOLC also created maps that were color-coded to indicate the desirability of neighborhoods. Communities of color were coded as "hazardous" as signified by red shading on the map and were assigned a lower value—even when the residents could afford mortgage loans. Areas that contained even small numbers of Black residents were coded as "hazardous" and shaded red. This approach led to the modern-day term "redlining," which refers to restricting access to credit in communities of color.

The federal government developed other explicitly discriminatory policies that perpetuated the unfounded association between race and risk into the nation's housing and financial markets. For example, the Federal Housing Administration (FHA) encouraged the use of racially restrictive covenants and required them in exchange for supporting the new housing developments built throughout the nation's suburban communities. Even after the Supreme Court declared in 1948 that racially restrictive covenants were not enforceable,²² the FHA gave preferential treatment to developers that adopted them. From 1934 to 1962, the federal government backed over \$120 billion in mortgages, but the FHA's race-based policies meant that 98 percent of these loans went to White Americans with only two percent of loans going to Black, Latino, Asian American and Pacific Islander, and Native American individuals. Similarly, the U.S. Department of Veterans Affairs (VA) instituted the use of discrimination in the administration of the GI Bill loan programs enacted by Congress in 1944.²³ In the state of Mississippi alone, just two out of 3,229 VA-insured mortgages went to Black servicemembers seeking to finance a home, business, or farm in the first three years of the program.²⁴

Even after passage of the Fair Housing Act in 1968 and Equal Credit Opportunity Act in 1974, policies of the federal government and private actors continued to perpetuate segregation and discrimination. Explicitly race-based policies were replaced by subtler "race-neutral" methods of excluding people of color. For example, in the 1960s and 1970s, the federal government began the urban renewal program and transportation projects in which cities often used eminent domain to condemn and raze housing, businesses, and churches and displace residents of Black communities.²⁵ In addition, exclusionary zoning policies have made it difficult for low- and even moderate-income households to live in many well-resourced communities.²⁶ Moreover, Home Mortgage Disclosure Act data reveals each year that Black and Latino borrowers are

²¹ The Home Owners' Loan Act of 1933 established the HOLC as an emergency agency under the Federal Home Loan Bank Board. 12 U.S.C. § 1461 *et seq.* See also University of Richmond, Virginia Tech, University of Maryland, and Johns Hopkins University, [Mapping Inequality](#) (documenting the maps and area descriptions created by the HOLC between 1935 and 1940); Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America* (2017).

²² See *Shelley v. Kraemer*, 334 U.S. 1 (1948).

²³ See, e.g., Alex Horton, [Racial Discrimination by Veterans Affairs Spans Decades, Lawsuit Says](#), Washington Post (Nov. 28, 2022).

²⁴ Dedrick Asante-Muhammad, et al., [The Road to Zero Wealth: How the Racial Wealth Divide Is Hollowing Out America's Middle Class](#), p. 15 (September 2017).

²⁵ See Troy McMullen, [More Cities Seek to Redress Widespread 20th-century Destruction of Black Neighborhoods](#), Washington Post (Feb. 10, 2022).

²⁶ See Margery Austin Turner and Solomon Greene, [Causes and Consequences of Separate and Unequal Neighborhoods](#), Urban Institute.

denied home mortgages at rates higher than the whole market.²⁷ Finally, technology can often be used to perpetuate discrimination instead of preventing it, for example, by using tenant screening or lending algorithms with built-in biases. Researchers found that algorithmic systems overcharge Black and Latino mortgage borrowers by \$765 million yearly,²⁸ and Automated Valuation Models²⁹ perpetuate discrimination against homeowners of color.

To combat segregation and discrimination embedded in the U.S. housing market, the “Affirmatively Furthering Fair Housing” provision of the Fair Housing Act, which became law as a memorial to Dr. Martin Luther King Jr. following his horrific assassination in 1968, requires HUD to administer its programs in a way that affirmatively furthers fair housing (AFFH). The law requires jurisdictions to take actions that undo historic patterns of segregation and other types of discrimination as well as promote fair housing choice and foster vibrant and inclusive communities. However, on February 26, 2025, HUD terminated a rule requiring local jurisdictions to provide an analysis of the barriers to fair housing.³⁰ Instead, HUD will be satisfied with a jurisdiction’s certification that it has affirmatively furthered fair housing, with no further analysis.

During the Trump administration’s first term, it focused heavily on dismantling important civil rights protections. The administration’s current actions are a continuation of that effort. Despite claims from President Trump that he wants to enforce the nation’s civil rights laws, he and his Administration are busy eviscerating civil rights rules and protections. The administration’s Interim Final Rule³¹ repeals the Biden administration’s 2021 Interim Final Rule, which reversed the Trump administration’s devastating rollback of the Fair Housing Act’s AFFH provision. The Biden Rule was in no way onerous and established a definition for AFFH that aligned with the intent of the law. It required jurisdictions to certify that they were taking meaningful steps to Affirmatively Further Fair Housing. The Trump administration’s Interim Final Rule removes requirements for jurisdictions to take meaningful steps to comply with the law and returns us to the days when jurisdictions could sponsor poster contests at a local school to fulfill their fair housing obligations.

Jurisdictions who are serious about helping their residents do not want to host poster contests to address their communities’ fair and affordable housing crises; what they want is technical support, expert guidance, resources, and assistance from HUD to fix critical issues, like a lack of fairly-priced homes, poor access to fresh water, crumbling infrastructure, rising home insurance premiums, unfair appraisal practices, exclusionary zoning policies, and neighborhoods that cannot withstand natural disasters. With too many people living paycheck to paycheck, AFFH is critically important, opening the door for more people to live in healthy, viable, well-resourced neighborhoods with living wage jobs, clean air for our children to breathe, safe water in our homes, schools that provide our children with great educational opportunities, and adequate affordable and accessible housing.

²⁷ Jacob Channel, Dan Shepard, Xiomara Martinez-White, [Black Homebuyers in 50 Largest US Metros 1.6 Times More Likely to Be Denied for Mortgage Than Overall Population](#), LendingTree (July 24, 2023).

²⁸ Robert Bartlett, Adair Morse, Richard Stanton, and Nancy Wallace, [Consumer-Lending Discrimination in the FinTech Era](#), University of California, Berkeley, (Nov. 2019).

²⁹ Linna Zhu, Michael Neal, and Caitlin Young, [Revisiting Automated Valuation Model Disparities in Majority-Black Neighborhoods](#), Urban Institute (May 19, 2022).

³⁰ Jeff Andres, [Trump Administration Ends Affirmatively Furthering Fair Housing Rule](#), Housing Wire (Feb. 26, 2025).

³¹ HUD, [Affirmatively Furthering Fair Housing Revisions](#), 90 Fed. Reg. 11020 (March 3, 2025).

Recommendation: Congress should vigorously protect the Affirmatively Furthering Fair Housing (AFFH) provisions of the Fair Housing Act, including by:

- Conducting oversight of HUD's efforts to ensure that local jurisdictions engage in meaningful action to affirmatively further fair housing and promote inclusive communities.
- Opposing any anti-AFFH budget riders.
- Ensuring all federal agencies' housing and community development programs, including the U.S. Departments of Treasury, Transportation, and Environmental Protection Agency, comply with the obligation to AFFH.

Issue #3: Appraisal Discrimination Continues to Undercut Wealth-Building Opportunities for Households of Color

Appraisal discrimination continues to pose barriers to households of color seeking to build wealth through homeownership. Research shows that homes in White neighborhoods are appraised at values nearly 250 percent higher than similar homes in similar Black neighborhoods and at values nearly 278 percent higher than similar homes in similar Latino neighborhoods, depriving households of color of opportunities to build wealth.³² Overall, White communities have access to over \$15 trillion more in capital because of racialized appraisal practices, and appraisal bias caused homes in Black neighborhoods in 113 metro areas throughout the U.S. to be devalued by \$162 billion.³³

As of January 2025, the Trump Administration had taken down the website for the Interagency Task Force on Property Appraisal and Valuation Equity, but several states continue to engage in appraisal reform.³⁴

Recommendation: Congress should continue to promote appraisal reform, including by:

- Encouraging the Federal Housing Finance Agency (FHFA) to release property-level appraisal data;
- Encouraging Fannie Mae and Freddie Mac to reduce discretion in appraisals and increase quality control and monitoring to ensure fair and consistent outcomes;
- Encouraging lenders and appraisal management companies to implement sound methods to identify and prevent appraisal discrimination, and to implement fair automated valuation models;
- Encouraging The Appraisal Foundation to require fair housing training developed by fair housing experts and to remove discriminatory barriers to the appraisal profession (including the supervisory appraiser requirement); and
- Encouraging the real estate industry to develop alternatives to the sales comparison approach.

³² Junia Howell and Elizabeth Korver-Glenn, *Appraised: The Persistent Evaluation of White Neighborhood as More Valuable Than Communities of Color*, Eruka (2022).

³³ Jonathan Rothwell and Andre M. Perry, *How Racial Bias in Appraisals Affects the Devaluation of Homes in Majority-Black Neighborhoods*, Brookings Metro (Dec. 5, 2022).

³⁴ See, e.g., *Maryland Task Force on Property Appraisal and Valuation Equity*.

Issue #4: Many Communities Remain Underserved Because of the Lack of Small Dollar Loans

Rising home prices and lack of availability of small dollar mortgage loans have impacted entire cities and regions of the nation that have not fully recovered from the housing crisis. The pandemic worsened this reality as the focus of mortgage originations shifted to the wealthiest borrowers leaving many credit worthy families in the Midwest and South with limited mortgage access. Similarly, cities like Detroit are credit-starved leaving families with only exploitative credit availability.³⁵ Estimates show that small dollar mortgage lending fell by nearly 70 percent between 2004-2021.³⁶ Federally-insured banks often cite a lack of profitability in their decision not to issue small balance mortgages while their investment arms benefit substantially from their vanishing presence in the single-family market.³⁷

Recommendation: Congress should act to ensure consumers can fairly access small dollar mortgages by:

- Ensuring our nation's fair lending and consumer protection laws are fully enforced, including in land contracts and rent-to-own agreements;
- Encouraging FHFA to continue eliminating fees that place homeownership out of reach for underserved borrowers while continuing to balance safety and soundness;
- Encouraging the CDFI Fund to promote the use of Special Purpose Credit Programs for CDFIs;
- Encouraging regulators to promote technological solutions to improve the experience of borrowers to reduce barriers; and
- Supporting the use of positive rental payment and cash flow data in underwriting.

Issue #5: Zoning Can Be a Barrier to Fair and Affordable Housing

Project 2025 urges Congress to prioritize legislative support for the single-family home zoning.³⁸ However, single-family zoning has been used to effectively lock out renters, low-income individuals, and people of color from certain neighborhoods.³⁹ While zoning and land use reforms are often discussed as a tool to improve rental housing affordability, certain reforms, such as upzoning and minimum lot sizes, can also be used to support the creation of more affordable, entry-level homeownership opportunities. For example, zoning reforms can help promote missing middle housing, such as condos in triplexes, quadplexes, and a range of other options beyond typical single-family detached homes and high-rises that help reduce the cost of construction and home prices.⁴⁰

³⁵ Ben Eisen, [Dearth of Credit Starves Detroit Housing Market](#), Wall Street Journal (Oct. 29, 2020).

³⁶ Alex Horowitz and Tara Roche, [Small Mortgages Are Too Hard to Get](#), The Pew Charitable Trusts (July 3, 2023).

³⁷ Inside Mortgage Finance, [A Stunning Year for Warehouse Lenders](#) (March 4, 2021).

³⁸ Heritage Foundation, [Project 2025 Policy Agenda](#) at 511 (2023).

³⁹ Joint Center for Housing Studies of Harvard University, [The State of the Nation's Housing](#) (2023).

⁴⁰ National Association of Realtors, [Promoting Affordable Housing Via Zoning Reform](#) (Nov. 8, 2023).

Some states are using legislation to reduce local zoning barriers.⁴¹ In 2023, Montana and Washington passed sweeping reforms allowing other types of housing on parcels previously zoned exclusively for single-family homes, joining California, Oregon, and Maine in zoning reform. And in Massachusetts, communities served by public transit must now designate at least one zoning district that permits multifamily housing. Colorado also offers communities grants for affordable housing development as an incentive to reform zoning and expedite approval processes. Although these reforms do not guarantee increased construction, they remove substantial barriers to developing more housing types that may also be more affordable to produce.

Recommendation: Congress should ensure no federal funding for housing and community development is utilized by jurisdictions that continue exclusionary zoning practices.

Issue #6: Institutional Investors Are Exacerbating the Fair and Affordable Housing Crisis

Investor purchases put homeownership further out of reach for first-time homebuyers and prevent families from generating wealth that could be invested in education or small businesses or passed on to the next generation. Investors have cash on hand to outbid owner-occupants and developers are selling newly-built homes to investors because consumers face stiff barriers in accessing mortgage loans. In 2021, one in 7 homes sold in 40 major metro areas were bought by investors, driving up purchase prices by record highs.⁴² This trend also has a disparate impact on communities of color hardest-hit by the Great Recession in the Midwest and South and who suffered unnecessary foreclosures after being steered into risky mortgages even when they qualified for loans on safer and more affordable terms. In 2021, 30 percent of home sales in majority Black neighborhoods were to investors, compared with only 12 percent in other zip codes. Moreover, research has shown that many renters living in investor-owned properties report subpar housing conditions, unexpected fees, and unresponsive management staff.

Recommendation: Congress should take action to remedy the challenges posed by institutional investors by:

- Passing the Housing Crisis Response Act, Neighborhood Homes Investment Act with fair housing principles, Downpayment Toward Equity Act, and LIFT Act;
- Directing the GAO to conduct an analysis of this issue and provide recommendations;
- Urging the GSEs and FHA to make every effort to sell REO assets to owner-occupants;
- Supporting lenders and other entities in developing Special Purpose Credit Programs; and
- Providing additional Community Development Block Grant (CDBG) funding strictly to allow municipalities to purchase poorly-maintained homes owned by investors, renovate them, and sell them to owner-occupants who are first-generation homebuyers.

Issue #7: LIHTC and Other Tax Credits Are Needed to Provide Consumers with Housing Options

⁴¹ Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing* (2023).

⁴² Kevin Shaul and Jonathan O'Connell, *Investors Bought a Record Share of Homes in 2021. See Where*, Washington Post (Feb. 16, 2022).

The Low-Income Housing Tax Credit (LIHTC) plays a significant role in determining where families with low incomes are able to reside. Often LIHTC properties are located in communities that are severely under-resourced and racially segregated. Rarely are LIHTC properties developed in communities that have the amenities that all residents need to thrive. LIHTC properties must be equitably developed in all communities to ensure residents have fair housing options. Further action must be taken to ensure the benefits of the LIHTC reach residents and not just wealthy developers.

Recommendation: Congress should ensure the U.S. Treasury Department's housing and tax credit programs dismantle residential segregation, offer real choice in housing, and create thriving communities by:

- Increasing the number of LIHTC developments that are located in well-resourced communities.
- Encouraging the Treasury Department to embed fair housing principles in Treasury's housing related and tax credit programs; and
- Encouraging federal agencies to require meaningful fair housing impact analyses in every effort to fill the nation's affordable housing shortage. Reporting requirements are a critical step, but are not sufficient to change the location, types, and cost of housing units available to households in the U.S.

Issue #8: Some Housing Policies Risk Gentrification and Displacement

The Neighborhood Home Investment Act can provide much-needed investment in underserved areas, but risks displacing people of color residing in neighborhoods of color. The bill would:

- Establish a new federal tax credit to incentivize the construction and rehabilitation of affordable homes in distressed neighborhoods;
- Allocate \$16 billion for building and rehabilitating an estimated 400,000 homes; and
- Include \$10 billion in down payment assistance for home buyers.

But historically, investment in underserved communities has led to displacement of current residents, disproportionately affecting people of color.

Recommendation: Congress should revise and pass the Neighborhood Homes Investment Act to avert displacement of people of color and better comply with the Fair Housing Act.

To this end, Congress should add a "Statement of Policy" that reads:

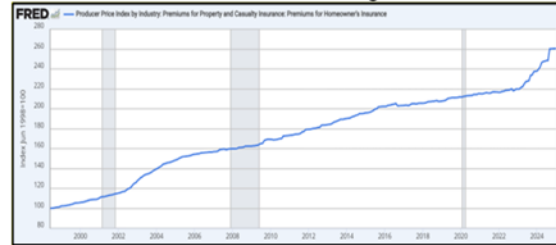
Congress –

- (1) Supports continuing homeownership for current residents of distressed neighborhoods as part of the revitalization of those neighborhoods;
- (2) Seeks to minimize displacement of current residents of distressed neighborhoods; and
- (3) Expects that the Departments of Treasury and Housing and Urban Development will work together cooperatively, including through development of a

Memorandum of Understanding if appropriate, to assure that implementation of this legislation is consistent with the provisions of the Fair Housing Act.

Issue #9: Climate-Related Disasters Are Causing Rising Homeowners Insurance Costs

Homeowner's Insurance Costs Are Rising



Source: U.S. Bureau of Labor Statistics via FRED, Shaded areas indicate U.S. recessions

Homeowners' insurance costs are rapidly rising with increased climate-related disasters. The financial burden of insurance expenses continues to escalate dramatically. Premiums increased by 20 percent between January 2022 and January 2025, compared to a two percent increase between January 2020 and January 2022. Moreover, the people disproportionately impacted by climate-related disasters reside in formerly redlined communities, such as neighborhoods in Altadena, California. Altadena's Black residents built thriving lives there as redlining laws prevented them from purchasing homes elsewhere. Prior to the recent wildfires, 81 percent of Altadena's Black residents owned their homes, and the community was hardest-hit with property losses and several of its residents lost their lives.⁴³ Like Black victims of the Great Recession, many of Altadena's residents are seniors who lost generations of their families' wealth in the California wildfires. They must be able to successfully rebuild.

Recommendation: Congress should:

- Avoid playing politics in natural disasters funding decisions.
- Promote the adoption of equitable homeowners' insurance underwriting and pricing to adapt to climate change and to preserve access to fairly priced insurance in all communities.

Issue #10: The GSEs Need to Fulfill Their Mission Mandates and Congress Should Not Allow the Trump Administration to Override Fannie Mae and Freddie Mac's Congressional Charters with Privatization

Discrimination in the mortgage market is by no means a relic of the past and continues to manifest in multiple ways. For Fannie Mae and Freddie Mac (the Government-Sponsored

⁴³ Gloria Oladipo, [For Black Families in Altadena, History and Community Burned alongside Homes](#), The Guardian (Jan. 18, 2025).

Enterprises or GSEs), their fair housing and lending mandate begins with their [charters](#), put in place by Congress. The charters stipulate the GSEs must:

- a. Provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities)...; and
- b. To promote access to mortgage credit throughout the Nation (including central cities, rural areas, and underserved areas)...

The GSEs' [charters](#) make clear they have a Congressionally mandated obligation to advance fair housing and lending practices by providing credit liquidity and assistance for all market segments, including underserved areas.

In the bipartisan [Housing and Economic Recovery Act of 2008](#), Congress mandated important measures for the whole of the housing market, including the mandate to serve the broad market, even at a lower rate of return; the affordable housing goals; the duty to serve under-reached markets; and the affordable housing funds.

In addition, the GSEs are subject to the fair housing and lending laws, including the [Fair Housing Act](#), the [Equal Credit Opportunity Act](#), the [Federal Housing Enterprises Financial Safety and Soundness Act](#), and the [Wall Street Reform and Consumer Protection Act](#). This means that FHFA has a responsibility to review the GSEs' policies, programs, activities, and lending outcomes for compliance with fair housing and fair lending laws, and take appropriate supervisory or enforcement actions, when necessary. In addition, FHFA is subject to the "[Affirmatively Furthering Fair Housing](#)" provision of the Fair Housing Act, which requires FHFA to administer its programs in a manner that furthers fair housing and promotes inclusive and vibrant communities.

Recommendation: Congress should conduct oversight of FHFA and the GSEs to ensure that they help build racial equity in homeownership, including by:

- Fully implementing their robust Equitable Housing Finance Plans that focus on addressing the racial homeownership gap;
- Encourage the elimination of the Loan Level Pricing Adjustments⁴⁴ (LLPAs) as well as addressing barriers such as biased credit scores, lack of collateral and appraisal issues, and discrimination which can all restrict access to credit for underserved groups;
- Insert fair housing protections into the eligibility guidelines of all their affordable housing programs, including the Low-Income Housing Tax Credit, State Housing Finance Agency, and other programs;

⁴⁴ The GSEs updated their Loan Level Pricing Adjustments grid which helped address concerns that the LLPAs presented a discriminatory impact against borrowers of color. However, the GSEs should eliminate LLPAs, which were added during the financial crisis to help the GSEs repay their tax-payer bailout and are disproportionately impacting Black and Latino consumers forcing them to pay for a future potential bailout when they were not the culprits of the Great Recession. Also, research shows that GSE lenders are not using LLPAs to insure against risk; rather, they are using the risk-based pricing to drive profits. See, Michelle Aronowitz Edward L. Golding Jung Hyun Choi, [The Unequal Costs of Black Homeownership](#), MIT Golub Center for Finance and Policy (Oct. 1, 2020).

- Including in their financing contracts an affirmative obligation for developers to build housing in accordance with the accessibility requirements mandated by fair housing laws as well as an affirmative obligation to further fair housing;
- Facilitating the widescale use of Special Purpose Credit Programs; and
- Ensure the Trump administration does not try to override Fannie Mae and Freddie Mac's congressionally-created charters with privatization.

Issue #11: The Federal Home Loan Banks Continue to Reap Private Benefits Rather Than Promote Fair and Affordable Housing

Generally, the Federal Home Loan Bank (FHLBank) System and the member institutions benefit from tremendous public subsidies and private benefits while providing comparatively little in public benefits. The FHLBank System benefits from substantial public subsidies and privileges, including exemption from federal, state, and local taxes (except real estate taxes); the ability to borrow cheaply because of an implicit federal guarantee; and the ability to generate significant revenue by lending out the funds they acquired at below-market rates to their member institutions at a higher rate than they borrowed. Despite their public purpose, however, the FHLBanks return relatively little to support affordable housing. For example, in 2021, the FHLBanks paid out more than \$1 billion in dividends to their members, which was more than three times the amount they contributed to the Affordable Housing Program that year (\$314.7 million).⁴⁵

Recommendation: Congress should take action to reform the FHLBank System, including:

- Requiring the FHLBanks to direct substantially more of their net income to affordable housing, with a substantial portion of that amount dedicated to affirmatively furthering fair housing;
- Expanding the purpose of the Affordable Housing Program to include funding for climate resiliency;
- Requiring the FHLBanks to submit comprehensive Equitable Housing Finance Plans;
- Requiring the FHLBanks to ensure that member advances are not used to promote source of income discrimination in multi-family rental housing; and
- Requiring the FHLBanks to add more public interest independent directors, including those with experience in fair housing and fair lending.

Issue #12: CDFI Fund Investments Support Wealthy Developers Instead of Potential Homebuyers

Despite a unique history rooted in the work of racial justice and community development advocates, research shows that the majority of Community Development Financial Institutions' (CDFIs) investments have gone to real estate developments in low-income communities, which are not necessarily communities of color. According to the Hope Policy Institute analysis of CDFI Fund recipients, White-led CDFIs held approximately \$13 billion, or 72 percent, of the total assets reported in FY2014 despite having a lower asset size than minority controlled CDFIs.⁴⁶

⁴⁵ See [Testimony of Director Sandra L. Thompson](#), FHFA, before the House Committee on Financial Services (July 20, 2022); FHLBanks Office of Finance, Lending, and Collateral [Q&A](#) (March 25, 2022).

⁴⁶ Hope Policy Institute, [Closing the CDFI Asset Gap](#), (April 21, 2020).

The average asset size for White-led CDFIs increased from \$58.1 million to \$169.7 million from FY2014-FY2017, while the average asset size of minority-led CDFIs was relatively stagnant, remaining at near \$71 million. Moreover, as of 2017, only two to six percent of CDFI funds have been used to support the activities of minority depository institutions despite Section 308(b) of FIRREA directing the Federal Deposit Insurance Corporation to act in preserving minority ownership of minority financial institutions.

Recommendation: Congress should conduct oversight of Treasury and CDFIs, including by ensuring that Treasury:

- Develops a fair housing and fair lending oversight program that is more consistent with the oversight structure of the other federal financial regulators;
- Provides CDFIs with guidance on the use of less discriminatory alternatives to traditional credit scoring;
- Requires fair housing and fair lending training for CDFI boards, executive staff, and staff;
- Audits CDFI Community Reinvestment Act (CRA) activities for compliance with the CDFI Fund principles and fair housing and fair lending obligations;
- Allows First-Generation Downpayment Assistance and Special Purpose Credit Programs (SPCPs) to count as eligible financial products and services, including SPCPs that are designed to remove the over-reliance on discriminatory credit scoring systems or designed to consider positive rental housing payments;
- Encourages CDFI investments in investors of color;
- Requires CDFI Venture Funds seeking certification to provide data transparency and data collection to ensure compliance with our nation's fair housing and fair lending laws;
- Requires each CDFI certified by the CDFI Fund to collect and publish board and executive staff demographic information; and
- For CDFIs with assets greater than \$1 billion:
 - Requires them to enter into Community Benefits Agreements in their Target Markets to make sure their missions remain a focus of their work and loans are not just flowing to high-wealth developers;
 - Permits CDFI product innovation that better transmits the benefits of their subsidies directly to consumers;
 - Requires CDFIs to provide automatic interest rate reductions every 24-36 months for mortgage borrowers who perform well; and
 - Requires more direct mortgage lending, including to Black and female consumers through first-generation down payment assistance, Special Purpose Credit Programs, and small dollar pilot initiatives.

Issue #13: Artificial Intelligence Related to Housing and Lending Offers Both Promise and Peril

Artificial Intelligence (AI) holds great promise for improving systems, democratizing opportunities, lowering costs, and increasing productivity. Yet, it also holds great dangers for perpetuating bias as AI models are developed using historical data, which can exacerbate historical discrimination. AI and automated systems are already used extensively in the housing

and finance sectors, including in credit scoring, tenant screening, automated underwriting, risk-based pricing, dynamic rental pricing systems, marketing, and automated valuation models.⁴⁷

Despite rental housing supply outpacing demand, the gap between rental supply and demand has widened since 2020 but rent growth has not slowed proportionally. In January, the Department of Justice expanded its lawsuit to include six large landlords in its complaint against Real Page accusing it and dozens of property management companies of colluding with raising prices.⁴⁸ The outcome of this case is being closely watched.

On January 20, 2025, the Trump Administration rescinded an Executive Order for the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence,⁴⁹ but many states are passing legislation to protect their state's consumers and advance responsible AI.⁵⁰

Recommendation Congress should advance legislative actions for safe, secure, and trustworthy use of AI to address the fair and affordable housing crisis, and so the U.S. can remain a leader in Responsible AI.

Conclusion

Voters want their elected leaders to provide solutions to the nation's fair and affordable housing crisis, not gamble with the health of the housing system. The Great Recession is not a distant memory. People in America continue to grapple with the devastation in their lives caused by the housing and financial crisis of 2008 where trillions were lost, including \$1 trillion in Black and Latino communities. Intentionally inclusive policies created from 2019 through the end of 2023 helped Black homeownership grow by 13 percent and Latino homeownership grow by 7.5 percent. However, the administration's actions, which we believe are unlawful⁵¹ and put people in harm's way, are driving up the cost of housing and leaving millions exposed to discrimination, harassment, and retaliation with no structure for protection. The actions will not make housing cheaper. 'Out of Many, One' is our national motto – any effort to divide, stoke fear, and treat people unfairly is not in line with our nation's founding principles. America is best when united and relentlessly pursuing a country where everyone, regardless of their background, has a fair chance at reaching their American dreams. Congress must pass comprehensive housing legislation with critical equitable investments to increase the supply of fair and affordable housing in urban, rural, and suburban communities. Fulfilling fair housing laws improves

⁴⁷ See [Testimony of Lisa Rice](#), President and CEO of the National Fair Housing Alliance before the U.S. House Financial Services Committee in a hearing entitled, *AI Innovation Explored: Insights into AI Applications in Financial Services and Housing* (July 23, 2024).

⁴⁸ Alyssa Fowers, Szu Yu Chen, Steven Rich and Rachel Lerman, [Landlords Are Accused of Colluding to Raise Rents. See Where.](#), Washington Post (Jan. 8, 2025).

⁴⁹ Trump Administration, [Initial Rescissions of Harmful Executive Orders and Actions](#) (Jan. 20, 2025).

⁵⁰ See, e.g., Colorado SB24-205, [Consumer Protections for Artificial Intelligence](#) (May 17, 2024).

⁵¹ NFHA Press Release, [Civil and Human Rights Organizations Sue Trump Administration over Executive Orders Banning Diversity, Equity, Inclusion, and Accessibility and Erasing Trans People](#) (Feb. 19, 2025).

people's lives and the communities in which they live. They also strengthen our economy and make the nation more prosperous.⁵²

⁵² See, Citigroup, *In Pursuit of Equity: Why America's Future Depends on Closing the Racial Wealth Gap* (2021); Jeff Cox, *Morgan Stanley Says Housing Discrimination Has Taken a Huge Toll on the Economy*, CNBC (Nov. 13, 2020); and Dana Peterson and Catherine Mann, *Closing the Racial Inequality Gaps: The Economic Cost of Black Inequality in the U.S.*, Citi Global Perspectives and Solutions 3 (Sept. 1, 2020).

Appendix A – Impact of Fair Housing Grant Cancellations

On February 27, 2025, HUD abruptly canceled the funding for nearly half of the private fair housing nonprofits across the United States.

Fair housing has enjoyed bipartisan support for over half a century. The Fair Housing Initiatives Program (FHIP) was created in 1987 under the Reagan administration to establish and support a network of highly experienced private fair housing enforcement organizations throughout the nation to foster compliance with the Fair Housing Act and state and local fair housing laws through enforcement and education. The Fair Housing Assistance Program (FHAP) was established as part of the landmark Fair Housing Act of 1968, which passed seven days after the horrific assassination of Dr. Martin Luther King, Jr., and fosters cooperation between HUD and state and local agencies that enforce state and local fair housing laws that are substantially equivalent to the Fair Housing Act. The FHIP and FHAP are key to enabling HUD to carry out its obligation and Congressional mandate to enforce the Fair Housing Act and ensure fair housing policy is the national policy of the United States.

Fair Housing Client Testimonials

As mentioned, halting grant funding means that direct assistance cannot be provided to vulnerable populations and people who are facing potential discrimination. Hear from several clients of the **Fair Housing Center of Washington in Tacoma, WA** and the impact the organization has had on their lives:

"It is really disappointing that the federal government is doing this. It's really disappointing and dehumanizing when people in positions of power treat housing services clients as if it's a little add-on accessory to their life that isn't necessary enough to keep funding. These services matter because people's living situations and essential needs when it comes to their housing are the foundation of anyone's life. When an organization steps in, that's when justice is served and that is when things actually get done, and taking that way from people is not just taking away a housing service, it's taking away their chance not to be discriminated against. I hope that these services are not cut because they are the only thing that has been able to actually help me get the results I was looking for and now that being taken away is just not only massively inappropriate but completely cuts all the progress I was working toward."

– FHCW Client, Western Washington

"This office has helped me out greatly. Rental people just do not care and without this I would have had to move as I own my trailer, and it cannot be moved. They got the issues fixed and it was so easy. The most help I have ever had with [Americans with Disabilities Act] and service dog issues. Please do not take them away, we so need people out there to help us."

– FHCW Client, Western Washington

Implications for Fair Housing

The National Fair Housing Alliance's (NFHA) [2024 Fair Housing Trends Report](#) shows that housing discrimination complaints reached an all-time high, with discrimination based on disability accounting for the majority of the complaints filed. The report also highlighted that private fair housing agencies investigate most of the complaints filed by consumers – over 75

percent of complaints are handled by local fair housing organizations working in communities throughout the nation and funded by the FHIP. Halting funding of these grants means that direct assistance cannot be provided to people who are facing potential discrimination. For example, hear from **some of the local fair housing organizations**:

"Due to the lack of local funding for fair housing in our 29 counties service area, the withdrawal of federal support would completely curtail our services. With most of our counties being classified as rural, with large elderly populations of nearly 11 percent or more, counties listing at least 17 percent of their residents as disabled, and with a large community of disabled veterans, there is a real need for funding for fair housing. This population represents at least 75 percent of the complaints we receive, most of which are denials for reasonable accommodations. The Fair Housing Center of Northern Alabama averages 12 to 15 inquiries per day of residents who are seeking assistance. With a current roster of at least 20 active cases remaining to be investigated, not including cases currently under investigation, the lack of funding would be devastating. Cases would remain unresolved, and citizens of our service area would encounter housing discrimination with little to no recourse. The denial of a reasonable accommodation would jeopardize the health and welfare of vulnerable persons."

– **Lila E. Hackett, Executive Director, Fair Housing Center of Northern Alabama (Birmingham, AL)**

"If the freeze on federal grants and loans is allowed to move forward, more than half of our funding could be in jeopardy. This will have devastating and wide-reaching impacts, halting vital programs and services, including impacting our ability to continue to provide fair housing assistance, support victims of racial discrimination by prospective landlords, support victims of sexual harassment by their housing providers, and support people with disabilities who are seeking reasonable accommodations. Without continued funding, our ability to continue protecting fair housing rights and fight housing discrimination in our communities will be severely limited."

– **Carrie Pleasants, Executive Director, Fair Housing Center for Rights and Research (Cleveland, OH)**

The freeze and cuts also mean that these organizations, for whom a substantial portion of their organizational budgets come from HUD grant programs, will face difficult decisions, including halting vital programs and services, laying off staff, or being forced to shut down and close. For example, hear from **some of the local fair housing organizations**:

"Ninety-eight percent of the funding for the Fair Housing Resource Center (FHRC) comes from HUD. The entirety of services FHRC provides are at risk of closure due to the payment freeze. FHRC is still waiting for payment of \$175,000 that is owed to FHRC for work completed under multiple grants. A specific example is the FHRC's HOME grant, which currently provides rental subsidies for 21 households comprised of seniors and persons with disabilities. Without access to the funds, these households are at risk of becoming homeless. The FHRC provides a myriad of other programs and serves an average of 325+ households per month in the Lake, Geauga, and Ashtabula Counties of Ohio. These households include families, seniors, veterans, and persons with disabilities. The FHRC has provided these services for more than 25 years."

– **Patricia Kidd, Executive Director, Fair Housing Resource Center, Inc. (Painesville, OH)**

"The Northwest Fair Housing Alliance (NWFHA) has unpaid expenditures of \$128,729 for grant activities already conducted, pre-paid out of our own operating expenses pursuant to reimbursement agreements with HUD. This is about three months of salaries, taxes, and benefits (e.g., health insurance) for 5 full-time employees and 1 part-time employee. The unlawful efforts to

stop payment on grant funds already earned threaten NWFHA's ability to serve our community or even exist. For over two decades NWFHA has been awarded competitive performance-based HUD grants to fund our work in Eastern and Central Washington State. Currently, NWFHA has HUD grant applications pending which are essential to the continuation of our services after current grants end on June 14, 2025. Freezing already appropriated and awarded Federal grant funds is against the law, cruel, reckless and dangerous for families and vulnerable people. Without continued federal support NWFHA will be unable to assist the hundreds of people who seek our help accessing and retaining housing."

- Marley J. Hochendoner, Executive Director, Northwest Fair Housing Alliance (Spokane, WA)

"I am appealing to do whatever is in your power to ensure our agency and others like us are able to remain in business. We work with community members, tenants, lawyers, and others to try to understand the rights and responsibilities of everyone under the Fair Housing Act, including helping housing providers limit their liability and individuals with disabilities get the resources that they need. Our agency is proud of the work that we do to advance these issues. But this is all in jeopardy now. We get 80 percent of our funding from competitive grants that we write to the federal government. We are proud to be able to receive these funds over the last 30 years. Right now, this funding could be lost if we are unable to draw down the funds from the grants that we've been approved for. It means rethinking how to make it all work, and being an agency that can still function, including reduced operations and reduced staff in order to be able to continue to provide service. We are relying on the government to keep to their word on the funds they've appropriated. There are so many people who are relying on us."

- Adria Buchanan, Executive Director, Fair Housing Center of Washington (serving 23 counties in Western and Central Washington)

Chairman FLOOD. Thank you, Ms. Bailey.

We will now turn to member questions. The chair now recognizes himself for 5 minutes for questioning.

First of all, I want to say to Ms. Vasicek, thank you for your testimony today, and thank you for telling the story of the workforce housing challenges in Columbus, Nebraska.

Let me tell you about this community. Twenty-four thousand people live there. It has a huge manufacturing base that pulls from well over 50,000 in the region. Last February, this time last year, they had 1,200 open jobs; unemployment is at 1 percent. The number one limiting factor to filling those jobs was a lack of housing—a lack of housing.

If you are a mother and a father, and you are both working at a meat-packing plant, in Cargill, and you are working 50 hours a week, you deserve a home. You deserve a home that you can own, in a neighborhood where your kids can walk to school and you can take them to the park. We have all of those amenities, but we do not have houses. It is not just a housing issue; it is an economic development issue.

Ms. Vasicek, do you have any examples you can share of how a lack of housing stock prevented private investment into the community, whether it be from a company locating operations in Columbus or expanding operations there?

Ms. VASICEK. I hear about—at every economic-development-related visit, meeting, I hear about this. Whether it is a current business or a business that we are trying to attract to Columbus, the number one topic is housing, followed quickly by workforce.

They go hand-in-hand, in our opinion. We cannot attract more workforce if they have nowhere to live. I have heard of countless stories of businesses hiring people on and then they end up turning the job down because they cannot find housing in Columbus.

Chairman FLOOD. One of the things I really want to unpack here is that Columbus took its own sales tax money that it gets through the State of Nebraska, its local share, its local option, and you actually went out, bought land, put the infrastructure into the ground, and made those lots available to reduce the risk home builders would have so that they could deliver a better-priced home to somebody in Columbus.

Is that right?

Ms. VASICEK. That is correct.

Chairman FLOOD. There is an example of a city government in a rural area using existing sales tax revenue. Imagine if we did this for cities like it across the country, where the builder could come in, the infrastructure is in the ground. The benefit of that government funding ultimately accrues to the new homeowner, building equity and helping them get started.

The other thing that I think is very important here is that we should be building these homes in the middle of the town, where there are parks and schools because kids learn better in great neighborhoods.

All right. Let us go to Dr. Hamilton.

You focused your testimony on zoning and land-use policies at the local level. What should the Federal Government do in these

areas while respecting the authority of localities to make their own specific policies?

Dr. HAMILTON. Thank you, Chair Flood.

That is an important question. While some have proposed more radical interventions, I think this area needs to stay squarely in the hands of State and local government officials. As we are hearing from constituents in so many parts of the country, this is a huge problem for American families, and there is bipartisan agreement that these rules need to get reformed.

I think there is an important knowledge-sharing role and use of the bully pulpit available to Members of Congress to point to proven examples of reforms that are making meaningful differences in housing supply and affordability.

Chairman FLOOD. Ms. Vasicek, you talked a little bit about the environmental requirements affecting a small community like Columbus.

What is the real barrier there? What kind of barriers have you seen with these environmental regulations?

Ms. VASICEK. The regulations I spoke of are specifically related to stormwater. We have, in the last 10 years, been required to—any project that is over an acre, disturbs more than an acre of site area, has to go through very stringent stormwater management regulations and permanent infrastructure improvements so that is that engineering cost, that understanding those regulations, and then building out those improvements is a considerable cost to developers.

Chairman FLOOD. I do not have much time here, but one last question: Rehab funding for existing housing stock, how can it be used and what would you—is it something you care about?

Ms. VASICEK. Oh, yes, it is something we care about a lot. We use our local option sales tax for that too. We could use considerably more for owner-occupied rehab.

Our local option sales tax has—

Chairman FLOOD. Regrettably, I have to stop you there.

Ms. VASICEK. Okay.

Chairman FLOOD. I am out of time, so I have to enforce it on myself. Thank you very much for being here.

The gentleman from Missouri, Mr. Cleaver, the ranking member, is now recognized for 5 minutes.

Mr. CLEAVER. Thank you, Mr. Chairman.

Ms. Bailey—but I want to go to you, Ms. Vasicek. Your testimony was extremely significant to me because you talked about workforce housing, and you used tax increments—that is, using tax increment financing.

I was a Mayor before I took this demotion, but I am curious about what was done in this community. Because when you use tax increment financing, when most cities—many cities, it ends up being that you draw the Tax Increment Financing (TIF) district, and most communities are going to try to draw at least a portion of that district, all of it, if possible, into some of the older parts of the city.

Inevitably, if you go down into downtown Kansas City, you are going to see all kinds of new buildings going up in Kansas City, and they are receiving TIF. If you go into the older parts of the

neighborhood, even though those areas have been designed as TIF districts, not one single project. I have been around the country, and I have seen similar things.

I am just so interested in what Columbus did to attract housing TIFs.

Ms. VASICEK. Specifically for the project that I referenced in my testimony, the city of Columbus, we work very hard to make connections with housing builders. Then we did—we made lots of connections, we built relationships and then we had individual meetings, and we put together a request for proposals. In that request, we targeted the types of housing that we needed—that we need in Columbus.

Then we put that request for proposals out, and we sent it to almost 70 housing builders in our region. We received 10, maybe, really good submittals for our subdivision, and we selected 5 of those to build in our subdivision. That is who is building out this 25-acre project.

Like Representative Flood said, we are very active in being involved with our community because our business community is absolutely requiring that of us. That is why we are more active than we ever have been.

Mr. CLEAVER. Thank you. I would not mind taking a view of what has been done. I think that is—if there is a magical way of getting interest, I am certainly interested in it. Thank you very much.

Ms. Bailey, you mentioned in your testimony, that the administration has canceled, I think, almost half of the signed grants already. Is there anything you can tell us that would suggest that this can be recovered? Even if they—even if that is reversed today or next week, have we lost ground that may not be recoverable, or it may be years to recover?

Ms. BAILEY. Yes, sir. Thank you so much for the question.

Many of the local fair-housing organizations in communities throughout the Nation, some of them rely on their HUD funding through the Fair Housing Initiatives Program, which is a program that was started under the Reagan Administration to provide fair-housing support in their communities—because some of these agencies rely 100 percent on the funding, some of those agencies will cease to operate. Some of them are already taking action to lay off staff and wind down.

Some organizations that have not even received cancellation letters are also taking action now to wind down because they are afraid that they will get an abrupt notification. This came in the cover of dark, without any notice, so no one could prepare.

In fact, it is an attack on a program that is one of HUD's most efficient programs—a program that has helped HUD efficiently address redlining, efficiently create solutions for appraisal bias, efficiently help survivors of domestic violence find safe and fair housing, so this will have harmful implications for people throughout the United States.

Mr. CLEAVER. Thank you very much.

I have lots of questions, but my time is running out.

Mr. Chairman, I yield back.

Chairman FLOOD. Thank you, Mr. Cleaver.

The gentleman from Arkansas, Mr. Hill, the chair of the full committee, is now recognized for 5 minutes.

Chairman HILL. Thank you, Mr. Chairman.

Thank you to our good panel for this important discussion about housing affordability—certainly a major topic for the suppliers of housing and the buyers of housing across our country.

Mr. Hughes, I spent a good part of my life lending money to home builders before I was in Congress, and I have had good days and bad days in that business. I have finished some houses, as a banker, that I did not think I should have.

You talked a lot about the credit environment and, of course, we have talked about price here extensively on it, and we think about that from a buyer's point of view—the mortgage market and the mortgage price that shot up so highly during the days of the Joe Biden inflation. I am curious about talking about the supply side.

You mentioned specifically in your testimony about AD&C lending—acquisition, development, and construction lending—something, as I say, I spent a lot of years in the middle of.

What has happened—what is the biggest difference when you look back over your career? Are the lines of credit available to the members of the National Association of Home Builders? Are there fewer specs? More customs only? Are the terms and conditions tougher?

Talk to me about the price and structure and terms for a home builder right now in the banking market.

Mr. HUGHES. Well, “yes” to all of those.

We have all had those good days and bad days. Particularly what has been difficult for me is the fact that I am a very small operator, and it has made it difficult to get lending locally—at community banks, savings and loans. I have had some success with the Federal credit unions simply when I was turned down by the other banks in my area, so having more options, more—

Chairman HILL. more choice for you is important. Like, in your own—

Mr. HUGHES. Absolutely.

Chairman HILL [continuing]. community, if you had more competition, more bank choices, that would be a benefit to you. Is that what you are saying?

Mr. HUGHES. Absolutely, because our competition in housing are the national builders that have moved into our county, and we all know are publicly traded.

Chairman HILL. Yes.

Mr. HUGHES. They do not have to go into the banks—

Chairman HILL. No.

Mr. HUGHES [continuing]. and beg.

Chairman HILL. Well, when I started my banking company in the late 1990s, there were 295 banks in Arkansas. Now there are 70 banks in Arkansas. So—

Mr. HUGHES. Right.

Chairman HILL [continuing]. I know a lot of our communities are hurt by that. That is why this committee has made a commitment that we want to make community banking, community financial institutions great again in this Congress by tailoring the regulatory burden so that these institutions are growing, that we actually

have startup institutions, that the institutions that we have can access capital so that you can access capital.

Has the structure of those loans also changed to where a builder, based on their financial statement and their track record, like, the number of loans, individual homes you can start under a line of credit, has that shrunk over the years as well?

Mr. HUGHES. I am not as familiar with that because I have not done a lot of spec building.

Chairman HILL. Okay.

Mr. HUGHES. Most of the time, it has been custom building.

Chairman HILL. Yep.

Mr. HUGHES. I have done some multifamily. One thing that has bitten me, in trying to do a rental project—

Chairman HILL. Yep.

Mr. HUGHES [continuing]. that all of the banks in our city—wherein this was after the recession, when Federal regulators were clamping down on banks for having over their allowed percentage of rental property.

Chairman HILL. Yes.

Mr. HUGHES. I was turned down by all of these banks because it was rental, and they were over their—it did not have anything to do with my project.

Chairman HILL. That is right.

I mean, this is what I think is so important for this committee to understand, that the impact of Dodd-Frank on community banking changed dramatically the risk that banks can take in very traditional local commercial businesses like building a home and that, if it is a rental property, it has supposedly higher risk than something that is owner-occupied in a custom home that you are going to build.

Mr. Chairman, I would like to enter into the record the Council of Economic Advisers' report from January 2024 that talks about the burdens to housing affordability, and one of those is the pernicious impact of bank regulations since Dodd-Frank.

Chairman FLOOD. Without objection.

[The information referred to can be found in the appendix:]

Chairman HILL. Mr. Chairman, I yield back.

Chairman FLOOD. The gentleman yields back.

The gentlewoman from California, Ranking Member Waters, is now recognized for 5 minutes.

Ms. WATERS. Thank you very much.

Let us see. Mr. Hughes, President Trump has imposed a new 25-percent tax on goods purchased by Americans and American businesses from Canada and Mexico, which is being characterized as, quote, the world's dumbest trade war, unquote.

Your organization sent a letter to Trump noting that Canada and Mexico supply the United States with 25 percent of building materials and that his proposed tariffs would increase the cost of housing.

Will your members be able to build more housing than they were yesterday with the added costs that come with paying these new import taxes?

Mr. HUGHES. Oh, absolutely not and we are very concerned about tariffs, because we import goods from Canada and Mexico and all over the globe, for that matter.

I deal particularly in Canada with one product, and I have had to spend a lot of money ahead of time to keep from paying that tariff.

We are very, very concerned.

Ms. WATERS. Well, let me just say that we are sitting here talking about "regulations are the cause of a lack of housing in this country." That is absolutely ridiculous. As a matter of fact, we have a housing crisis, and we are here acting business-as-usual.

We have 700,000 people sleeping on the street every night who are homeless. We have people with Section 8 vouchers waiting for years to try to get a place. We have middle-class people who cannot afford to pay 20 percent down on housing, and people paying more than 30 percent for housing.

Yet, we have an administration that is sitting here talking about "make building housing less safe, let us do something about regulations that get in the way of big bankers making more money, et cetera, et cetera."

This is all ridiculous. This does not make good sense. We have people, both in rural communities and urban communities, suffering.

It is not regulation. You know who wants to get rid of regulations? The biggest banks and financial institutions in this country. They want to get us back to where we were before we had that meltdown in predatory lending.

Well, we are going to fight against predatory lending. We are going to fight to build more affordable housing. We are going to fight against this administration who claims to care about housing but are here doing the business of the billionaires. It is not going to work. I am absolutely sick and tired of it.

How much time do I have left? I have a lot more time. I am going to continue to talk.

Let me just tell you, I want us to understand there is a crisis in this country. Unfortunately, Trump, who has been bought and paid for by Elon Musk, has given him the ability to go into our areas, all of our departments—the Treasury, the Consumer Financial Protection Bureau, the Department of Education. Do you know they just closed Social Security offices in my district and many of the other districts? Now I add all of this to the housing crisis.

I want to tell you that this country is not going to do any better by getting rid of regulations and talking about environmental requirements, being opposed to things that have kept our homes and our communities safe as we build housing.

Well, I want everybody to, as we say—I do not kind of like the word—man up. It is time to face the crisis for what it is. Regulations that will be obliterated have nothing to do with us doing what we continue to try and do in HUD.

I went over to HUD just yesterday with a letter to the new Secretary to ask him, what are they going to do? Why are they allowing Musk to get rid of over 50 percent of their employees there? They would not be able to respond to the developers who want to build housing.

We need to understand, not only is there a housing crisis but the cost of supply and materials have continued to rise since COVID.

I want everybody to understand, the government has a role to play. If we care about America, if we care about safe homes, if we care about children who are sleeping in cars who have to get up in the morning and try to go to school, well, stop this madness, talking about the regulation. Let us talk about what America can do, rather than the President going over and having a good time with Putin and Kim Jong-un and with other countries that have nothing to do but want to take over our country.

I have 19 more seconds. I will keep going. I will keep going by saying: For those of you who are in housing, who are responsible for building and getting money, you should be asking for more resources in order to get that done.

With that said, I do not really have enough to say right now, but I will keep saying it, and I want you to listen: Do not leave away from here business-as-usual. I want you to understand——

Chairman FLOOD. The gentlelady's time has expired.

Ms. WATERS [continuing]. a fight is on. We are going to the streets.

Chairman FLOOD. The gentlelady's time has expired.

Ms. WATERS. Oh, has it expired?

Chairman FLOOD. It has expired.

Ms. WATERS. Thank you.

Chairman FLOOD. The gentleman from Tennessee——

Ms. WATERS. Okay. All right.

Chairman FLOOD [continuing]. Mr. Rose is now recognized for 5 minutes.

Mr. ROSE. Thank you, Chairman Flood, and thank you, Ranking Member Cleaver, for holding this hearing.

Thank you to our witnesses for your time and being here today with us.

In Tennessee, we are blessed to be leaders in the manufactured-housing space. I truly believe that manufactured housing serves as the key to unlocking more housing units for working families all across this Nation.

It is for that reason that I plan to reintroduce legislation in this Congress that would remove the current permanent-steel-chassis requirement for manufactured housing.

Dr. Hamilton, what benefits would manufactured housing without a permanent chassis provide in terms of producing more manufactured homes?

Dr. HAMILTON. Thank you, Congressman. That is a great question, and there are a couple of benefits.

First are the most obvious direct effect of the permanent chassis requirement, which adds several thousand dollars to the cost of each manufactured home, which, when we are talking about one of the most cost-effective ways of building housing that is a substantial percentage of each unit. Without that permanent-steel-chassis requirement, those chassis could be repurposed from home to home, taking off that direct cost of each new unit.

Equally as important, I think, removing that steel-chassis requirement could open up opportunities to use this housing more flexibly. We can find instances of manufactured homes that are at-

tached to a permanent foundation with a basement, and you can see the chassis poking down into the basement. It is ridiculous.

Getting rid of that requirement would allow people to use these homes in the way that works for them.

Mr. ROSE. Dr. Hamilton, from a local zoning perspective, are there any specific rules that make manufactured housing infeasible to build?

Dr. HAMILTON. Yes, there are a few, and it depends on whether we are talking about manufactured housing in parks or on owner-occupied lots.

In the second, on owner-occupied lots, the biggest factor is minimum-lot-size requirements. When a house is required to sit on a very expensive piece of land, it does not make any sense to use a low-cost type of housing that is not going to end up in an overall affordable product.

When we are talking about manufactured housing in parks, we are seeing a nationwide trend of existing parks being redeveloped when land costs change and the highest and best use of the land in that park changes, but localities are choosing not to zone additional land for parks.

That reduces the opportunities that are available for using manufactured housing, and it puts residents of parks often in very difficult positions when they cannot find a place to site the home that they may own.

Mr. ROSE. Sure. Thank you.

Ms. Vasicek, what steps have you taken in Columbus, Nebraska, to incentivize the development of manufactured housing that you would recommend for other communities to follow suit?

Ms. VASICEK. Sure. Manufactured housing, and modular homes as well, are allowed in all zones.

Specifically, on our zoning regulations, we have eliminated minimum-lot regulations. We have eliminated lot widths, and site area per housing unit. We have eliminated all rules that limit the ability to do accessory dwelling units.

Those are a few of the very specific local regulations that are going to get in the way of modular and mobile homes.

Mr. ROSE. As a result of those changes, have you seen more successful modular or manufactured housing development?

Ms. VASICEK. It is definitely increasing in Columbus.

Mr. ROSE. Very good. Thank you.

As a member of both the Financial Services Committee and the House Agriculture Committee, I have observed the vast difference in execution of how the Department of Housing and Urban Development approaches housing versus the Department of Agriculture.

Hon. Compton, what are the negative results of these differing approaches to regulating housing?

Hon. COMPTON. Thank you, Congressman.

First, for the builders and developers of housing, it simply is different regimes that they have to be familiar with. The way that USDA will go about its financing process is entirely unlike what HUD would do in a similar context. This may even be where you have adjoining sites, one financed by USDA, and one financed by HUD; they will be completely different processes.

HUD's tends to be more standardized, whereas USDA, you can either have good experiences or bad experiences, but they are quite random.

Chairman FLOOD. The gentleman's time has expired.

Mr. ROSE. Thank you.

I see my time has expired, and I yield back, Mr. Chairman.

Chairman FLOOD. The gentlewoman from Michigan, Ms. Tlaib, is now recognized for 5 minutes.

Ms. TLAIB. Thank you so much, Mr. Chair, for having this important hearing.

Ms. Bailey, when you think of 50 percent of HUD employees being illegally fired—many of them illegally fired—I do not think people understand the drastic impact it will have on all the housing crisis that we have. I think the private sector does not realize what is going to come down the pipes.

I think getting rid of, again, this sort of oversight is also very detrimental.

I looked at the numbers and said, what does 50 percent really mean? I saw it goes from 1,529 Federal workers in HUD down to 765 people.

Even the Office of Public and Indian Housing facilitates—get this—3.5 million rental assistance. Mr. Chair, that means 3.5 million residents who count on those Federal workers for that rental assistance program will be wiped out. It is going to disrupt services to them and disrupt, again, this effort to try to combat the housing crisis.

When I even looked deeper into it—I looked at HUD's Office of Fair Housing and Equal Opportunity, and I was like, okay, so they are going to cut them from—that is 572 workers there, down to 134 workers. That is a 77-percent reduction.

I want you to tell, Ms. Bailey, my colleagues and the American people, is housing discrimination still happening?

Ms. BAILEY. Thank you for the question.

Every year, there are over 4 million instances of housing discrimination and in most instances of housing discrimination are not reported, for fear of retaliation.

Every year, we have been doing a fair-housing trends report, and we see complaints of housing discrimination go up, and we are at record highs, with complaints based on discrimination for disability being the leading and majority of the complaints brought.

I want to highlight one of the victims that the National Fair Housing Alliance recently assisted. She was an older American, and she was facing challenges with creating repairs to her home, because, as we all know, insurance costs are rising—

Ms. TLAIB. Uh-huh,

Ms. BAILEY [continuing]. she was unable to pay her insurance, and she was about to lose her home and be foreclosed upon.

What we were able to do, as a FIT grantee, was to assist her in getting the proper repairs done and make sure there was no fraud and abuse like we saw during the Great Recession, where so many older Americans lost their homes because they were doing things like getting repairs on their home and did not realize they were signing away a lifetime of equity.

We were able to help her get those repairs and maintain her insurance so that we did not have an older American lose her home.

That is the travesty of the Great Depression—I am sorry, excuse me—the Great Recession of 2008. We saw so many homeowners in cities like Atlanta who were house-rich but cash-poor.

Ms. TLAI. Yes.

Ms. BAILEY. These are targets of dangerous and risky, abusive predatory lenders who would go to their churches, who would go to their community centers as trusted resources and meet with them and convince them to take on projects to improve their property so that they could retire with the dignity that they deserved. They were hoodwinked, and all of their home equity was taken away.

That is why we have the Consumer Financial Protection Bureau today, an organization, an agency with the sole mission of—

Ms. TLAI. I always tell people; it is the 911 for fraud. That is where my residents call. I call the Consumer Financial Protection Bureau (CFPB). I do not care if it is mortgage fraud or targeting them. They get it over and over again.

I cannot believe they just got rid of this agency that pushes back against corporate greed and the scams that target our—I mean, I saw them do it to veterans, student loan borrowers, and everyone.

I want to get to a really important question. You know, one of the troubling reports that came out, that Elon Musk and DOGE, which is—there is so lack of transparency. I do not know why we do not have him at this committee hearing. I have so many questions to ask him on behalf of my residents, but they gained access to thousands of people's sensitive personal information.

Ms. Bailey, you know this, and I want my colleagues to know this. HUD enforces civil rights laws and pushes back against abuse, but it also enforces Fair Housing Act and parts of the Violence Against Women Act and often the records in HUD are not anonymous. They are just out there for anybody to have access to that work for the Federal Government or has, basically, screen tab access to it.

I am just—I am thinking of all those records of domestic violence cases and cases on housing discrimination. Can you talk about the safety and privacy issues for so many of our families that did turn to HUD for help?

Ms. BAILEY. They would not have protection. Women who are trying to escape abusers, and including families with children who might be facing abuse, they would not have protection—

Chairman FLOOD. The gentlewoman's time has expired.

With that, the gentleman from Wisconsin, Mr. Fitzgerald, is recognized for 5 minutes.

Mr. FITZGERALD. Thank you, Chairman.

Thank you all for being here today.

In 2023—I have a county, it is part of my Fifth congressional District in Wisconsin, Washington County—they established—the county exec, to his credit, established a program to increase the supply of homes that are priced, in general, kind of across the board, you would say those were middle-income. The goal of the program is to provide quality homes within 30 percent of the median household income.

Under the program, the county provides funding based on maximum of \$20,000 per owner-occupied dwelling unit, and it is capped at \$2.4 million for any one site.

They are thinking out of the box, and they are trying to come up with a way of building something, maybe smaller square footage and smaller lot size, but still fit kind of within the constraints of what would be considered local and State regulations.

This investment is basically a grant to local governments and acts as a 0-percent loan for infrastructure, construction, and other eligible expenses, and is then returned to the county in the revolving fund. It is actually—they have had great success already.

Mr. HUGHES, I am just wondering—I know I am kind of hitting you with something maybe you are unaware of, but are there other things like this that maybe you are seeing, where people are thinking out of the box right now in developing some new footprints, that is starting to allow us to build some affordable housing in some of these counties?

Mr. HUGHES. Probably the most popular of those that I am aware of is the increased use of accessory dwelling units. They are much smaller; sometimes it is renovating an attic over a garage for a mother-in-law or—but, yes, it is becoming very common, very common.

More and more jurisdictions are allowing it, but, unfortunately, I would guess that there are more jurisdictions that do not want anything to do with it.

Mr. FITZGERALD. My frustration, I think, is that, when you look at certain parts of my State, in my district and outside of my district, there is a ton of construction going on, but they are building rental units, right? Or they are building these multiple duplex units, which is, obviously, kind of money-making ventures for a lot of those that are involved in the building trades. It is the single-family homes that are not being built.

What we are trying to figure out, I guess, is, are these newer units being built—the rental units and the duplexes being built in lieu of single-family housing?

Is that something that you are seeing, as well, kind of on a national scale?

Mr. HUGHES. I am not sure on a national scale. I can speak to my locale.

Mr. FITZGERALD. Yes. Yes. That would be helpful.

Mr. HUGHES. We have a pretty balanced mix, I think.

Of course, we are seeing a lot of growth from Lexington, North Carolina. For 100 years our economy was furniture, textiles, and tobacco, and they all went away in about a 10-year period. We have worked very hard to recruit manufacturing, and I would like to say that we are a victim of our own success. We have enticed some very large manufacturers. We are building a Siemens plant to build locomotives, and we simply do not have enough houses to go around.

We have a good mix in our area of single-family and apartments. Now, as far as nationally, I apologize, I would not know what the numbers were there.

Mr. FITZGERALD. Yes.

I think the other issue that has kind of started to emerge is that, in the late 1990s, there were a lot of subdivisions that were built, and they were large-square-footage homes—McMansions, right?

Mr. HUGHES. Sure.

Mr. FITZGERALD. There really has not been a shift away from that. Yet, the prices associated with a lot of those subdivisions are just—they are too high.

Mr. HUGHES. Sure.

Mr. FITZGERALD. It is not something that a—it is not a starter home, right? It is not a starter home.

Mr. HUGHES. Right. Right.

Mr. FITZGERALD. As builders kind of work through that process and come up with a different type of dwelling that maybe fits that, it might help to relieve some of the pressure that is on right now.

Mr. HUGHES. Right. I think one trend you would be glad to see; I think the average size of a custom home today is smaller. Maybe people are using a little more common sense.

Mr. FITZGERALD. Yes. I mean, in the 1950s, a two-bedroom, one-bath home was the standard.

Mr. HUGHES. Sure.

Mr. FITZGERALD. Suddenly that became three-bedrooms, two-baths, and it continued to grow. So—

Mr. HUGHES. Sure.

Mr. FITZGERALD [continuing]. maybe that is an answer.

I am out of time. Thank you very much.

I yield back.

Chairman FLOOD. The gentlewoman from Texas, Ms. Garcia, is now recognized for 5 minutes.

Ms. GARCIA. Thank you, Mr. Chairman.

Thank you to all the witnesses today and welcome to our Capitol and to a big day for many around the complex.

I just wanted to just kind of talk a little bit about the Trump tariffs.

I know that the ranking member has already asked some questions of you, Mr.—is it “Murray”? No, you are “Harris,” Mr. Harris, from the—right.

Mr. HUGHES. Hughes.

Ms. GARCIA. I think both of your press releases that I saw that came from your organization clearly stated your disappointment and displeasure with the Trump tariffs that are coming to both Canada and Mexico and the impact that it would have on some of the lumber that you purchased.

Also, of course, combined with that, we know that there are some actions that he is planning on doing in terms of mass deportations, which could gut your workforce by about 30 percent.

Both of those together, it is almost like a double whammy for your industry. Can you all survive?

Mr. HUGHES. Yes, I think we can survive, but we are definitely going to—it is going to be challenging, maybe the best way to put it.

We are very concerned about tariffs. As I mentioned earlier, it is causing me to spend more money already, and it just became official. We have so many products that come from our northern friends and our southern friends: Portland cement for ready-mix

concrete—I am in the concrete business—drywall, gypsum for drywall. Yes, no question.

Ms. GARCIA. Well, but what about the impact of 30 percent of your workforce maybe not being here anymore?

Mr. HUGHES. I have not felt that in our area. We have a lot of—

Ms. GARCIA. What has your industry felt? Are you getting reports from around the country? Obviously, you represent a national organization.

Mr. HUGHES. Sure. Sure, we are getting it, and it varies depending on areas.

We are working very hard to increase the workforce. Our association, from coast to coast, is doing a lot of things to train and retrain the next generation. I have been coordinating carpentry contests for over 25 years to try to train high-school kids, which is working very well, but it is a slow, slow fix.

Ms. GARCIA. Thank you.

Mr. HUGHES. No question, the immigration—

Ms. GARCIA. Thirty percent is huge, in terms of hit to your workforce, and then, what is it, 25 percent in Trump tariffs. I mean, like I said, it is a double whammy, and I wish you all the best.

Mr. HUGHES. Thank you.

Ms. GARCIA. I know that many of us are very concerned for a variety of reasons but thank you for the press releases that you have sent out. It made clear about what position you all have.

Recently, a constituent reached out to my office to help with casework. She is a mother of three and a veteran. She also filed to participate in the HUD-Veterans Affairs Supportive Housing program. The program provides homeless veterans with HUD's housing choice voucher, rental assistance, along with case management and clinical services provided by the Department of Veterans Affairs.

She originally filed to participate in the program because she and her children were faced with the risk of homelessness. However, due to the shortage of affordable housing in Houston and the high demand in the program itself, the waitlist for the Housing of Urban Development-Veterans Affairs Supportive Housing (HUD-VASH) program has been closed. They just have been closed. That left my constituent, a 100-percent-disabled veteran who served this Nation, unable to participate.

Ms. Bailey, your work with the National Fair Housing Alliance directly works with families like my constituent. What can we do, as a Congress and as a Nation, to better prioritize affordable housing so that our vulnerable communities and our Nation's heroes can avoid homelessness?

Ms. BAILEY. Thank you for the question.

One of the things that you can do is make sure the administration is not trying to override the rules of Congress. Dollars have already been appropriated, and those contracts are being taken away. The President does not have the authority to do that so to hold the administration accountable for making sure dollars that Congress already appropriated are spent in the way that Congress has designed them to do such.

The second thing is making sure things like our Affirmatively Furthering Fair Housing provision of the Fair Housing Act, which simply requires that every community is vibrant, with all of the amenities that everyone needs to thrive, is fully enforced. It is actually the key to some of the local and State-based exclusionary zoning laws.

Ms. GARCIA. Thank you.

I yield back, Mr. Chairman.

Chairman FLOOD. Thank you.

The gentleman from South Carolina, Mr. Timmons, is now recognized for 5 minutes.

Mr. TIMMONS. Thank you, Mr. Chairman.

Hon. Compton and Dr. Hamilton, during your testimony, you touched on some things that I want to expand on a little bit.

It seems to me that one of the biggest challenges in the affordable-housing space is the complex, I am going to say, patchwork framework of approaches taken by the Federal Government, the State, and the city. While they are all intended, well-intended, for the same purpose of facilitating affordable housing, they are often contradictory and, in many ways, vague.

I guess the last part—with elections that have consequences, some of the State and local rules can change in the middle of a development, and the permitting process can be overly onerous and complex.

Dr. Hamilton, is there a way that the Federal Government could preempt all of these rules to create an NFIP, National Flood Insurance Program-style system through which State and local governments can then adopt portions of it to try to streamline that?

Does that question make sense?

Dr. HAMILTON. Thank you, Congressman.

Part of that is outside of my area of expertise, as far as the legal role that Congress could play in a more aggressive role in determining zoning and permitting processes, but I think there are absolutely lessons that need to be shared by States and local governments, and implemented, in terms of what is working.

One thing we often see is that the repeal of one specific zoning rule, intended to make a new type of project feasible to build, will just reveal the challenges in permitting or building codes or subdivision regulations that are still standing in the way of the type of housing that the reformers were hoping to see.

Mr. TIMMONS. Hon. Compton, what are your thoughts on that concept?

Hon. COMPTON. Yes. Congressman, in my opening remarks, I spoke of a systemic or systematic approach to this.

I think that one of the problems that we have really dates back to the 1986 Tax Act. We took out passive-loss—we put in passive-loss limitations in the 1986 Tax Act, which essentially took individuals and small businesses out of the ability to invest economically in real estate. I think that had the unintended consequence of disconnecting local investors from the local real estate market.

What we have seen over the last 40 years since that was done is an explosion of local regulation. In part, it is because many of the builders are the national builders, which do not have input into State and local elections, and, thus, there is really no political

check on the growth of these regulations, because many, many homeowners would just as soon nobody else ever build near them.

I think that reexamining the—as part of the Tax Cuts and Jobs Act reconsideration, looking at taking passive-loss limitations off of residential investment could help restore balance.

Mr. TIMMONS. Thank you for that.

It seems that all levels of government are searching for a solution to the problem of affordability. In my district, it is particularly challenging, as we have gentrification due to increased population growth, and we have no public transportation to speak of. It is even more of a challenge there.

I have encouraged our State and local government to view this challenge from a perspective of, how do you incentivize, as opposed to require?

Because, in my experience, when local governments try to require a percentage of affordable housing, it really creates a bad environment. Because if you are telling a developer they have to do 25, 30 percent affordable, that developer is still going to get the rents necessary to make the project work, and you are going to have the 70 percent of the people subsidizing 30 percent and neighbors subsidizing neighbors. I actually think it is just immoral.

If we are going to do this; we should consider it from the perspective of general fund tax dollars. If you want to then use those general fund tax dollars because you have convinced the people that you represent, that is an appropriate use of tax dollars—which I think many cities and States can have that conversation—then you incentivize developers, using general fund tax dollars.

It just makes a lot more sense than—it is harder to do. It is a lot harder to do, because you actually have to defend your policy decision to the people that elect you, but it is drastically superior to telling developers that they must force one neighbor to subsidize another. Yes, I appreciate this hearing. I look forward to working with my colleagues across the aisle to try to solve this problem for all of our cities and counties.

Thanks.

Chairman FLOOD. The gentleman yields back.

The gentleman from California, Mr. Liccardo, is now recognized for 5 minutes.

Mr. Liccardo. Thank you, Mr. Chair. Thank you for allowing me to waive on.

Thank you also for taking the time last week. I appreciated the opportunity—or 2 weeks ago, I think—to speak with Democrats about our ideas on housing. I really want to thank Ranking Member Cleaver for the invitation to that conversation.

Mr. Hughes, I appreciate your emphasis on the five L's. Thanks for keeping it simple for us. That is helpful.

I wanted to talk about three of those L's for just a moment.

First, on the lending, I really appreciate NAHB's advocacy for full funding for all HUD and USDA rental assistance contracts, for robust funding for the HOME Program, for the USDA Homeownership Direct Loan programs and multifamily programs. I think those are all important, and I certainly hope my colleagues on both sides of the aisle will heed your advocacy.

In particular, I was interested about the expansion of the Low-Income Housing Tax Credit (LIHTC)—I know that there was pending legislation in the last session—and specifically on boosting the 9 percent, which I imagine could help a lot of small jurisdictions, smaller towns, that do not have a lot of access to capital, that still have a gap in the capital stack. By boosting it, say, from 9 to 12 percent, it could enable projects to actually get a shovel out of the ground much faster.

Have you seen that happen based on the experiment that we just went through, through the post-pandemic era, when we saw a boost in that tax credit?

Mr. HUGHES. Well, personally, I have not had any dealings with LIHTC at all, but I have some friends that have, and they love it, to be honest with you. It is one of the best tools they have.

I am sorry, I cannot speak directly to it, but I know they would like to see it increased.

We know, we do not stand a chance furnishing housing for low-income families without some kind of government subsidies. That is one of the best.

Mr. Liccardo. Yes, I agree. I think, certainly in my experience as a Mayor of a large city and in a very expensive place, we had a capital stack sometimes of seven or eight different sources. Having that boost could be a real catalyst to getting more units built.

Going to the next L, labor, I think you testified, was it 300,000 open positions—

Mr. HUGHES. Correct. That is average.

Mr. Liccardo.—in construction across the country?

Mr. HUGHES. Average. Right.

Mr. Liccardo. Is it fair to say that has been something of a chronic challenge for us since the Great Recession, for about a decade and a half? Is that right.

Mr. HUGHES. Sure, exactly because the recession retired a lot of people before they wanted to—or, before they would have naturally, and it left a huge gap.

Mr. Liccardo. We can agree that having more immigration would probably help for those skilled labor positions. Is that fair.

Mr. HUGHES. Absolutely.

I grew up in the tobacco belt, where we used immigrant help, but the outfall of that, a lot of times, was the folks that came in for seasonal work—we do not have tobacco anymore, but we have Christmas trees, so we still have a big influx. A lot of these workers get a job and stick around and learn to lay block.

Mr. Liccardo. Yes.

Mr. HUGHES. That is—I mentioned we are working very hard to train the next generation, but it is slow.

Mr. Liccardo. Yes.

Mr. HUGHES. There have to be some ways that we can take advantage of the immigrant force that we have right now.

Mr. Liccardo. Also, the many people who do want to work.

Mr. HUGHES. Oh, absolutely.

Mr. Liccardo. Yes.

Mr. HUGHES. No question, they do want the work.

Mr. Liccardo. I appreciate that.

I also appreciate your prior testimony that we were not helped any with regard to housing construction costs by the President's increase in tariffs. We know it affects Canadian lumber and many other building materials, and I appreciate your testimony in that regard.

Dr. Hamilton, I appreciated your testimony as well and I understand particularly the points around zoning and how that can be a real constraint.

We do have a challenge in many local jurisdictions where folks—some may call them Not in my Backyard (NIMBY) neighbors who yell because they love their community, of course, but they do not like something getting built that is tall next to their neighborhood.

We have existing stock of buildings with 20 percent vacancy, right, nearly 20 percent nationally, and that is our office stock. There is an opportunity, certainly, to rehabilitate those buildings.

Would it not make sense from a zoning perspective where perhaps we could have a Federal program that could stimulate the conversion of those buildings with perhaps a by-right rezoning requirement?

Dr. HAMILTON. Thank you, Congressman.

Yes, there are certainly instances where office buildings can be successfully converted to residential, to great effect sometimes. With historic buildings, it creates beautiful opportunities for very cool multifamily projects in what are no longer viable office buildings.

Unfortunately, there are many more instances where the floor plate does not work.

Chairman FLOOD. The gentlewoman's time—

Mr. Liccardo. Understood. It only works for smaller floor plates, but it is still a significant percentage.

Thank you.

Chairman FLOOD. The gentleman's time has expired.

I recognize Ms. Garcia for a unanimous-consent request.

Ms. GARCIA. Mr. Chairman, I ask for unanimous consent to introduce into the record two press releases from the National Association of Home Builders: one dated February 1st, "25 percent Tariff Hike on Canadian and Mexican Goods Harms Housing Affordability"; the second one, "Trump Imposes Additional 25 percent Tariff on Canadian Softwood Lumber."

The third article is from the Houston Chronicle, and it is, "Texas wants more affordable housing. Insurance costs are getting in the way."

Thank you, Mr. Chairman. I yield back.

Chairman FLOOD. Without objection.

[The information referred to can be found in the appendix:]

Chairman FLOOD. The gentleman from New York, Mr. Garbarino, is now recognized for 5 minutes.

Mr. GARBARINO. Thank you, Chairman.

Thank you all, to the witnesses, for being here today.

On average, government regulations account for nearly 25 percent of the cost to build a typical new single-family home, totaling almost \$94,000.

Mr. Hughes, NAHB research has found that approximately 14 million American households are priced out of the market for a new home by government regulations.

Can you give us examples of regulations either during the development or construction phase that have led to these increased costs for housing?

Mr. HUGHES. I can give you many. My favorite——

Mr. GARBARINO. I have only 5 minutes.

Mr. HUGHES. I know.

My target is on energy codes. We debate a lot about codes, and, truthfully, 85 percent of those we do not have an argument with, as long as it is health and safety. Where we get a little sideways is when we get involved with the government, the Federal Government gets involved with energy codes, increased energy codes. That is where it has really escalated out of control.

We would love to see that—and one of those requirements is on the HUD, USDA, and Department of Veterans Affairs (VA) loans having to conform to those heavier codes.

Mr. GARBARINO. Absolutely.

It is not just the Federal Government, but we have seen States do it. This past Friday, New York moved one step closer——

Mr. HUGHES. Sure.

Mr. GARBARINO [continuing]. to installing a gas-stove ban for new buildings. This first-in-the-Nation ban will increase energy costs for New Yorkers and stress the electrical grid and eliminate consumer choice, all while having a minimal environmental impact and pricing out working-class families.

Mr. Hughes, you just mentioned these standards that are coming out and being forced on HUD and USDA, and New York energy standards. We see these things coming out of here; they do not have the benefit of what the intention is, but they are having a lot of negative impact. You talked about—I talked about cost.

What about timing of projects? Viability of projects? Are these stopping even things from getting started?

Mr. HUGHES. Sure. If not stopping them, tremendously slowing them down.

Mr. GARBARINO. Well, I appreciate that very much.

The main factor—I am going to switch things here—the main factor contributing to housing unaffordability is the ongoing shortage of homes required to meet increasing demand. In order to right the ship, we must explore innovative solutions to keep pace with household needs.

One such solution to address not only affordability issues but also the supply challenges have been manufactured housing.

Dr. Hamilton, can you please describe how manufactured housing could possibly address the high cost of building new construction in high-density urban areas such as Long Island?

Dr. HAMILTON. Thank you, Congressman.

Yes, manufactured housing presents cost efficiencies over site-built housing in a variety of ways, one of which is that it can be built offsite, where labor costs can be much lower than they are on Long Island.

What is necessary, though, in high-cost places is, typically, allowing a dense manufactured-housing development that local zoning

rules are generally standing in the way of. One factor could be outright manufactured-housing bans. Another could be minimum-lot-size requirements, which make the cost of each piece of land that a house can sit on very expensive and make manufactured housing an unviable solution.

Although, some of HUD's recent reforms to allow for more than one manufactured-housing unit to be combined are promising.

Mr. GARBARINO. Thank you very much for that answer and I just want to make a statement just to finish.

We have heard a lot of complaints about the cost of homes going up, the cost of construction, the cost of buying. Very little has been done to solve it, except for—the past administration and a lot of State governments controlled by—New York, for instance, controlled by a Democratic Governor for the last 20-some-odd years—they have gone after the mortgage industry, they have gone after the title insurance industry, they have gone after the realtors, they have gone after the home builders, all to try to—all these groups that help people actually achieve homeownership, they have gone after them as if they are the problem.

They are not the problem. Over-regulation by government is the problem. They need to get out of the way and let these people, who have done a great job for decades of letting people buy homes, get them back into the business where they have been and been so successful at it. We have to get out of the over-regulation that government has done.

With that, Mr. Chairman, I yield back.

Chairman FLOOD. The gentleman yields back.

The gentleman from New York, Mr. Torres, is recognized for 5 minutes.

Mr. TORRES. Thank you, Mr. Chair.

Even though housing is one of the central concerns of every American household, funding for HUD represents a mere 1 percent of the overall Federal budget. The Fiscal Year 2024 Federal budget was in the range of \$7 trillion, of which only \$70 billion went to HUD.

Ms. Bailey, do you think housing is getting anything approaching its fair share of Federal funding?

Ms. BAILEY. No and thank you for the question, sir.

Mr. TORRES. The National Low Income Housing Coalition reports that America has a housing deficit of 7.3 million units for the lowest-income Americans. The United States builds somewhere between a million and 2 million units a year, but only a small subset of those units is affordable to the lowest-income Americans.

Now, I am all for land-use reform, for reasonable deregulation, but the fact is that it is all but impossible to build deeply affordable housing for the lowest-income Americans without some measure of public subsidy.

Is that correct?

Ms. BAILEY. Correct.

Mr. TORRES. If we continue to catastrophically under-build housing in America and continue to catastrophically under-invest in housing in America, then we, as a country, have no hope for closing the housing deficit of 7.3 million units. In fact, that deficit will only widen over time.

Now, the greatest sources of deeply affordable housing are Section 8 and Section 9 public housing. There are about 5 million Americans living in Section 8 public housing and about 2.5 million living in Section 9 housing.

I can tell you, as a product of public housing, most Americans who live in Section 8, in public housing, would be homeless without it, because market-rate rent is simply too high.

My question to you, Ms. Bailey, is, what is more expensive for the Federal Government, homelessness or those housing programs?

Ms. BAILEY. Homelessness, sir. Thank you.

Mr. TORRES. When the Federal Government defunds or under-invests in programs like Section 8 and public housing, it is not creating a cost saving; it is simply substituting the higher cost of homelessness for the lower cost of affordable housing.

Do you agree with that assessment?

Ms. BAILEY. Yes, sir.

Mr. TORRES. Affordable housing is not a cost but a cost saving relative to the far greater cost of homelessness.

Ms. BAILEY. I would add "fair and affordable," sir.

Mr. TORRES. The Federal Government must not only create new housing supply; we must preserve the existing housing supply. Nowhere is the need for preservation more pressing than in public housing.

I grew up in New York City public housing, New York City Housing Authority (NYCHA), which has been so chronically underfunded for so long by the Federal Government that it has a capital need of \$80 billion and counting. That is 80 "billion" with a "B."

Housing authorities like NYCHA typically receive only a percentage, only a proration of the formula Federal funding for which it is statutorily eligible. In fact, there have been years when NYCHA has only received 82 percent of its formula Federal funding.

Do you think there is a private landlord in America that could operate with only 82 percent of the revenues that it needs?

Ms. BAILEY. No, sir.

Mr. TORRES. Why should we expect that of public housing?

Ms. BAILEY. We absolutely should not, and, in fact, we need more investment, and we need to be very intentional.

The Housing Crisis Response Act has \$150 billion. It is a sensible package that we all need. We need to see increased support for housing choice vouchers, and increased support for public housing authorities.

We need to act quickly. Housing is an important pillar of our economy. If we allow housing to fail, the economy fails.

Mr. TORRES. Federal public housing is a Federal program and a Federal obligation.

Ms. BAILEY. Yes.

Mr. TORRES. If there are bricks falling off a public housing building, does the Federal Government have an obligation to replace them?

Ms. BAILEY. Yes.

Mr. TORRES. If there are leaking roofs that are causing water to penetrate and damage the building systems, does the Federal Government have an obligation to replace those roofs?

Ms. BAILEY. Yes, because the people who live in those housing places deserve the dignity of a home that is safe.

Mr. TORRES. Safe, decent, affordable housing, which every Member of Congress enjoys. Why not wish for every American the safe, decent, affordable housing that we, as Members of Congress, take for granted?

I have a question for each of the panelists. There are multiple causes to the affordability crisis, right? Insurance, construction cost, land use. Which cause would you identify as the most consequential?

I will start with Hon. Compton.

Hon. COMPTON. Harkening back, Congressman, to what I said about what we did in the Tax Code 40 years ago, we intentionally knew that changes in the Tax Code in the 1986 Tax Reform Act were going to cause under-investment in housing, and that is exactly what we have gotten.

Dr. HAMILTON. Thank you, Congressman.

I would point to land-use regulations and permit approval processes.

Mr. HUGHES. Excessive codes.

Ms. VASICEK. I would say, since we have reformed our local regulations and we have invested significantly in housing at our level, it is some of the—

Chairman FLOOD. The gentleman's time has expired.

Ms. VASICEK [continuing]. Federal and State requirements.

Chairman FLOOD. The gentleman's time has expired.

Mr. TORRES. Thank you.

I have a shortage of housing and a shortage of time, so thank you.

Chairman FLOOD. Thank you.

The gentleman from New York, Mr. Lawler, is now recognized for 5 minutes.

Mr. LAWLER. Thank you, Mr. Chairman.

I do not think there is any question that housing is one of the most important issues facing our country. We are approaching 7 million units underbuilt nationwide, and it impacts every community across the country in every type of housing stock.

One of the most common refrains that I hear when discussing housing with residents across my district is their concern about the affordability of housing. It remains the most persistent challenge.

With mortgage rates near their highest since the turn of the millennium, a limited housing supply in many communities, and ongoing supply chain and construction issues, it is perhaps the most difficult time to purchase a home in our region's history.

This affordability crisis is further complicated by the fact that many homeowners remain unable or unwilling to sell their homes for fear of losing their fixed, low-rate mortgages obtained prior to 2022.

The median cost to purchase a home is more than 5.6 times greater than the median household income nationwide.

In looking at the growing crisis in my district, in Rockland and Westchester Counties, which pay among the highest property taxes in America, according to the National Association of Realtors, the monthly average cost of a mortgage was \$1,000 more in 2023 than

it was in 2022, and in Putnam and Dutchess Counties, it was at least \$800 more per month. That is anywhere ranging from \$10,000 to \$12,000 more per year on an annual basis. For many families, this is totally unsustainable.

That is why I will be reintroducing—and I am glad to see noticed with today's hearing—my Housing for America's Middle Class Act. This bill will improve our understanding of the efficacy of Federal housing affordability programs and of any gaps that exclude middle-income households.

Mr. Hughes, given the estimated costs of construction continuing to climb, can you highlight why most builders opt to produce more expensive housing to remain economically viable?

Mr. HUGHES. I think most builders just address their market, what—what market—how they are going to be able to sell the homes.

I deal primarily in western North Carolina, where there is no starter housing; everything is large, custom homes. It is a great market. You can only build one or two a year, but it is a good market.

Everybody seems to have their expertise, I guess. Spec building is not mine. I am more of a custom builder.

Mr. LAWLER. Hon. Compton or Mr. Hughes, what, in your view, need to change either at the regulatory or market level to ensure that the construction industry can produce homes at a price point for middle-income consumers?

Hon. COMPTON. Congressman, thank you.

I think that what is vastly underestimated in terms of the regulatory burden is not just the cost or even the time that it imposes, but it really is the multiplicative effect that the time has on risk.

Given that profit margins, whether it is an expensive house or a less expensive house or similar, is that the margin for error on less expensive houses, if you have an unexpected 3-month delay due to some regulatory issue, can take that from being profitable to a loss. There is simply much greater risk, both perceived and real, for lower-cost houses because of less of a margin of error.

I think making the regulatory process not only less but more predictable would be helpful in that respect.

Mr. LAWLER. It is estimated that the construction industry needs over 400,000 workers next year to meet growing demand. In your estimation, how can these goals be met?

I would direct this to Mr. Hughes.

Mr. HUGHES. As I mentioned before, immigration, we simply have to have a short fix. We are doing all we can for the slow, long fix, but there has to be a way to figure this out; we have been doing it for decades and we have to get a handle on that.

Mr. LAWLER. I do not think there is any question, as we deal with the economic challenges facing the country, three of the biggest issues that I see are immigration, energy, and housing.

If we actually address all three in a serious and substantive way and address the workforce shortages, address the energy supply, and address the housing supply, our economy will be in a much stronger position, and the cost of housing will come down.

I yield back.

Chairman FLOOD. The gentleman's time has expired.

The gentleman yields back.

The gentlewoman from Oregon, Ms. Bynum, is now recognized for 5 minutes.

Ms. BYNUM. Thank you, Mr. Chair, and thank you to the witnesses.

My State of Oregon has faced some of the fastest-growing housing costs in the country. I am concerned that, despite State-led efforts like rent stabilization and zoning reform, many families are still priced out.

Ms. Bailey, what additional fair-housing policies or Federal support do you think States like ours—like mine—would make housing more accessible, particularly for low-income and marginalized communities?

If I could put a finer point on it, this morning we talked a little bit about what it takes to give some hope to the younger generation. I have a 23-year-old and a 20-year-old and when I talked with the realtors a couple weeks ago, they told me 38 was the average age of a first-time homebuyer.

Like—so I am telling kids now—let us say you graduate from college or trade school, you are 23. You have to work 15 years to be able to get into your own home?

Help me make it make sense, please.

Ms. BAILEY. Thank you so much for the question.

The Affirmatively Furthering Fair Housing Act provision of the Fair Housing Act is critical to being a tool for local jurisdictions to actually attack and dismantle the structural inequities that have been created by exclusionary zoning laws.

Fully enforcing the Affirmatively Furthering Fair Housing provision, which says that every dollar for housing and community development programs expended, they must make sure all communities are vibrant and inclusive and that the people there can thrive; that is for HUD, Treasury, Department of Education, Department of Transportation, and every Federal agency.

The second thing, in response to your question, we need to pass the Housing Crisis Response Act. It includes critical funding for first-generation downpayment assistance. This is downpayment assistance that would help homebuyers whose prior generations have been locked out of the system because of exclusionary policies that have made it impossible for them to build intergenerational wealth that they could pass forward to new generations and help them enter into homeownership.

The number one barrier for people who are interested in becoming homebuyers and who are being beaten by investors is the lack of a downpayment. First-generation downpayment assistance would help people in urban, suburban, and rural communities get access to the downpayment assistance that they need to enter into and successfully become homeowners.

Ms. BYNUM. Thank you.

I would also push to say that even middle-class kids who grew up in a home, they are having troubles too. I would venture to say a lot of the young kids working in the Capitol today could hardly afford to buy a home, even with very good salaries.

Did anyone else on the panel want to poke at it? Do you have kids that you want to get out of your house, that you would like to be able to help them buy a home?

Mr. HUGHES. Well, I will comment. I have three grandsons—

Ms. BYNUM. Okay.

Mr. HUGHES [continuing]. under 10 years old and I am very concerned—

Ms. BYNUM. Yes.

Mr. HUGHES [continuing]. that when they get of age, they are going to be able to own their own home, even if I am still around to build it for them.

Ms. BYNUM. Yes.

Mr. Chair, let the record reflect that we are all concerned about the fate of our young people in this country and their ability to buy their own home and stabilize their living arrangements for the future.

Ms. Bailey, you also mentioned a little bit about institutional investors, or at least I heard a little bit about that. I am really concerned that they own now a significant share of rental housing and, fairly or unfairly, have been accused of driving up rents and perhaps limiting supply in some areas.

We know that this form of funding is filling a gap, but how can we make that more friendly to the people in those communities who want to buy homes? How can we adjust what is happening in that market fairly?

Ms. BAILEY. Again, providing first-generation downpayment assistance and using our fair-housing laws, to actually enforce them against harmful practices.

We have heard allegations that some companies are using technologies, for instance, because technology is playing a broader role in making housing decisions, and technology is driving up the cost of housing in different communities. Using things like the Fair Housing Act and the Equal Opportunity Act to fully enforce those important civil-rights protections.

Ms. BYNUM. Thank you.

Mr. Hughes—I think I can see that—Oregon is a national leader in mass timber production, and so our State has promoted cross-laminated timber as a more sustainable, cost-effective building material.

Any interest in your neck of the woods for cross-laminated timber?

Mr. HUGHES. I have seen it, and I have researched it some, but, no, I have not seen it used at all, except maybe in a couple multi-family—

Ms. BYNUM. Oh, okay.

Mr. HUGHES [continuing]. large, multifamily projects. Unfortunately, I have seen a couple failures too.

Ms. BYNUM. Okay. Thank you.

Thank you, Mr. Chair.

Chairman FLOOD. The gentlewoman yields back.

The gentleman from the great State of Montana is recognized, Mr. Downing. You are recognized for 5 minutes.

Mr. DOWNING. Thank you, Mr. Chair.

Thank you to the witnesses for being here today.

I think about my idea of the American Dream, being able to buy your first home, and worry about things that get that farther and farther and harder and harder to do.

I am just looking at some numbers from Montana. We have seen—in the 5-year period from 2018 to 2023, we saw about a 90-percent increase in the median home value in listings. In that same period, we saw median household income in Montana increase just under 30 percent, so it is almost three times more in that period and the median listing price for a home in Livingston is about \$640,000.

One of the things that I thought was interesting, another data point I saw shows that for every \$1,000 increase in the cost of building a home, that you are foreclosing on about 106,000 potential buyers in that, and so limiting the market to those folks.

One final thing that I think is germane to this conversation is, about 77 percent of U.S. households are already not able to afford a median-priced home and that about 24 percent of that is from regulations across all levels of government. That is according to the National Association of Home Builders.

I am going to start with Mr. Hughes.

Under the previous administration, Joe Biden saw affordable and reliable energy as the problem, in favor of the Green New Deal priorities. In 2024, the Department of Housing and Urban Development, in concert with the Department of Agriculture, promulgated a final rule requiring all HUD-and USDA-financed properties to adhere to international green-energy standards.

How do these sorts of unrealistic energy standards put affordable housing out of reach for many families?

Mr. HUGHES. It has added so much extra cost to—and it does not pay for itself, simply.

Now, I have been using innovative, energy-efficient products for over 20 years, and I am big believer in them as long as they pay for themselves. You simply cannot pay for these increases.

Mr. DOWNING. Right.

Hon. Compton, anything you would want to add to that?

Hon. COMPTON. We certainly have seen this growth, whether it is in the energy space or in others.

I think one thing that is also under-appreciated is just the cumulative burden of all of these things. I have likened it to the old tale “Gulliver’s Travels.” Any one of these strings is not enough to kind of hold the housing market back, but by the time you have piled several hundred or several thousand on someone, the cumulative burden is just enormous.

Mr. DOWNING. Right.

Hon. COMPTON. So, things that if viewed in isolation we would say, “Well, that is really not such a bad idea, that would kind of be Okay,” is that when you take 500 of those “well, that would not be so bad,” is that we have really ended up at the place that you are talking about, which is this 24 percent of cost.

Then, as I mentioned earlier, I think that kind of an untabulated cost is the risk that adds due to the delay that is inherent in it.

Mr. DOWNING. Right.

Continuing on this, another example of the burdensome impact of environmental regulations is the broad application of the National Environmental Protection Act, or NEPA.

NEPA was originally intended for large-scale industrial projects like power plants with significant environmental impacts. Today, it has expanded to include housing construction, which creates costly delays on projects.

To you, Hon. Compton: How should NEPA be reformed to make housing construction faster, more affordable, and still maintain sensible environmental protections?

Hon. COMPTON. Thank you, Congressman.

I think, in particular, first is to recognize that NEPA is not a substantive environmental regulation. It is, instead, simply process. It does not say what you have to do; it simply says how you have to do it, and it imposes an enormous burden in terms of time on many projects that are subject to it.

It is even broader than what you mentioned. I mean, for instance, a project that has project-based vouchers from HUD is now subject to NEPA. This is far beyond, I think, what was originally intended, as you mentioned, for nuclear plants, hydroelectric dams, and Air Force bases.

I think that what Congress did in 2023 in the Fiscal Responsibility Act really lays the groundwork for meaningful change in the regulations. Courts have held that the existing Council on Environmental Quality (CEQ) regs are unconstitutional. This is the time to really take a new look at this, and I think that great progress can be made in this area.

Mr. DOWNING. Well, thank you very much.

Unfortunately, I have run out of time, so, Mr. Chair, I yield.

Chairman FLOOD. The gentleman yields.

I would like to thank all of our witnesses for your testimony today.

Without objection, all members will have 5 legislative days to submit additional written questions for the witnesses to the chair. The questions will be forwarded to the witnesses for their responses.

Witnesses, please respond no later than April 30, 2025.

[The information referred to can be found in the appendix.]

Chairman FLOOD. This hearing is adjourned.

[Whereupon, at 4:12 p.m., the subcommittee was adjourned.]

APPENDIX

MATERIALS SUBMITTED FOR THE RECORD



We build strength, stability, self-reliance and shelter.

Statement for the Record

Submitted to:
Subcommittee on Housing, Community Development, and Insurance
House Committee on Financial Services
U.S. House of Representatives

For the Hearing:
Building Our Future: Increasing Housing Supply in America
March 4, 2025

Submitted by:
Habitat for Humanity International

Chairman Flood, Ranking Member Cleaver, and Esteemed Members of the Subcommittee –

Thank you for the opportunity to submit the following written statement for the record, and for your attention to this critical topic.

Habitat for Humanity is a global nonprofit housing organization working in all 50 states, the District of Columbia, Puerto Rico, and more than 70 countries worldwide, to help families build and improve places to call home. With over 1,000 U.S. Habitat for Humanity affiliates spanning rural, urban and suburban communities, we help families and individuals achieve the strength, stability and self-reliance they need to build better lives for themselves.

Founded in 1976, Habitat for Humanity is consistently among the top 25 largest home builders in the U.S. and is the largest nonprofit provider of home repairs for low-income households nationwide. In FY2024, our network built, rehabbed or repaired over 15,000 homes in partnership with low-income homebuyers, homeowners, volunteers and supporters. Through our home building, home repair, homebuyer readiness and neighborhood revitalization initiatives, we help grow and preserve our nation's supply of safe, affordable homes for homeownership while expanding homeownership opportunities for modest-income households.

Habitat's work on the ground has given us broad insight into what works and what obstacles remain for expanding our nation's housing supply and making homeownership attainable nationwide.



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The housing shortage is heavily impacting homeownership

A record shortage of entry-level, “starter” homes is driving up home prices and pushing the dream of homeownership out of reach for millions of families nationwide. In the varied communities where Habitat works, we see growing shortages for hard-working families seeking to buy their first home, impacting teachers, business managers, nurses, home health aides, military personnel and other essential members of our workforce.

The chief driver of sustained, high home prices is the record low supply of for-sale homes caused by years of underbuilding. This shortage is especially acute for modest-sized, affordably priced starter homes, whose numbers have dwindled dramatically since the late 1970s.

The resulting shortage impedes workers’ access to economic opportunities, holds back local economies, and keeps millions of would-be homebuyers in the rental market where they add to the scarcity of affordable rentals.

We can’t make homeownership attainable again, and rein in housing inflation, until we start rebuilding our nation’s supply of starter homes.

What gets in the way of building starter homes

A mix of financial and regulatory barriers have made it difficult if not impossible to construct and rehabilitate affordably priced starter homes in the communities that need them. Most builders aren’t building starter homes anymore because they simply don’t “pencil out.” Here’s what’s driving the math:

- **The rising cost of land**

According to the American Enterprise Institute’s *Land Price and Land Share Indicators*, the price of a standardized quarter-acre lot for existing single-family homes has more than tripled since 2012 and **rose 62% between 2019 and 2023 alone**. Over the past four years, this increase has added on average more than \$100,000 to the cost of development, right from the start. Skyrocketing costs are being fueled by the declining availability of buildable land zoned for residential uses, and limitations on the types of homes that can be built on this land.

High land costs impact most communities where we work — and not just the most expensive markets. For instance, in the Kansas City region, Johnson County land costs have become prohibitive for building affordable homes for homeownership absent creative partnerships with faith communities and local government, which have been essential partners for our local affiliate in acquiring property.

- **Expensive and scarce construction financing**

Higher interest rates have increased capital costs for all types of builders, posing another significant challenge. In the Urban Land Institute’s 2024 survey of real estate developers, **94% cited the cost of capital as a key concern** – higher than for any other issue.



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For Habitat, higher financing expenses add to our overall development costs while increasing the need for assembling multiple layers of financing. This adds to the complexity of deals as well as the time it takes to build, further increasing the cost of producing an entry-level home.

- **Elevated labor and materials costs**

The continued shortage of skilled construction workers, including roofers, plumbers, masons, electricians and framing crews, has increased labor costs for builders including Habitat, and for related subcontractors. Meanwhile, prices for materials like lumber remain higher than before the pandemic and are still a challenge.

- **Overly restrictive land use regulations**

Too many cities and towns have outdated zoning regulations that pose unnecessary restrictions on the development of starter homes and other types of housing. In many communities, local governments have effectively made it illegal to build attainable starter homes. Key restrictions include:

- Excessively large minimum home sizes and lot sizes, which don't track the generational shift to smaller average household sizes.
- Prohibitions on attached housing, like duplexes, townhomes, or condominiums – essential pieces of an overall strategy to increase the supply of starter homes, particularly in communities with higher land prices.
- Unnecessarily high parking requirements.
- Zoning rules that disallow homes on underdeveloped commercial sites, such as obsolete shopping malls or office parks, or on school or religious institutional land.

These restrictions lead to builders competing for a dwindling inventory of buildable land, driving up land costs, decreasing production, and ultimately requiring developers to build at the higher end of the market to make the numbers pencil out. For Habitat, excessive zoning restrictions simply limit the number of homes we can build and the families we can serve.

- **High impact fees and permit fees**

For a typical Habitat affiliate, for example our Habitat affiliate in DuPage, Illinois, permit and impact fees run about \$20,000-\$30,000 per home. Other affiliates report much higher fees. These fees further impede starter home construction.

- **Extended timelines for permit approvals and environmental reviews**

Drawn-out, discretionary approval processes and environmental reviews add to our capital costs, soft costs and the time it takes to bring affordable homes to market. They also make it harder still to juggle multiple sources of public financing, as these sources have strict timelines for completing construction.



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- **Increased competition from investors for single-family homes**

For many of our affiliates, competition from investors increases the price of acquiring existing homes so that they can be rehabilitated and made suitable and available for low-and moderate-income homebuyers. Investor purchases impact many communities acutely. For example, in the Omaha suburb of La Vista, which has many modest single-family homes, 50% of all properties are owned by investors. In the Kansas City metro area, nearly 25% of all single-family homes are held by non-owner-occupants and offered for rent. In Milwaukee, local allies report that 40% of the city's single-family and duplex homes are owned by institutional investors, and as high as 90% in lower-income neighborhoods.

What would help overcome these challenges

We need to lower the cost of developing starter homes so that home builders can create more of the types of homes that first-time homebuyers are seeking. To achieve this, we need a two-pronged approach:

1) Address financial obstacles

Reduce Financing Costs

An excellent place to start is making construction financing more affordable and available for building starter homes. This could take many forms, including gap financing designed to leverage private capital, lower costs, and reduce the time and complexity of assembling financing and equity for starter home development.

Habitat has developed a legislative proposal that offers one way forward for addressing this challenge. Such a solution would go a long way to building more starter homes at scale. Currently, there is no federal initiative dedicated solely to developing affordable starter homes for homeownership. One way or another, Congress should rectify this oversight and work in a bipartisan manner to solve this problem.

Invest in Production Programs that Work

Other resources will also be essential for nonprofit and for-profit homebuilders to create entry-level homes at an attainable price for a wide swath of American workers and downsizing seniors. In many markets, just offering homes at cost, with zero profit, would still exceed what essential members of our workforce can afford. Even excluding the highest-cost markets, we find this "affordability gap" can range from \$30,000 per home to upwards of \$130,000 or greater.

At Habitat, we help close this gap in various ways, by leveraging corporate partnerships, private donations, volunteer labor, low-cost public land, and other creative means. But financial resources from localities, states and the federal government are, and will continue to be, essential pieces of the solution for us and others building starter homes.



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To ensure sufficient resources are available, lawmakers should invest strategically and continue to improve federal housing production and rehabilitation programs that work. These include:

- **HUD's HOME Investment Partnerships Program (HOME)**, which helps fill financial gaps and offset costs to make home construction possible for low-income families.
- **HUD's Self-Help Homeownership Opportunity Program (SHOP)**. This program helps Habitat affiliates and others with land acquisition and with the cost of infrastructure needed to set the stage for starter homes.
- **HUD's Community Development Block Grants program (CDBG)**. This program further helps homebuilders with the cost of infrastructure to enable the creation of starter homes for low-income homebuyers, while also assisting with home repairs to preserve affordable, owner-occupied homes.
- **Treasury's Community Development Financial Institution (CDFI) Fund**. This fund offers tailored resources to CDFIs, which invest federal dollars alongside private sector capital to generate economic growth and opportunity in some of the nation's most distressed communities. The Capital Magnet Fund, which leverages federal dollars 10 times over, is one of several successful initiatives operated through the CDFI Fund. Multiple Habitat affiliates are CDFIs or partner with CDFIs.
- **The USDA's Section 502 direct loan program**, which makes homeownership financially viable for hardworking low- and very-low-income individuals and families in rural areas. This program allows for loans that cover the purchase and construction of modest homes. Nonprofit housing developers, including many Habitat affiliates, leverage the Section 502 direct program's low-interest financing to support new construction, increasing the supply of homes in rural communities across the country.

Create New Tax Incentives

Lastly, we need new tax incentives for building and rehabilitating starter homes, such as the **Neighborhood Homes tax credit (NHIA)**. This tax incentive will help restart housing markets where property values are currently too low to draw in investment, but vacant homes are plentiful and could be rehabilitated for homeownership, helping put property values back on an upward trajectory. Such investments would be especially meaningful in many small towns and underserved metro areas where Habitat works.

For example, a fully renovated house in Omaha might appraise at \$230,000 but costs our affiliate \$300,000 to acquire and rehabilitate. The Neighborhood Homes tax credit would help bridge this gap to enable Habitat Omaha — or any other homebuilder — to restore this home to the city's homeownership housing stock.



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2) Accelerate regulatory reforms, including land use reforms

There are many opportunities to make current federal housing programs more efficient, less costly to use, and more usable for homeownership. Needed improvements include:

- Updating the Environmental Review process required by various federal housing programs, including HOME, SHOP and CDBG — particularly for smaller developments and homes repairs.
- Examining other requirements mandated by HUD and USDA through the lens of their cumulative impact on the cost of building and repairing affordable homes for low-income households.
- Ensuring consistent allocation and guidance on the use of funds for homeownership supply, by focusing on removing barriers and maximizing impact.

The federal government can also help encourage localities to improve their land use regulations and building codes to bring down land and development costs. This includes:

- Making public land more available for affordable housing.
- Providing financial incentives to local communities to remove barriers to affordable housing production, as was recently provided through the highly popular Pathways to Removing Obstacles (PRO Housing) program.
- Empowering HUD to elevate and provide technical assistance to local and state governments on best practices for reducing zoning barriers to attainable homes.
- Supporting the efforts of faith-based organizations and schools to build affordable homes on their land for homeownership and rental use.

Habitat stands ready to partner with members of this Subcommittee, and all others in the federal government, to get these solutions implemented.

Thank you for putting a spotlight on this critical challenge and for the opportunity to share our testimony.



March 3, 2025

The Honorable Mike Flood
Chairman
House Financial Services Committee
Subcommittee on Housing and Insurance
343 Cannon House Office Building
Washington, DC 20515

The Honorable Emmanuel Cleaver
Ranking Member
House Financial Services Committee
Subcommittee on Housing and Insurance
2217 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Flood, Ranking Member Cleaver, and Members of the Subcommittee:

As our nation continues to grapple with a significant housing shortage, the National Multifamily Housing Council (NMHC)¹ and the National Apartment Association (NAA)² applaud the Subcommittee for having this important hearing entitled: *Building Our Future: Increasing Housing Supply in America*.

It is essential that we build housing at all price points to meet the wide range of demand. While we are at historic levels of apartment completions, this will provide only short-term relief for a long-term problem. According to [research conducted by Hoyt Advisory Services and Eigen10 Advisors, LLC](#), and commissioned by NMHC and NAA, **the U.S. is facing a pressing need to build 4.3 million new apartment homes by 2035.**

Key findings include:

- **Shortage of 600,000 Apartment Homes.** The 4.3 million apartment homes needed includes an existing 600,000 apartment home deficit because of underbuilding after the 2008 financial crisis.
- **Loss of Affordable Units.** The number of affordable units (those with rents less than \$1,000 per month) declined by 4.7 million from 2015 to 2020.
- **Homeownership.** Apartment demand also factors in a projected 3.8 percent increase in the homeownership rate.

[Research](#) recently conducted by economists from MetroSight found that overregulation negatively impacts rental housing affordability by increasing operating costs and discouraging new construction, which restricts housing opportunities for individuals and families. Further, regulation imposed by all levels of government accounts for an average of 40.6 percent of multifamily development costs, according to [research](#) by the NMHC and the National Association of Home Builders.

¹ Based in Washington, D.C., NMHC is a national nonprofit association that represents the leadership of the apartment industry. Our members engage in all aspects of the apartment industry, including ownership, development, management, and finance, who help create thriving communities by providing apartment homes for nearly 40 affordable housing million Americans, contributing \$3.4 trillion annually to the economy. NMHC advocates on behalf of rental housing, conducts apartment-related research, encourages the exchange of strategic business information and promotes the desirability of apartment living.

² The NAA serves as the leading voice and preeminent resource through advocacy, education, and collaboration on behalf of the rental housing industry. As a federation of 141 state and local affiliates, NAA encompasses over 96,000 members representing more than 12 million apartment homes globally. NAA believes that rental housing is a valuable partner in every community that emphasizes integrity, accountability, collaboration, community responsibility, inclusivity, and innovation.



As our nation continues to grapple with a significant housing shortage, NMHC and NAA would like to share a letter sent to President Trump ([linked here](#)) requesting a thorough review of 32 federal programs, rules and regulations at 10 different agencies with the goal of increasing housing supply, lowering costs and improving housing affordability. Many federal regulations have strayed from their intended purpose and, instead, have stifled innovation and hampered housing production when our nation faces a critical housing supply shortage.

Congress and this Administration have made increasing housing supply and lowering the cost of housing a top priority, and a review of federal regulations on rental housing providers will make it easier to build more housing and lower cost for renters. We look forward to working with you and the Administration towards our shared housing goals. Please call upon us if we can serve as a resource to you in this regard.

Sincerely,

A handwritten signature in black ink, appearing to read "Sharon Wilson Géno".

Sharon Wilson Géno
President, NMHC

A handwritten signature in black ink, appearing to read "Bob Pinnegar".

Bob Pinnegar
President & CEO, NAA



ECONOMIC REPORT OF THE PRESIDENT

**TRANSMITTED TO CONGRESS
MARCH 2024**

**TOGETHER WITH THE
ANNUAL REPORT OF THE
COUNCIL OF ECONOMIC ADVISERS**



Chapter 4

Increasing the Supply of Affordable Housing: Economic Insights and Federal Policy Solutions

The Biden-Harris Administration believes that every American should have access to safe and affordable housing ([White House 2023a](#)). Where people live determines their available housing quality and amenities, such as labor market access, transportation options, schools, protection from crime, environmental quality, and social networks—all of which affect their quality of life and intergenerational economic mobility ([Chetty and Hendren 2018](#)). However, the housing supply has failed to keep up with demand over the last several decades, leading to a nationwide shortage of 1.5 to 3.8 million homes and driving up the cost of housing ([Calanog, Metcalfe, and Fagan 2023](#); [Khater, Kiefer, and Yanamandra 2021](#); [Lee, Kemp, and Reina 2022](#)). As a result, 45 percent of renters are now cost-burdened, meaning that they spend 30 percent or more of their family income on rent, more than twice the share who were cost-burdened in 1960 ([Ruggles et al. 2023](#)).

Economic analyses of housing markets identify at least two frictions restricting supply: (1) land-use regulations and zoning restrictions that limit what can be built, and (2) rising input costs associated with construction ([Khater, Keifer, and Yanamandra 2021](#)). While some land-use regulations can be a reasonable part of community planning—for example, keeping factories away from schools or ensuring that parks are situated near residential areas—many other building regulations—for example, limiting housing density and building heights, or imposing minimum lot sizes or parking requirements—can create artificial barriers that hinder growth and drive

up the cost of housing. These policies arise naturally from a local decision-making process that is influenced by homeowners, who prefer higher home prices, and account for the local costs of increased housing, such as more congestion, but they fail to account for any regional or national benefits. This classic market failure negatively affects individuals in neighboring communities and potential new residents.

The costs of these housing restrictions reach across neighborhoods. Housing shortages can lead to inefficiently low levels of labor mobility and human capital investment, affecting both individual well-being and the macroeconomy. Research shows that relaxing local land-use regulations increases migration, allowing workers to relocate from low- to high-productivity regions, and boosts aggregate output (Peri 2012; Moretti 2012). Moreover, homeownership is a wealth-building tool with a long tradition in the United States, and restrictive housing policies are an important factor explaining class and racial gaps in wealth and economic outcomes (Rothstein 2017). Increasing the housing supply, especially when combined with policies that directly support the production of affordable rental and ownership units, can increase access and equity for groups with few financial resources, increase overall wealth, and reduce disparities across groups (Carroll and Cohen-Kristiansen 2021).

This chapter focuses on the major causes and consequences of the United States' long-standing shortage of housing—and especially affordable housing—as well as Federal policy's ability to alleviate these issues. While there are policy levers at all levels of government, this chapter focuses on Federal policy. For example, public funds could be tied to zoning reforms and used to reduce financing constraints for affordable housing developments, and workforce training could increase the supply of labor used to construct housing. The first section illustrates the magnitude and trends in the housing supply shortage over the last six decades. The second and third sections discuss the causes and consequences of housing shortages. The fourth

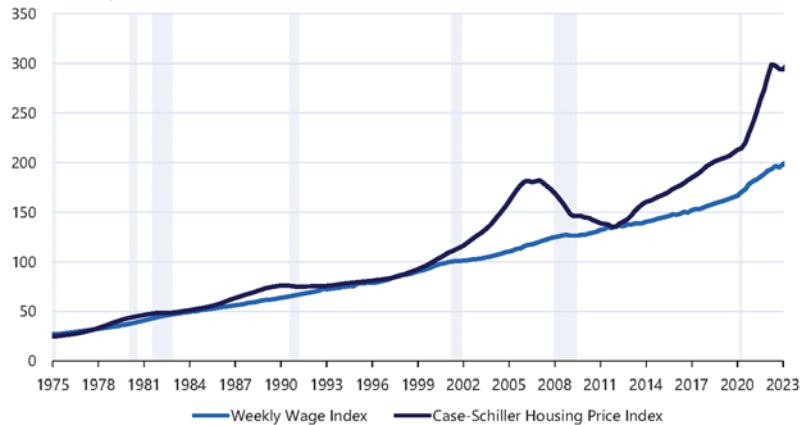
section highlights several areas where Federal policy can equitably boost the housing supply and alleviate rising housing unaffordability.

Magnitude and Trends

Housing costs are demanding a growing share of household budgets in the United States. At the same time, the U.S. housing market faces a long-run supply shortage.

Figure 4-1. Housing Price Index versus Wage Index, 1975–2023

Index: 2000:Q1 = 100



Council of Economic Advisers

Sources: Bureau of Labor Statistics (Quarterly Census of Employment and Wages); CEA calculations.

Note: Weekly Wage Index has been smoothed using a 4-quarter moving average. Gray bars indicate recessions.

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Unaffordable Housing

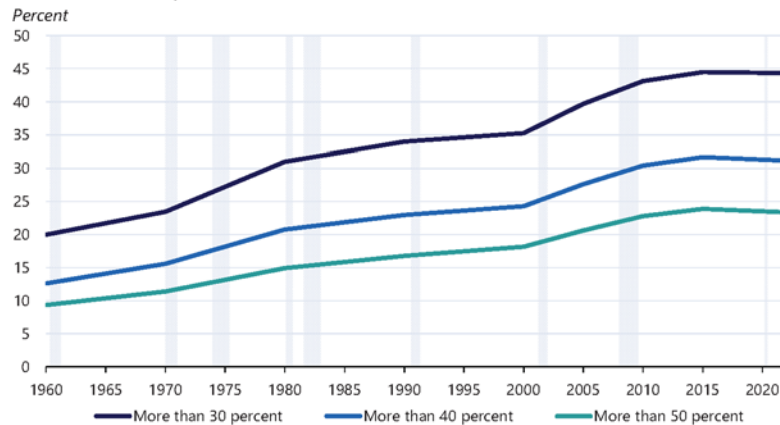
Figure 4-1 shows that housing price increases have outpaced wage growth in the last 20 years. Between 2000 and the early 2020s, housing prices tripled while household income doubled; in other words, the price of housing rose by 50 percent more than household income in the last 20 years.¹ Of course, increased spending on housing could be a rational consumption choice. Some people will choose to spend more on housing in exchange for lower nonhousing consumption because they prefer better housing amenities, like

¹ Figure 4-1 reports changes in the housing price index. To provide additional context for the level of rental expenses during this period: the median rent in 1960, 1980, 2000, and 2020 was, respectively, \$544, \$692, \$867, and \$1,086, measured in 2022 dollars; and the 25th percentile of rent in 1960, 1980, 2000, and 2020 was \$445, \$479, \$595, and \$735.

a nicer location or a newer structure. But the steadily rising financial burden of housing over many decades suggests that for many families, expensive housing is not a proactive choice but rather a trend they are increasingly forced to accept.

The share of households burdened by housing expenses has risen steadily over the last 60 years. A common benchmark for describing rent-burdened households is the income share spent on housing (i.e., rent/mortgage, utilities, and other housing needs) (Cromwell 2022).² The U.S. Department of Housing and Urban Development defines families as rent-burdened if this share exceeds 30 percent,³ and severely rent-burdened if households spend more than half their income on housing. Figure 4-2 shows the share of renter households that spend more than 30 percent, 40 percent, and 50 percent of their income on rent. For each measure, the share has more than doubled since the 1960s. Today, nearly 45 percent of renters are rent-burdened and nearly 24 percent of renters are severely rent-burdened.

Figure 4-2. Renter Households That Spent More Than 30 Percent of Family Income on Rent, 1960–2022



Council of Economic Advisers

Sources: Census Bureau (American Community Survey); CEA calculations.

Note: The data for years after 2000 are averaged in 5-year bins. Gray bars indicate recessions.

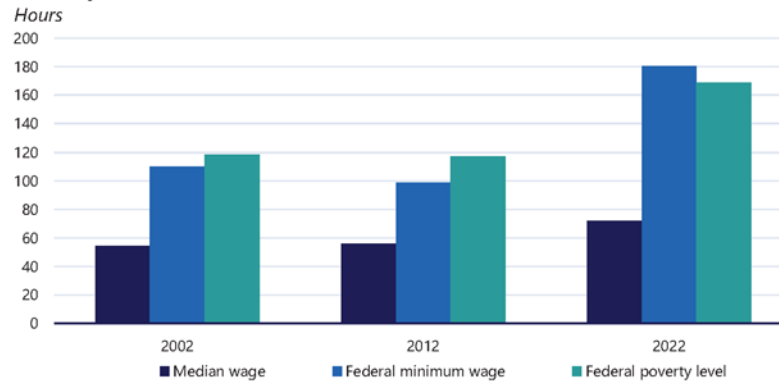
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² Owners are typically excluded from the cost-burdened analysis because monthly mortgage payments that reduce the principal are a transfer to savings.

³ This benchmark is based on public housing rent limits, which originated with the Brooke Amendment in 1969 and were last updated in the 1980s.

The financial burden of housing can also be illustrated by the number of work hours required to pay for housing. Figure 4-3 reports the minimum monthly work hours required to pay for monthly median rental rate housing in 2002, 2012, and 2022. Estimates are shown separately for households earning the median wage, the Federal minimum wage, and the wages that put someone at 100 percent of the Federal poverty level for single-adult households with no children.⁴ Median wage earners had to work nearly 55 hours to pay for monthly housing costs in 2002, or more than one week per month based on a 40-hour work week; this number grew to more than 70 hours in 2022, or slightly less than two weeks of work. Households earning the Federal minimum wage had to work 110 hours to pay for housing in 2002, or nearly three quarters of the monthly hours worked by full-time workers. This number increased to 180 hours in 2022, suggesting that more than a full month of minimum-wage work is now required to pay for median rental-rate housing. In other words, median rental-rate housing has become increasingly out-of-reach for low-wage workers, and even median-wage

Figure 4-3. Minimum Monthly Hours of Work Needed to Pay for Median Monthly Rent



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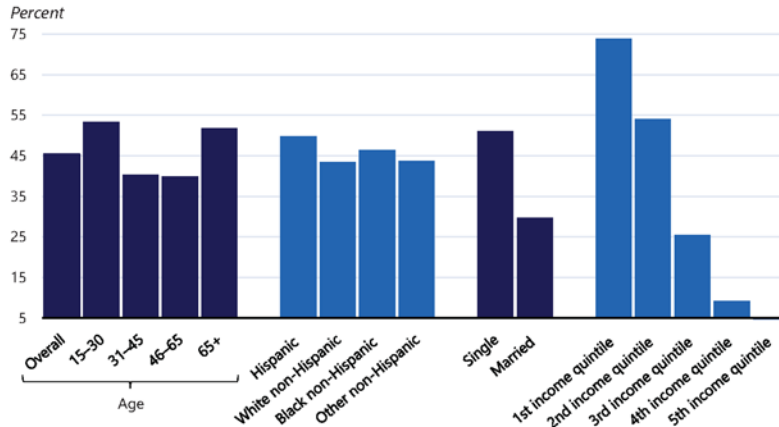
Sources: Bureau of Labor Statistics; Census Bureau; Department of Labor; CEA calculations.

Note: Real median rent in 2002, 2012, and 2022, respectively: \$923, \$914, and \$1306. The Federal poverty level is the poverty level for a single individual with no children. Effective July 2009, the Federal minimum wage was raised to \$7.25. Unlike in 2002 or 2012, the Federal minimum wage led to income below the Federal poverty level in 2022.

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⁴ The minimum number of hours of work required to pay for median monthly rent is calculated as median monthly rent divided by hourly wage for workers that earn the median monthly earnings, the Federal minimum wage, or 100 percent of the Federal poverty level. For workers earning the median monthly earnings or 100 percent of the Federal poverty level, monthly earnings are converted to hourly earnings by assuming that an employee works 160 hours per month, a typical full-time schedule.

Figure 4-4. Share of Households That Are Rent-Burdened by Household Head Characteristics, 2022



Council of Economic Advisers

Sources: Census Bureau (American Community Survey); CEA calculations.

Note: A household is defined as rent burdened if the share of family income spent on rent is more than 30 percent.

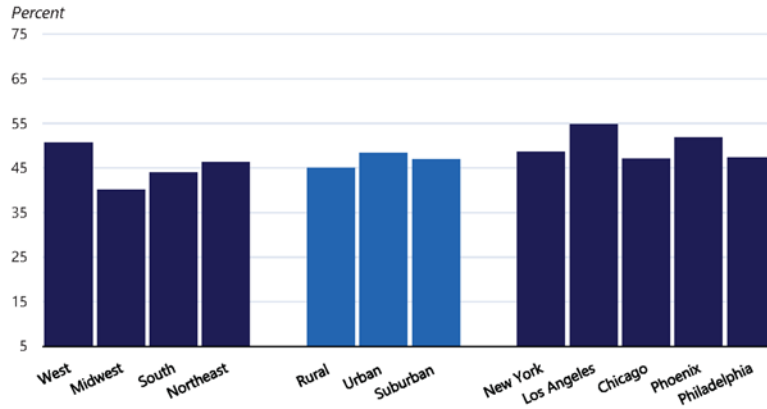
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workers must devote a considerable share of their monthly earnings toward housing expenses. Many households have little disposable income after paying for housing.

Figure 4-4 reports the share of rent-burdened households by age, race and ethnicity, marital status, and income in 2022. Younger households are more likely to be rent-burdened than older households, Hispanic households are more likely to be rent-burdened than non-Hispanic households, single households are almost twice as likely to be rent-burdened as married households, and 74 percent of households in the bottom quintile of the income distribution are rent burdened. Additionally, figure 4-5 reports the share of rent-burdened households by geographic region and population density, as well as for households in the largest U.S. cities. While some variation emerges based on demographic and geographic characteristics, a large fraction of households across the entire country are rent burdened. Rent-burdened households are not just located in urban centers or in coastal States: 45 percent of rural households are rent-burdened, as are 44 and 40 percent of households in the South and Midwest, respectively.

The Housing Supply Shortage

Years of insufficient new construction relative to household formation have led to a housing supply shortage (Khater, Keifer, and Yanamandra 2021). Estimates of the stock of the total housing shortage range from 1.5 million (Calanog, Metcalfe, and Fagan 2023) to 3.8 million (Khater, Keifer, and

Figure 4-5. Share of Households That Are Rent-Burdened by Geography, 2022

Council of Economic Advisers

Sources: Census Bureau (American Community Survey); CEA calculations.

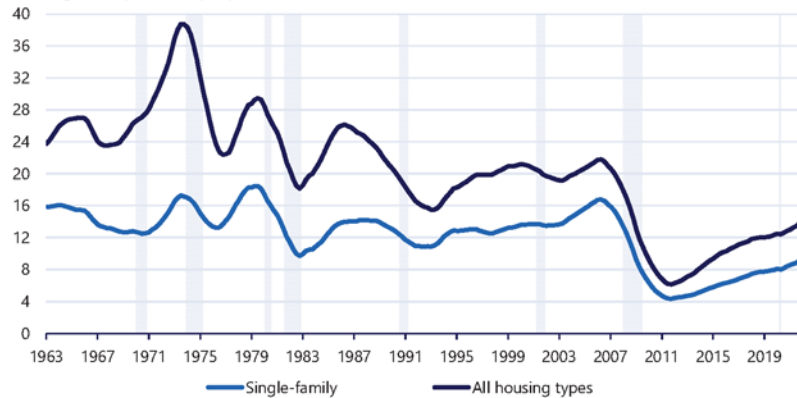
Note: A household is defined as rent-burdened if the share of family income spent on rent is more than 30 percent. The cities chosen for the graph are among the largest six cities in the U.S. by population as of 2022. Houston is not shown here as it is not recorded in the 2022 American Community Survey data.

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Yanamandra 2021), and the annual flow of the shortage of units under construction is estimated to be 100,000 (Parrott and Zandi 2021).

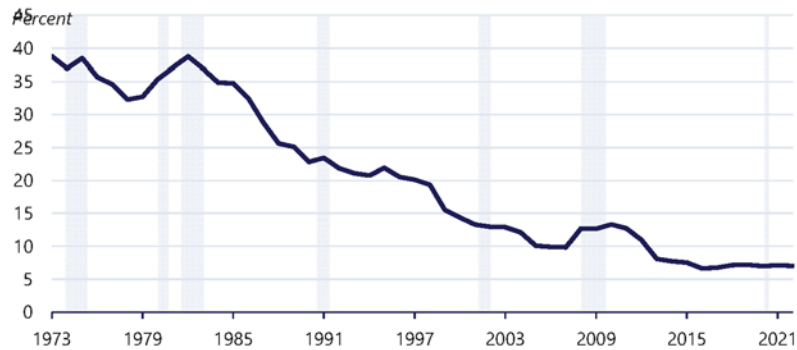
Increased housing demand is driven by a growing economy and a growing population. In recent decades, however, housing production has fallen dramatically. As figure 4-6 shows, quarterly housing starts per 1,000 people (shown in navy blue) fell from 22–40 units between 1963 and 1980 to 15–21 units between 1990 and 2005. Figure 4-6 also shows quarterly single-family housing starts in light blue. Single-family housing starts were relatively flat between 1963 and 2005 (averaging 10–18 units per 1,000 people). All types of housing starts fell sharply after the global financial crisis and have not yet recovered to pre-2007 levels.

A decline in new housing construction has been concurrent with the reduced availability of relatively small “starter homes” and low-cost rental units. As illustrated in figure 4-7, the fraction of all new single-family homes under 1,400 square feet declined from nearly 40 percent in the early 1970s to about 7 percent in the early 2020s. Moreover, the supply of low-cost rental units, measured as the share of rental units with contract rent below the maximum amount affordable for households in the lowest quintile of the income distribution, fell from 26.7 percent in 2011 to 17.1 percent in 2021 after adjusting for inflation. This is equivalent to the loss of 3.9 million affordable units in the last decade (Joint Center for Housing Studies 2023).

Figure 4-6. U.S. Housing Production, 1963–2022*Housing starts per 1,000 people***Council of Economic Advisers**

Sources: Census Bureau; CEA calculations.

Note: The quarterly data are smoothed using a 3-year moving average. Gray bars indicate recessions.

*2024 Economic Report of the President***Figure 4-7. Share of New Single-Family Homes under 1,400 Square Feet, 1973–2022****Council of Economic Advisers**

Sources: Census Bureau; CEA calculations.

Note: The data shows the share of completed new single family homes that are under 1,400 square feet. Gray bars indicate recessions.

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Causes of Housing Supply Shortages

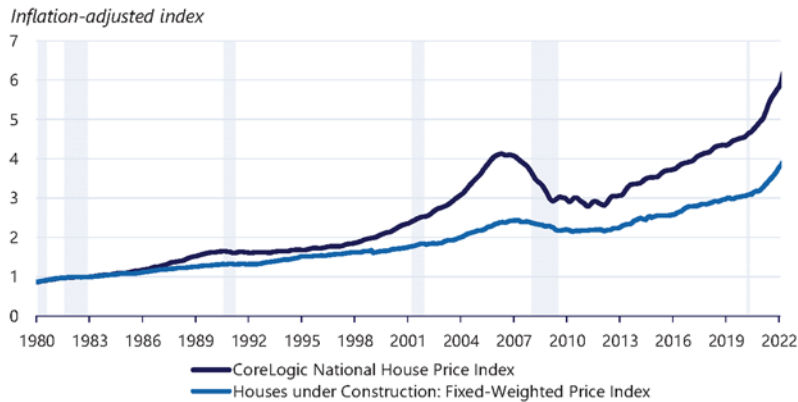
The incentives of several key stakeholders inform economic models of housing markets that predict a constrained housing supply. First, homeowners typically seek to maximize their home's value. Second, local governments

have an incentive to raise public funds to maximize the welfare of their constituents—among other things—which is generally linked to land value through property taxation. Third, developers and landowners seek to maximize their profit from economic development of residential and commercial real estate. These incentives jointly determine land value within a community through zoning and land-use regulations, which generally enrich insiders (i.e., existing property owners) at the expense of outsiders (i.e., renters and would-be property owners) (Fischel 2001).

Economic models make several predictions about how stakeholder incentives influence changes to land-use regulations, the housing supply, and housing prices (Ortalo-Magne and Prat 2014; Hilber and Robert-Nicoud 2013; Glaeser, Gyourko, and Saks 2005). Locations with more homeowners than renters have stricter housing supply regulations than their counterparts, and the regulations tighten as homeowners’ political influence grows (Fang, Stewart, and Tyndall 2023). Regulations reduce the price elasticity of the housing supply; in other words, the supply of housing is less responsive to market prices in markets with more regulation.

Research consistently finds that increasingly stringent zoning restrictions lead to lower housing construction and a lower price elasticity of the housing supply, while decreasingly stringent zoning restrictions lead to higher housing construction costs and a higher price elasticity of the housing supply (Baum-Snow 2023; Gyourko and Molloy 2015; Stacy et al. 2023; Landis and Reina 2021). The relationship between zoning restrictiveness and housing prices is more nuanced: tighter zoning restrictions lead to more expensive housing, often by requiring new homes to be larger and occupy larger lots (Gyourko and McCulloch 2023). More relaxed zoning restrictions lead to a higher supply of smaller, lower-cost housing, and, in at least some instances, can lead to lower prices and rents or slower growth in rents among existing housing (Crump et al. 2020; Been, Ellen, and O’Regan 2023; Baum-Snow 2023; Greenaway-McGrevy 2023).

Broadly, local decision-making processes lead to at least two cascading housing market failures. The first is of negative externalities, which predict too much land-use regulation relative to the social optimum because homeowners, developers, and local governments do not account for the welfare cost of these regulations for individuals in neighboring communities or would-be residents. The excessive regulations lead to an incomplete housing market, where the private sector does not create enough supply to meet demand. Corrective policy at the State or Federal level can help bridge the gap between housing supply and demand.

Figure 4-8. Housing Prices and Construction Costs, 1980–2022**Council of Economic Advisers**

Sources: Census Bureau; CoreLogic; CEA calculations.

Note: Both price indices are adjusted for inflation using the Personal Consumption Expenditures price index (core services excluding housing), reindexed to 1982 = 100. The data are not seasonally adjusted. Gray bars indicate recessions.

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The Wedge Between Price and Construction Cost: Land Value

The causes and consequences of housing supply shortages in the United States can be understood within the context of the housing market's pricing efficiency, or the relationship between price and cost. As shown in figure 4-8, physical construction costs have quadrupled since the 1980s, accelerated by an increase in labor and material costs (Khater, Keifer, and Yanamandra 2021; CBRE 2022), while construction sector productivity has fallen (Goolsbee and Syverson 2023). Also seen in figure 4-8, housing prices have increased more quickly than construction costs. Between 1980 and the early 2020s, housing prices grew by over sixfold, or about 50 percent more than the fourfold increase in construction costs. Economists attribute the growing gap between housing prices and physical construction costs in the U.S. housing market to land prices, which largely reflect the impact of restrictive land-use regulations (Gyourko and Molloy 2015).

Zoning and Land-Use Regulations: Effects on the Housing Supply

Exclusionary zoning policies are a subset of local land-use regulations that can constrain the housing supply and thus decrease affordability. Examples include prohibitions on multifamily homes, height limits, minimum lot sizes, square footage minimums, and parking requirements—each of which functions to constrain housing and population density. Researchers estimate that loosening land-use restrictions would lead to a small but significant

increase in the metropolitan housing supply over the next decade (Stacy et al. 2023).

Some zoning laws date back to the late 1800s, when city planners were concerned about fire hazards, access to light and outdoor air, or proximity to industry (Fischel 2004). While some zoning laws were intended to improve the quality of life for poor and vulnerable families, others were designed to discriminate against minority groups and raise property prices in suburban and urban neighborhoods (Rigsby 2016; Mangin 2014). Some of the first zoning laws appeared in about 1917, when the Supreme Court banned explicit race-based segregation in zoning ordinances in *Buchanan v. Warley* (Rothstein 2017). Scholars have shown that certain zoning practices enabled cities to continue race-based segregation (Gray 2022; Kahlenberg 2023). Box 4-1 provides additional detail on the history of zoning laws and their effects on racial and ethnic minorities.

Single-family zoning is imposed on most residentially zoned land across the country and constitutes 70 percent of all U.S. residential zoning (Frank 2021). Minimum lot size requirements force developers to build homes on larger lots than the market would otherwise provide (Gyourko, Hartley, and Krimmel 2019; Furth and Gray 2019). For example, 81 percent of Connecticut land requires a minimum of 1 acre lots (Bronin 2023). Research finds that doubling minimum lot sizes increases sale prices by 14 percent and rents by 6 percent, while intensifying residential segregation (Song 2021). Recent zoning changes allowing multifamily housing in Boston and Minneapolis–Saint Paul has led to increased housing supply, desegregation, and increased shares of Black and Hispanic residents (Resseger 2022; Furth and Webster 2022).

Another important land-use regulation concerns minimum parking requirements, which dictate a minimum number of off-street spaces per housing unit or business. However, studies have shown the requirements often exceed what is needed to meet demand, leading to large shares of land devoted to parking lots. For example, 30 percent of downtown Detroit is dedicated to parking, compared with 12 percent in Los Angeles and 4 percent in Chicago (Sorens 2023; Chester et al. 2015; Kaufmann 2023). Parking requirements impose space requirements beyond lot sizes, reducing the housing supply and increasing the cost of housing (WGI 2021). Research has found that parking requirements in Los Angeles reduce the number of units in apartment buildings by 13 percent (Shoup 2014). A Seattle reform that reduced parking requirements was found to be associated with developers building 40 percent less parking than would have been required before the reform, resulting in 18,000 fewer parking spaces and saving an estimated \$537 million in construction costs, ultimately leading to lower-priced housing (Gabbe, Pierce, and Clowers 2020).

Box 4-1. A Brief History of Exclusionary Zoning Laws in the United States

Some of the earliest zoning ordinances were enacted in the mid to late 1800s to isolate nuisance land use, such as by slaughterhouses, from residential areas. Under the guise of further resident protection, however, other ordinances were implemented that isolated racial and ethnic minorities. For example, the historic “Chinese laundry” regulations allowed many white proprietors to be licensed while excluding Chinese business owners (Howells 2022).

In 1910, Baltimore enacted one of the first zoning laws that explicitly segregated neighborhoods by suggesting that the ordinances protected the public. The Supreme Court’s 1917 *Buchanan v. Warley* decision struck down explicitly racist zoning laws (Howells 2022).

In the wake of *Buchanan v. Warley*, communities began implicitly segregating by race with new forms of zoning. Single-family zoning in Berkeley, California, in early 1910s attempted to prohibit “Negroes and Asiatics” from living in certain areas, and the strategy began to spread across the country (Barber 2019). Single-family zoning also prohibited apartment buildings and other types of affordable housing, leading to increased class segregation (Gray 2022). Saint Louis introduced zoning designed to preserve homes in areas unaffordable to most Black families in 1919, and the city often changed areas’ zoning designations from residential to industrial once numerous Black families moved in (Rothstein 2014). Similarly, Seattle’s 1923 zoning laws changed many areas with a large number of Black or Chinese American families from residential to commercial (Twinam 2018). The Supreme Court upheld various zoning restrictions, including against multifamily housing, in *Euclid v. Ambler* (Supreme Court 1926), furthering class-based discrimination. The new zoning rules restricted new housing levels and made prices unaffordable for low income and most nonwhite households (CEA 2021).

In the 1920s, the Secretary of Commerce, Herbert Hoover, published “A Zoning Primer,” which encouraged States to allow municipalities to adopt exclusionary zoning (Gries 1922). The 1923 Standard State Zoning Enabling Act provided model legislation that States could pass to give municipalities zoning power; eventually, all States gave municipalities the right to determine local zoning regulations (Flint 2022). The number of cities with zoning rules increased by 1,246 additional municipalities between 1916 and 1936 (Fischel 2004).

The 1970s saw a second wave of zoning in response to (1) the 1968 Fair Housing Act, which attempted to clamp down on discrimination by race and other factors, as communities responded by increasing economically discriminatory zoning; and (2) the growing importance of real estate within household financial portfolios. By the 2000s, more than 30,000 local governments in the United States had their own zoning

rules (Kahlenberg 2023). In recent decades, America’s neighborhoods have continued to be segregated by race and income (Loh, Coes, and Buthe 2020).

One analysis found that 40 percent of Manhattan buildings could not be built today because they do not conform to zoning codes (Bui, Chaban, and White 2016). Dense city centers would be almost impossible to build with modern minimum parking requirements, and many new developments are only approved after receiving special permits or variances to circumvent zoning rules (Bui, Chaban, and White 2016; Gray 2022). Other factors restricting the housing supply include mandatory public hearings, fees and exactions, environmental review, design standards, lot configuration requirements, building size regulations, rising insurance costs, and occupancy rules (Bronin 2023). Each regulation restricts what developers can build, increases time-to-construction and structure costs, and leads many would-be housing projects to be financially infeasible.

Additional Constraints

New multifamily housing development, whether for renter- or owner-occupied units, is a complex, long-run capital investment process that is highly sensitive to the macroeconomic environment. The projects involve various development costs, including (1) physical construction (“hard”) costs, (2) project design and development (“soft”) costs, and (3) land costs. Developers draw project financing from a combination of debt and equity that require different rates of return from completed projects, imposing minimum profitability thresholds and tying private development to interest rate fluctuations. At the same time, most revenue for multifamily rental development comes from rent charged to tenants, which is related to local land-use regulations. Box 4-2 describes the calculus behind financing housing development projects—this calculus is sometimes referred to as “penciling the deal.”

Demographic shifts in the American population affect both housing supply and demand. For example, a sharp increase in life expectancy during the last century—combined with the aging of the baby boom generation—has increased the demand for housing among older Americans (*Berkeley Economic Review* 2019). In addition, to the extent that homeowners choose not to move as they age, this will tend to reduce the rate of repeat sales for the current stock of homes, reducing the supply of available homes. Changes in fertility and international immigration have also affected housing demand.

Box 4-2. Penciling the Deal: The Math Behind Developing Rental Housing with LIHTC

New multifamily development projects are characterized by large upfront costs and long-run investment returns. Most of the revenue generated by housing developments comes from rent charged to tenants, as determined by local market conditions. The Low-Income Housing Tax Credit (LIHTC) enables developers to meet these upfront costs and charge less rent, making units affordable for 30 years after construction.

Developers balance future revenue streams against development and financing costs to determine whether a property is worth constructing; in other words, whether the deal “pencils out” (Garcia 2019). Development costs can be grouped into three categories: (1) hard physical construction costs, including labor and materials; (2) soft costs (e.g., fees, financing, consulting, taxes, title, and insurance); and (3) land acquisition costs, including those associated with closing (e.g., environmental studies and resolving zoning issues). While local market conditions vary across the United States, land costs generally comprise 10–20 percent of total costs, soft costs comprise 20–30 percent, and hard costs comprise 60–70 percent. Local land-use regulations, such as zoning restrictions, parking requirements, and density restrictions, can all increase development costs (Urban Institute 2016; Hoyt and Schuetz 2020).

To finance projects, developers obtain funding from debt and equity. Debt typically comprises most of the funding, with loan-to-cost ratios of 50 to 75 percent (Urban Institute 2016; Garcia 2019; RCN Capital n.d.). Historically, interest rates have fluctuated between 4 and 8 percent. Equity, mostly from private investors, fills the gap between debt and project costs. Housing development equity is a relatively risky investment class due to the time required for projects to generate revenue. At a high level, equity investors compare the return on cost—the ratio of the project’s first year net operating income to its costs—with local capitalization rates. Local capitalization rates capture the average rates of return on alternative housing projects and typically range between 3 and 6 percent. According to one analysis, differences of 1 to 1.5 percent between the return on cost and capitalization rates would incentivize private investment (Garcia 2019; JPMorgan Chase 2022).

For example, on a \$20 million project, the building could be financed with \$13 million in loans—which require \$780,000 in debt service payments, assuming a 6 percent interest rate—and \$7 million in private equity, which require \$455,000 in returns to be attractive based on typical market capitalization rates. Assuming a per-unit rent that equals the nationwide median, the structure can have, at most, 136 units; this structure could generate a 6.5 percent capitalization rate in 10 years. These units would be affordable for a tenant who earns the

median income in 2022 (\$74,755), but they would be unaffordable for low-income households. For example, households in the bottom 20th percentile of the income distribution can spend, at most, \$765 in monthly rent in order to not be considered cost-burdened, about half the nationwide median monthly rent (\$1,300). Developers can privately choose to designate some units as affordable by charging below-market-rate rent, but to maintain profitability, they must raise rent on the remaining units.

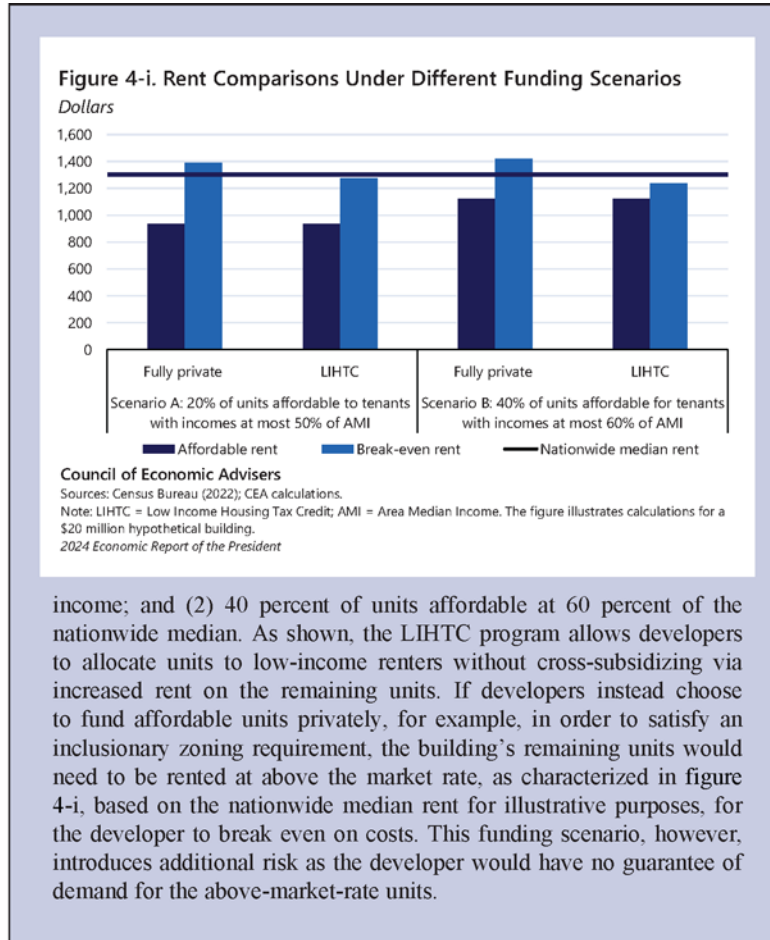
Affordable housing can reduce the net operating income of a housing development project and threaten its viability. The LIHTC offers an incentive to construct affordable housing by providing tax credit equity in exchange for affordable unit construction. Among other requirements, projects must meet one of three income tests to be eligible:

- A. At least 20 percent of the units are occupied by tenants with an income of 50 percent or less of area median income (AMI), adjusted for family size.
- B. At least 40 percent of the units are occupied by tenants with an income of 60 percent or less of AMI, adjusted for family size.
- C. At least 40 percent of the units are occupied by tenants with income averaging no more than 60 percent of AMI, and no units are occupied by tenants with income greater than 80 percent of AMI, adjusted for family size.

The LIHTC provides a 10-year stream of annual credits based on a housing project's construction costs equal to either 30 or 70 percent of the present value of the qualified basis, depending on whether the project was approved for the competitive or noncompetitive allocation (Tax Policy Center n.d.). The LIHTC is one of the few tax programs that allows for credits to be bought and sold on a secondary market. In particular, developers can sell their tax credits to investors who are better able to take advantage of the LIHTC and other project-related tax benefits to reduce their tax liability. Credits are typically sold by developers at a discount, which fluctuated between \$0.85 and \$0.90 on the \$1 as of 2021, to reflect the time-value of money (Kimura 2022). The tax equity investors typically take a passive role, receiving the benefits but not participating in day-to-day decision-making.

In the case of the \$20 million building, if 20 percent of the units are set aside for low-income tenants, as specified by income test A above, and the LIHTC credits were awarded competitively, the LIHTC program can provide \$1.4 million in equity, assuming that investors are willing to purchase credits at a discount of \$0.85 on \$1. With this tax equity, only \$5.6 million in private equity is needed, which will require 7 percent fewer returns from rent to cover financing costs.

Figure 4-i compares the per-unit rent in the affordable and remaining units with and without the LIHTC and under two scenarios: (1) 20 percent of units affordable at 50 percent of the nationwide median



Researchers estimate that the combined effect of changes in life expectancy, international immigration, urbanization, and fertility can account for 41 percent of the observed housing price increase from 1970 to 2010 and forecast an additional increase of 5 to 19 percent in housing prices through 2050 (Gong and Yao 2022). Likewise, research finds that a 1-percentage-point increase in the current birthrate would increase housing prices by 4 to 5 percent in 25 to 30 years (Francke and Korevaar 2022). Moreover, foreign-born household heads are projected to be the primary source of new housing demand by 2040 (Nguyen 2015).

Housing Supply Shortages: Consequences for Welfare, Economic Mobility, and Aggregate Output

Even in functional housing markets, income variation across households implies that low-income households face higher housing cost burdens than those with a higher income. When land-use restrictions drive supply constraints, growing housing demand in cities and neighborhoods leads to more expensive housing, rather than new housing development ([Baum-Snow 2023](#)). The resulting housing shortages manifest as lower vacancy rates and higher prices and rents relative to wage growth. As the gap widens between market prices and production costs, more households experience housing insecurity, which negatively affects individual welfare and economic mobility ([Been et al. 2011](#); [Taylor 2018](#)).

Neighborhood Choice, Individual Welfare, and Economic Mobility

Prices affect not only the type of housing in which individuals choose to live, but also where they live. The latter decision is tied to a bundle of local amenities, including access to jobs and transportation, schools, exposure to crime, environmental quality, health care access, and social networks. Importantly, neighborhood choice shapes children’s long-run educational and economic outcomes, and neighborhood environment affects adult health and well-being ([Chetty and Hendren 2018](#); [Chyn and Katz 2021](#)).

Property taxes typically fund public schools; the greater the tax base per capita, the more funds are available for education. Children from high-income households tend to live in expensive neighborhoods and, therefore, have access to higher quality schools. Housing near high-scoring public schools costs on average 2.4 times more, or nearly \$11,000 more per year, than housing near low-scoring schools ([Rothwell 2012](#)). Few affordable housing options exist near high-quality schools ([DiSalvo and Yu 2023](#)), which reduces the number of low-income, as well as Black and Hispanic, students attending them, and exacerbates intergenerational inequality ([Ihlanfeldt 2019](#)). Black and Hispanic students attending more segregated schools are less likely to graduate from high school and attend college than their peers attending less segregated schools, and they are less likely to work and more likely to have low earnings as adults ([Gould Ellen, De la Roca, and Steil 2015](#)).

Economic models, such as that developed by Tiebout (1956), suggest that beyond valuing neighborhoods for their schools, households “vote with their feet” and choose neighborhoods that best match their preferences. However, because housing markets are incomplete and affordable houses are often not available in neighborhoods with high-quality amenities,

rising housing prices push low-income households toward areas with few amenities.

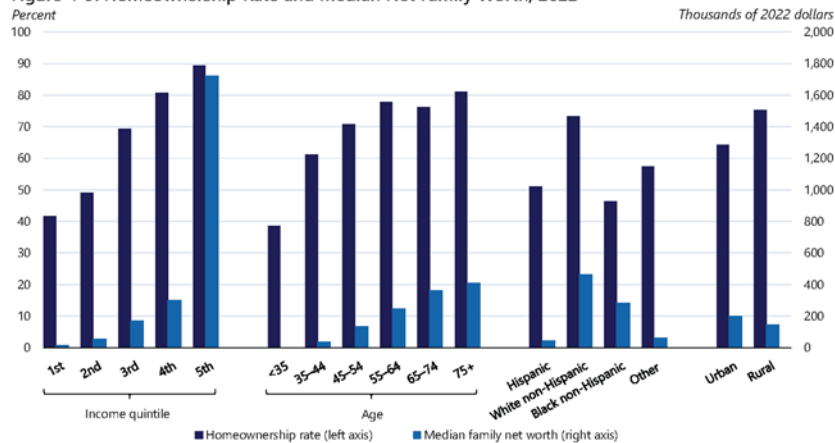
Housing supply constraints can affect demographic shifts in the American population. For instance, young adults primarily demand entry-level and lower-priced housing. As a result, shortages in the entry-level market sector are felt most by young adults. Research has shown household formation rates decreased in recent years as a result of increased housing prices: a 1 percent increase in housing prices decreases household formation by almost 5 percent for young adults (Kiefer, Atreya, and Yanamandra 2018). Consistent with this finding, homeownership rates have been declining over time for young adults (Goodman, Choi, and Zhu 2023).

Wealth Accumulation

Homeownership has long been a common path to wealth accumulation in the United States, with returns being especially high for those who can afford expensive homes (Wolff 2022). As a result, housing supply restrictions have implications for wealth accumulation (La Cava 2016). Figure 4-9 reports homeownership rates and median net family worth by income, age, race and ethnicity, and geography. Generally, patterns in homeownership rates according to these characteristics are correlated with wealth patterns. Higher-income, older, and white non-Hispanic households are more likely to own their homes and have accumulated more wealth than other groups.

Intergenerational wealth transfers interact with homeownership. For example, individuals are about 8 percentage points more likely to become

Figure 4-9. Homeownership Rate and Median Net Family Worth, 2022



Council of Economic Advisers

Sources: Survey of Consumer Finances; Census Bureau; CEA calculations.

Note: The values for the fifth income quintile are calculated by averaging over data reported for 80-89.9 and 90-100 income quintiles.

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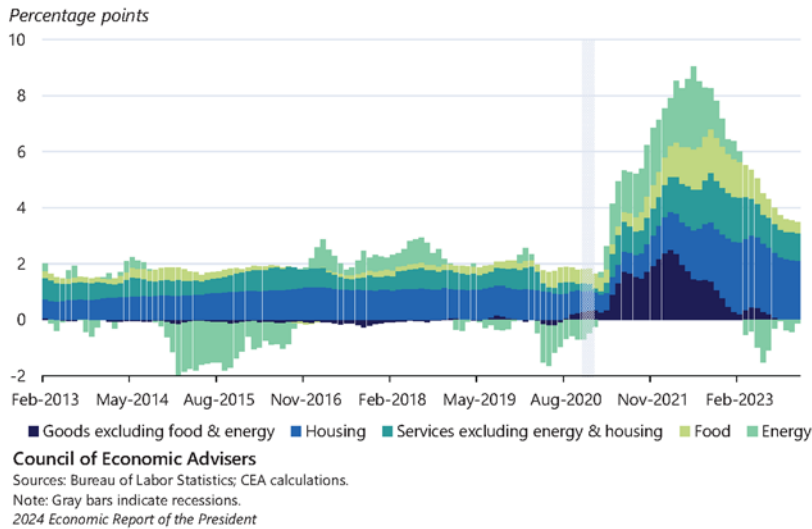
homeowners if their parents are homeowners rather than nonhomeowners (Choi, Zhu, and Goodman 2018). Because housing is the main source of wealth for most households, disparities in homeownership rates and valuations across groups are likely to lead to differences in wealth accumulation (figure 4-9). In particular, generations of discrimination in the housing market have created a substantial racial wealth gap in America; one paper estimates that, on average, Black Americans had 17 cents for every \$1 in wealth white Americans had in 2019 (Derenoncourt et al. 2023). Many researchers show that these trends are likely to be perpetuated into the future (Derenoncourt et al. 2023; Aaronson, Hartley, and Mazumder 2023). Black and Hispanic homeowners also face an assessment bias in the value of their homes, creating further household wealth disparities by race and ethnicity (Avenancio-Leon and Howard 2022).

Income Shocks, Housing Instability, and Homelessness

Homeownership and home values affect households' ability to withstand income shocks. Black and Hispanic households were disproportionately affected by the foreclosure crisis after the global financial crisis and the financial hardship related to the COVID-19 pandemic (Reid et al. 2016; Bayer et al. 2016; Gerardi et al. 2021; Cornelissen and Pack 2023; Hermann et al. 2023). Foreclosures cause sustained housing instability and make future homeownership difficult, in addition to inflicting other forms of financial distress (Diamond, Guren, and Tan 2020).

While homeowners benefit from rising housing costs in their own neighborhood, the 35 percent of households who rent their home do not (Ruggles et al. 2023), and low-income residents who do not own their home face the threat of eviction. Eviction orders, which are increasingly likely after earnings declines and employment losses, increase homelessness and further reduce future earnings, durable consumption, and credit access (Collinson et al. 2023). Children are at the greatest risk for eviction, and extensive research suggests they are substantially and lastingly harmed by housing instability (Graetz et al. 2023). Finally, housing stability, quality, safety, and affordability are all associated with improved health outcomes (Taylor 2018).

Evidence suggests that regional variation in housing costs and availability explains regional variation in homelessness (Aldern and Colburn 2022). Counter to intuition, poverty rates are lower in places with higher rates of homelessness (Aldern and Colburn 2022). Homelessness is strongly correlated with median rent at the city or county level; one study shows that a \$100 increase in median rent is associated with a 15 percent rise in homelessness in metropolitan areas (Byrne et al. 2016). Moreover, evidence suggests that higher homelessness rates are not associated with higher

Figure 4-10. Components of Year-on-Year Headline CPI Inflation, 2013–23

incidence of mental health issues, substance abuse, or generosity of the local safety net (Aldern and Colburn 2022). A statewide California study finds that 75 percent of homeless residents remain in the county where they last had housing (Benioff Homelessness and Housing Initiative 2023).

Implications for Inflation and Aggregate Growth

A constricted housing supply across regions creates migration frictions that can lead to a geographic labor misallocation (Ganong and Shoag 2017). All else being equal, workers should migrate from low to high productivity cities until productivity, and therefore wages, equalizes across cities. If high-productivity cities also have a constrained housing supply, fewer workers can respond to productivity and wage incentives. Recent evidence suggests that many workers might not move to places with higher wages because higher housing costs completely offset any increase in wages (Card, Rothstein, and Yi 2023).

Housing supply restrictions also exacerbate inflation. When measured by the Consumer Price Index (CPI), inflation reflects changes over time in the price paid for a market basket of consumer goods and services, including food, energy, and housing. Housing expenses—the single largest basket component—have accounted for at least 25 percent of the CPI basket since 1993. Figure 4-10 depicts a decade of inflation trends, including a decomposition of the market basket’s core components. As the level of housing

prices has increased, the contribution of housing to CPI has increased simultaneously (CEA 2023a). High housing inflation partially reflects a shift in housing demand—for example, increased working from home—paired with an already-constrained housing supply (Mischke et al. 2023). Housing inflation has steadily declined since the spring 2023 peak, and as a result, annual inflation declined to 3.4 percent at the end of 2023.

Federal Policy’s Role

The three prominent frictions related to long-run housing supply shortages and affordability issues are (1) locally determined land-use regulations, which lead to exclusionary zoning; (2) financing and other construction costs that increase the cost of producing housing; and (3) the spatial mismatch of workers and jobs, which reduces aggregate output. These three costs motivate multiple Federal policy solutions.

Although much of housing supply policy is local, the Federal Government can affect national priorities through various mechanisms. For example, the government can help address long-standing implicit and explicit discriminatory zoning practices. To this end, the Federal Government can align its agency resources and policy priorities to promote zoning reforms that reduce barriers that limit what can be built. Likewise, the Federal purse can be used to advance existing agency priorities and launch new initiatives to alleviate housing supply constraints, increase the production of affordable units, and address the Nation’s growing affordability challenges.

A central goal of the Biden-Harris Administration is an economy in which every American has access to a safe and affordable home. On one hand, demand-side policies, including direct subsidies to cost-burdened households, can help address acute affordability issues. Box 4-3 describes several important examples. On the other hand, supply-side policies that directly boost housing construction are an integral part of the solution.

Zoning Reforms: Expanding the Housing Supply and Increasing Affordability

Local zoning and land-use restrictions are a long-standing, fundamental hurdle for increasing the housing supply. Under these restrictions, housing supply shortages have become increasingly salient, with a growing share of household budgets dedicated to housing. Reducing barriers to the housing supply can lead to several benefits: increased housing production, economic growth, job creation, reduced class and racial segregation, and increased climate resiliency through reduced sprawl and commuting times. Fortunately, momentum is building for zoning reforms, and numerous policy changes have been enacted at the State and local levels. Examples, detailed in box

Box 4-3. Assistance for Housing Demand

Even in a functioning housing market with abundant supply, many low-income families still struggle to afford housing. Federal policies can help families close the gap between housing expenditures and personal financial resources. The Federal Government can provide financial assistance to individuals directly and also enact policies to decrease the price of housing.

The Federal Government uses several assistance programs to help low-income families access affordable housing, including Project-Based Rental Assistance, Public Housing, and housing vouchers. The Section 8 Housing Choice Voucher Program, administered by HUD in partnership with local public housing agencies, is one of the largest Federal housing programs (Center on Budget and Policy Priorities 2017). The program generally caps families' housing costs at 30 percent of their income, helping 2.3 million low-income households annually, while also reducing evictions and homelessness (HUD 2023d, 2023i). Almost three-quarters of families receiving housing vouchers have children (Center on Budget and Policy Priorities 2017). Households using vouchers were once young relative to the general population but have steadily become older (Reina and Aiken 2022). Many voucher households live in high-poverty and low-opportunity areas, where vouchers are more often accepted; however, only about one in four voucher-eligible households actually receive and use a voucher, due to the lack of program funding (Gould Ellen 2018). When families use vouchers to move to low poverty neighborhoods, children's long-run outcomes improve in the form of higher college attendance rates and adult earnings (Chetty, Hendren, and Katz 2016).

Recognizing that funding limitations constrain the number of households able to receive rental assistance, President Biden's Fiscal Year 2024 Budget proposed expanding rental assistance to well over 200,000 additional households through \$2.4 billion in additional funding for the voucher program, as well as \$22 billion in mandatory funding to provide guaranteed housing to extremely low income veterans and youth transitioning out of foster care (White House 2023c; HUD 2024b).

Federal financial assistance to families in the form of cash, tax credits, and in-kind benefits like the Supplemental Nutrition Assistance Program (known as SNAP) can help alleviate some of the financial burden of housing. For instance, the temporarily expanded 2021 Child Tax Credit (CTC) helped families maintain stable housing by alleviating other financial burdens (CEA 2023b; Pilkauskas, Michelmore, and Kovski 2023).

The Rural Housing Service of the U.S. Department of Agriculture (USDA) offers direct and guaranteed loans to help low-income rural residents buy and maintain housing. In 2022, USDA's Single Family

Housing Direct Loan Program obligated \$1.3 billion to underwrite and service mortgages for low-income families that often face credit constraints. Additionally, USDA obligated \$13.1 billion in mortgage loan guarantees to help provide moderate- to low-income rural residents an opportunity to realize the dream of homeownership (USDA 2024).

In a housing market with sufficient supply, demand-side assistance can be very effective. However, in a housing market with a constrained supply, these policies may lead to increased rent prices for some rental units, possibly directing some of the benefits to landlords and property owners rather than renters (Diamond, McQuade, and Qian 2018).

4-4, include initiatives allowing construction of multifamily housing in areas previously zoned for single-family homes, expanding homeowners' right to construct and rent out accessory dwelling units, and abolishing minimum parking requirements (Greene and González-Hermoso 2019; Parking Reform Network n.d.). Federal policy could build on these successes to help cities and States continue their reforms.

Federal dollars can create incentives for State and local policymakers to meet housing policy goals. For instance, the Pathways to Removing Obstacles to Housing (PRO Housing) program sponsored by the Department of Housing and Urban Development (HUD) will award \$85 million in competitive grants to communities with plans to remove barriers to affordable housing and production in 2024 (HUD 2023b). In addition, President Biden has called for \$20 billion to create a first-of-its-kind fund that will award planning and housing capital grants to State and local jurisdictions to expand the housing supply and lower housing costs for lower- and middle-income households (as described in the forthcoming Fiscal Year 2025 Budget, per the U.S. Department of the Treasury). Further, HUD's 2023 publication *Policy & Practice* collects and disseminates evidence-based insights drawn from State and local housing policy initiatives. HUD also recently announced \$4 million in grant funding to support research studying zoning and land-use reforms, and a \$350,000 award through the Research Partnerships program to support the development of the "National Zoning Atlas" to "close data gaps that limit our understanding of the relationship between zoning and segregation, affordability, and other outcomes of interest" (HUD 2023j, 2023g). HUD has further reinforced the 1968 Fair Housing Act's goal of "Affirmatively Furthering Fair Housing" with a rule that would require recipients of HUD funding to work to overcome patterns of segregation, promote fair housing choice, eliminate disparities in opportunities, and foster inclusive communities free from discrimination (HUD 2023a).

Box 4-4. State and Local Zoning: Recent Steps

Zoning is one of the most significant regulatory powers of local government, and research shows reform can unlock economic growth and opportunity (Flint 2022). Zoning reforms that are likely to increase housing supply include allowing more multifamily housing to be built (especially near public transportation hubs), legalizing accessory dwelling units (ADUs), and eliminating minimum parking requirements, minimum lot sizes, minimum square feet requirements, and density restrictions. None of these reforms prevent new single-family home construction; rather, the changes prevent municipalities from requiring only single-family homes.

Some steps taken in recent years include:

- Buffalo became the first major U.S. city to abolish minimum parking requirements in 2017 (Poon 2017). Recently, more cities have followed suit, including Anchorage, San Jose, and Gainesville. Other cities, such as San Diego, made incremental steps in the same direction by eliminating parking requirements near public transit (Wamsley 2024; Khouri 2022).
- Minneapolis banned single-family exclusive zoning in 2018, and Charlotte enacted a similar policy in 2021 (Grabar 2018; Brasuell 2021). At the State level, Oregon, California, and Washington enacted such policies in 2018, 2021, and 2023, respectively (Garcia et al. 2022; Gutman 2023).
- California has enacted multiple policies intended to grow housing supply in recent years. The State has legalized ADUs statewide, allowed duplexes and lot splits in single-family zones, and allowed mixed-income, multifamily housing in all residential areas (Skelton 2021; Gray 2022). At the same time, California has eliminated minimum parking requirements at transit stations statewide (Khouri 2022). California has also set up a Regional Housing Needs Allocation process, whereby local jurisdictions must produce housing and land use plans to comply with State housing targets (California Department of Housing and Community Development 2023).
- Connecticut has enacted significant policy changes, requiring its cities and towns to “affirmatively further fair housing” in their zoning, promote diverse housing options, legalize ADUs, and cap minimum parking requirements (Flint 2022).
- Montana enacted several changes in 2023 aimed at making housing more affordable and reducing sprawl into rural and agricultural areas (State of Montana Governor’s Office 2023). These pro-housing changes include allowing duplexes, ADUs, and apartment-style housing, while also speeding up permitting approvals (Dietrich 2023).

- In 2022, Maine passed legislation to allow ADUs and duplexes in residential zones, and legalized quadplexes in “designated growth areas” (SMPDC 2023).
- In Massachusetts, a program known as MBTA Communities, signed in 2021, requires cities and towns to allow multifamily housing near transit stations, with a minimum density of 15 units per acre (Commonwealth of Massachusetts 2023). Fairfax County, Virginia, is taking similar steps, such as easing height and density restrictions near transit stations (Merchant 2016).
- Vermont legalized duplexes in all residential neighborhoods, as well as triplexes and quadruplexes in all areas served by municipal sewer and water infrastructure in 2023 (Brasuell 2023).

In addition to HUD’s efforts, the U.S. Department of Transportation (DOT) manages several large grant programs that improve transportation connections, including connections to affordable housing and funding for land-use reform. For example, the Reconnecting Communities and Neighborhoods Program offers grant funding for capital construction, community planning, and regional partnerships that prioritize disadvantaged communities, improve access to daily needs, foster equitable development, and reconnect communities (DOT 2023). The Areas of Persistent Poverty Program awards competitive grants to finance projects including those that improve transit facilities, technologies, and transit service in areas of persistent poverty or in historically disadvantaged communities (FTA 2023). In addition, the Economic Development Administration has updated its guidance to emphasize efficient land use as part of the agency’s grantmaking authority (White House 2023a). Many of these efforts are connected with the Administration’s Housing Supply Action Plan, which provides incentives for local zoning reforms by tying these reforms to Federal grant process scoring (White House 2022). Together, these policies prioritize and direct Federal spending toward increasing the housing supply and affordability, especially in locations close to public transportation.

Reducing Supply Constraints with Federal Taxes and Other Subsidies

Addressing home affordability requires both short-term and long-term solutions. To unlock supply and increase access in the short run, the Biden-Harris Administration has called for a series of new policies designed to lower costs for homeowners and homebuyers. This includes a temporary mortgage payment relief tax credit for first-time homebuyers, which can increase access to homeownership during this period of historically high

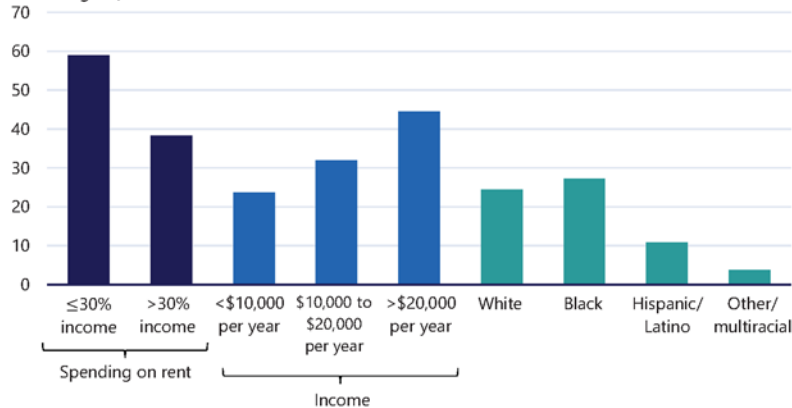
mortgage interest rates (as described in the forthcoming Fiscal Year 2025 Budget, per the U.S. Department of the Treasury). It includes down payment assistance to first-generation homebuyers, which can increase access for families that have not benefited from the generational wealth accumulation associated with homeownership (HUD 2024a). Further, it includes a temporary tax credit targeting low- and middle-income homeowners who sell their starter homes, which can unlock inventory in the starter-home market that is currently facing an acute supply shortage (as described in the forthcoming Fiscal Year 2025 Budget, per the U.S. Department of the Treasury). Finally, to reduce the value gap between rehabilitation costs and postconstruction home values for single-family homes in distressed neighborhoods, it includes new funding to subsidize rehabilitation expenses (White House 2023d). These funds can increase the likelihood that homes are rehabilitated before sale, making it easier to attract homebuyers and boosting revitalization efforts in these neighborhoods.

To address supply issues in the long run requires making progress on both cost and access. However, these policies take time to show progress. President Biden has called for a new Project-Based Rental Assistance Program to fund long-term contracts with private owners to rent new affordable units to America's neediest families (White House 2023c). The Federal Government has also directly reduced the cost of building affordable housing by subsidizing construction expenses through the tax code.

The largest construction subsidy, the LIHTC, has funded one in five of all new multifamily units since 1987 and has created more than 3.5 million affordable rental units (HUD 2023e). The LIHTC awards developers a stream of Federal tax credits over a 10-year period after a project is placed in service. In exchange, developers must designate a subset of units as rent restricted for low-income households. Box 4-2 provides additional details on the LIHTC, including how it helps close the gap between profitability and the investment returns required for investors to fund the project.

Figure 4-11 shows the financial characteristics of LIHTC unit tenants in 2021. LIHTC provides housing for households with very low incomes: 24 percent had an annual income below \$10,000, and 56 percent had an income below \$20,000. The program benefits a diverse group of households: roughly one-quarter are white, another quarter are Black, and one-tenth self-identify as Hispanic/Latino. The statistics suggest that the LIHTC program effectively targets vulnerable families.⁵ Still, nearly 40 percent of tenants spend more than 30 percent of their income on rent (HUD 2021).

⁵ While HUD collects demographic information describing households residing in each LIHTC property, these data are incomplete because a universal list of buildings placed in service that received LIHTC is not publicly available. Improving the collection of these data would permit HUD to more completely portray the scope of the LIHTC portfolio and its residents.

Figure 4-11. Financial Characteristics of LIHTC Unit Tenants, 2021*Percentage of households in LIHTC units***Council of Economic Advisers**

Sources: U.S. Department of Housing and Urban Development; CEA calculations.

Note: LIHTC = Low-Income Housing Tax Credit. The "other/multiracial category" includes those reporting race as Asian, American Indian/Alaska Native, Native Hawaiian or Other Pacific Islander, other, and multiple races. The shares within each category do not sum to 100 percent due to missing or unreported data.

2024 Economic Report of the President

LIHTC-funded developments make an impact on both families and neighborhoods, according to multiple studies of the program's benefits (Baum-Snow and Marion 2009; Eriksen and Rosenthal 2010). Evidence from Chicago demonstrates that LIHTC-assisted developments have positive spillover effects on local property values (Voith et al. 2022). Home price appreciation contributes to wealth accumulation for neighborhood residents and increases funding for public services, but it can also make localities inaccessible for financially disadvantaged families. At the same time, LIHTC-assisted developments are associated with reductions in violent crime through neighborhood revitalization (Freedman and Owens 2011). One study estimates that the program's aggregate welfare benefits in low-income areas are \$116 million via property value appreciation, declines in crime, and the inflow of racially diverse individuals (Diamond and McQuade 2019). Further, access to affordable housing via LIHTC units gives families and their children the stability required for regular health care access and is associated with decreased rates of child abuse and neglect (Gensheimer et al. 2022; Shanahan et al. 2022).

However, there is also evidence that new LIHTC projects may increase owner turnover rates and crowd out private rental construction (Baum-Snow and Marion 2009; Eriksen and Rosenthal 2010). Still, the Administration believes the program can help improve housing affordability and supply,

and President Biden’s Fiscal Year 2025 Budget calls for roughly \$30 billion to expand and enhance the program. The President’s 2022 Housing Supply Action Plan called for LIHTC reforms, including a now-finalized Treasury rule allowing developers to average incomes across some, rather than all, households in a given property to incentivize more mixed-income developments (White House 2022; Internal Revenue Service 2022).

The Historic Tax Credit subsidizes the rehabilitation of historic properties, including those that result in a new or renovated housing supply.⁶ Since its inception in 1976, the program has rehabilitated more than 300,000 housing units and has created 343,000 new housing units, 192,000 of which are low- and moderate-income units (U.S. Department of the Interior 2022). In Fiscal Year 2021, the National Park Service certified 1,063 historic rehabilitation projects to revitalize abandoned and underutilized buildings; nearly 80 percent of them were located in economically distressed areas (U.S. Department of the Interior 2021). The National Park Service has also shown that Historic Tax Credit–related rehabilitation projects provide a better return on investment than equal investments in new construction (U.S. Department of the Interior 2020).

Federal housing tax subsidies can help achieve long-term housing supply goals and affect the U.S. economy’s climate impact. Buildings account for 29 percent of all U.S. greenhouse gas emissions (Leung 2018). Estimates suggest that rehabilitated structures produce 50–75 percent fewer carbon emissions than new construction (Gupta, Martinez, and Nieuwerburgh 2023). The Inflation Reduction Act has committed \$9 billion in tax credits, rebates, workforce training, and funding opportunities to transform existing homes into green homes and construct new, environmentally friendly residential spaces (Martin 2022). Currently, the commercial real estate market, with high office vacancy rates and rising loan delinquencies, is in a position to be transformed into usable and financially prudent residential spaces (Sorokin 2023; DBRS Morningstar 2023; White House 2023b).

In addition to tax subsidies, the Federal Government provides several block grants to State and local jurisdictions to assist in affordable housing development. HUD’s Community Development Block Grant Program (CDBG) can support the acquisition and rehabilitation of housing for low- and moderate-income individuals. In Fiscal Year 2022, the CDBG State and local grantees allocated more than \$920 million to housing activities, including public housing modernization and single- and multifamily home rehabilitation (HUD 2022). Recently, HUD issued additional guidance on how to make use of CDBG funds to further develop “decent, accessible, equitable, and affordable housing,” providing specific ways that grantees can best make use of CDBG funds (HUD 2023h). HUD also administers the

⁶ The Historic Tax Credit is a colloquial name for the Rehabilitation Tax Credit, which was made available under section 47 of the Internal Revenue Code.

HOME Investment Partnerships Program, the largest Federal block grant program that provides funding exclusively to increase access to an adequate, affordable housing supply for low-income households (CRS 2021). Since 1992, HOME appropriations have cumulatively totaled nearly \$45 billion, with annual appropriations ranging between about \$1 billion and \$2 billion. The funds have supported completion of more than 1.3 million affordable housing units (HUD 2023c).

Expanding Manufactured Home Delivery and Financing to Address Rural Housing Constraints

Manufactured housing costs 45 percent less to build per square foot than site-built housing due to efficient production technologies that take advantage of economies of scale (Freddie Mac n.d.). Manufactured homes, which are required to comply with HUD-promulgated Manufactured Home Construction and Safety Standards, are energy efficient, safe, and designed to withstand natural disasters, inclement weather, and fires (Freddie Mac 2022; Code of Federal Regulations 2023). As a result, they may help provide affordable housing units and alleviate supply constraints, especially in rural communities.

Manufactured housing has a higher share of total owner- and renter-occupied housing in rural communities than in more densely populated areas (Layton 2023). However, efforts to expand the manufactured housing supply face hurdles driven by land-use regulations. Although the HUD-promulgated manufactured housing building code preempts State and local design and construction code, local land-use regulations often restrict the placement of manufactured homes, either implicitly or explicitly (HUD 2023f). For example, some jurisdictions have zoning requirements that limit manufactured housing to specific zoning districts, and other jurisdictions may have minimum home size requirements that preclude manufactured housing (Freddie Mac 2022). In addition, minimum lot size and parking regulations increase land costs and price manufactured homeowners out of the market. Federal efforts to encourage the adoption of improved State and local zoning policies could serve as a financial incentive to promote these kinds of reforms as well.

Barriers to manufactured home financing dampen demand. The traditional government-sponsored mortgage enterprises, specifically Fannie Mae and Freddie Mac, cannot purchase and guarantee loans for manufactured homes because their owners do not typically own the land on which they sit. Instead, owners must take out a so-called chattel loan, which, relative to a mortgage, has higher interest rates, shorter repayment periods, and fewer consumer finance protections (CFPB 2021). These loans can be prohibitively costly for low-income families (Goodman and Ganesh 2018). In light

of this, Fannie Mae and Freddie Mac have identified the financing of manufactured and rural housing among the activities targeted by their 2022–24 Duty to Serve Plans, including the plan to begin purchasing loans titled as personal property in 2024 and to increase the purchase of loans titled as real property (FHFA 2022).⁷

Conclusion

Housing shortages and unaffordability have risen over the last 60 years, in large part because of local land-use policies that restrict housing density and what can be built. These effects are felt most by low-income and vulnerable families, which are increasingly priced out of the housing market. Because many amenities are bundled with housing and neighborhoods, housing supply shortages inhibit economic mobility for millions of Americans. Investing in the housing supply and producing affordable units opens the door for upward mobility and increases overall economic growth.

Persistent market failures in the housing market create a role for government. Demand-side assistance can help households facing affordability constraints. In addition, the Federal Government has encouraged efforts to increase supply-side policies that incentivize local zoning reform, reduce exclusionary zoning via grants and other spending, and directly subsidize affordable unit construction through programs like LIHTC. While the efforts have made a difference, the housing market still faces an acute supply shortage and declining affordability. Ultimately, meaningful change will require State and local governments to reevaluate the land-use regulations that reduce the housing supply.

Fortunately, local, State, and Federal policies can boost the housing supply through incentivized changes to zoning policies, tax credits that subsidize construction costs for affordable units, and other block grants that prioritize affordable unit construction. By taking further steps to address the country’s housing supply shortage, the United States will be richer, our citizens will be more financially stable, and our environment will be greener.

⁷ The Safety and Soundness Act provides that the “Government-Sponsored Entities” have a “duty to serve underserved markets,” specifying that the enterprises “shall provide leadership to the market in developing loan products and flexible underwriting guidelines” to improve access and equity in the mortgage financing market.

Statement for the Record

National Low Income Housing Coalition

Renee Willis, Interim President and CEO

Presented to the U.S. House Subcommittee on Housing and Insurance

“Building Our Future: Increasing Housing Supply in America”

March 4, 2025

Chair Flood, Vice Chair De La Cruz, Ranking Member Cleaver, and members of the Subcommittee on Housing and Insurance, thank you for the opportunity to submit a statement for the record on the need for more affordable housing supply, especially for extremely low-income households.

The National Low Income Housing Coalition (NLIHC) is dedicated to achieving racially and socially equitable public policy that ensures people with the lowest incomes have quality homes that are accessible and affordable in communities of their choice. NLIHC members include state and local affordable housing coalitions, residents of public and assisted housing, nonprofit housing providers, homeless service providers, fair housing organizations, researchers, faith-based organizations, public housing agencies, private developers and property owners, local and state government agencies, and concerned citizens. While our members include the spectrum of housing interests, we do not represent any segment of the housing industry. Rather, we work on behalf of and with low-income people who receive, as well as those who need, federal housing assistance, especially extremely low-income people and people who are experiencing homelessness.

Our statement includes research and data related to causes of the housing crisis, and solutions to address the shortage of affordable, available homes. While market solutions like zoning reforms can increase supply for those with middle incomes, subsidies are essential to provide stable, affordable housing for those who the private sector cannot serve on their own: households with the lowest incomes.

Underlying Causes of the Affordable Housing Crisis

The United States is experiencing an affordable housing and homelessness crisis impacting every state and congressional district, and with sky-high rents, homelessness has increased in urban, rural, and suburban communities alike, reaching its highest level on record.

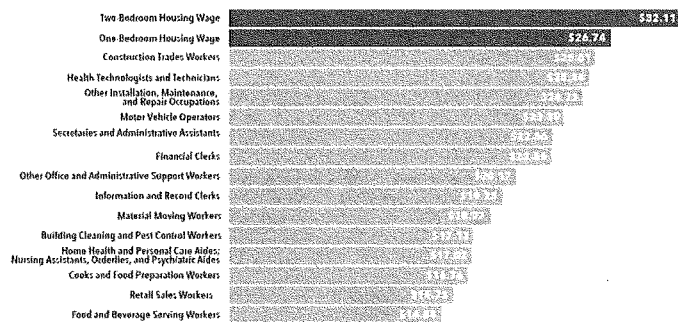
While many households are dealing with higher housing costs, extremely low income (ELI) households (those earning no more than 30% of the Area Median Income (AMI) or the federal poverty limit, whichever is greater) have the greatest, clearest needs: three out of

NLIHC's *Out of Reach: The High Cost of Housing*ⁱⁱⁱ annual report estimates each locality's "Housing Wage" – the hourly wage a full-time worker must earn to afford a modest one- or two-bedroom apartment at fair market rent without spending more than 30% of their income on housing. In 2024, the national Housing Wage was \$32.11 per hour for a modest two-bedroom rental home, and \$26.74 per hour for a modest one-bedroom rental home. Even in states with the least expensive rents, a renter working full time and earning less than \$18 per hour is unable to afford a modest two-bedroom apartment. Housing Wages are highest in traditionally high-cost states, like California, Hawaii, Massachusetts, and New York, but areas with lower Housing Wages also tend to have lower wages, so tenants in these areas still struggle to afford housing.

Even after factoring in state and county-level minimum wages that exceed the federal minimum wage of \$7.25 per hour, the average minimum wage worker must work 113 hours per week (2.8 full-time jobs) to afford a two-bedroom rental home, or 95 hours per week (2.4 full-time jobs) to afford a one-bedroom rental home at fair market rent.

Fourteen of the 20 most common occupations in the U.S. pay a lower median hourly wage than the housing wage for a one- or two-bedroom rental home. Sixty-four million people, or 42% of the entire workforce, work in these 14 occupations, including retail and restaurant workers, health home aides and nursing assistants, building cleaners and repair workers, administrative assistants and those in the construction trades.^{iv}

14 OF THE 20 LARGEST OCCUPATIONS IN THE UNITED STATES PAY MEDIAN WAGES LESS THAN THE ONE- OR TWO-BEDROOM HOUSING WAGE



Opportunities to Increase Housing Supply

The shortage of rental homes affordable to the lowest-income people is caused by market failures and the chronic underfunding of solutions. Government intervention, in the form of subsidies, is necessary to fill the gap between what the lowest-income people can afford to pay and the costs of developing and operating rental homes.

Federal subsidies, like the national Housing Trust Fund, play a vital role in ensuring affordable housing construction and preservation projects “pencil out” for communities, and public housing is an important source of deeply affordable housing, providing millions of people with the lowest incomes a place to call home. Other federal subsidies, like HUD’s Housing Choice Voucher (HCV) program, help people with the lowest incomes keep a roof over their heads by bridging the gap between 30% of income and the cost of rent in the private market. The HCV program also benefits landlords and housing providers by guaranteeing rent will be paid.

Despite the vital role housing subsidies play in housing construction and long-term housing stability, Congress has consistently underfunded these programs, such that only one in four households eligible for housing assistance receive any.¹⁸ Because of this chronic underfunding, millions of families are placed on waitlists for housing assistance that are sometimes years long, if they are open at all; while these families wait, they struggle to pay rent and face eviction, overcrowding, and in worst cases, homelessness.¹⁹

Zoning Reforms

To increase the overall supply of housing, Congress should incentivize or require communities to reform restrictive local zoning ordinances that inhibit the supply of apartments and drive costs up for everyone. While local communities are best positioned to efficiently and effectively address issues related to restrictive zoning practices that limit the amount and types of new housing that can be built, the federal government can and should encourage communities to reduce unnecessary restrictions. The best opportunity at the federal level is to tie zoning and land use reforms to federal transportation, education, and infrastructure dollars – resources that are highly sought after by local communities and that could drive better practices.

While zoning reforms will help address the affordability challenges facing middle-income households, such reforms on their own will not be sufficient to address the housing needs of the lowest-income renters. Private developers and landlords cannot build or operate housing affordable to extremely low-income households without public subsidies; this market failure can only be addressed through expanded and targeted federal investments.

Finance Deeply Affordable Rental Homes with the National Housing Trust Fund

To address the shortage of affordable rental housing for renters with extremely low incomes, Congress must increase funding both to preserve the stock of existing affordable housing and increase the supply of deeply affordable homes. The best tool to add to the supply of deeply affordable housing is the national Housing Trust Fund (HTF).

The HTF is a federal resource primarily targeted to the construction, rehabilitation, preservation, and operation of rental homes for people with extremely low incomes. It is the most highly targeted federal rental housing capital and homeownership program. By law, at least 75% of HTF dollars used to support rental housing must serve extremely low-income households.

The HTF is funded through a slight fee on Freddie Mac and Fannie Mae activity, 65% of which goes to the HTF. The HTF is administered by states, allowing for flexibility to decide how best to use the resources to address states' most pressing housing needs.

NLIHC supports efforts to expand the HTF, such as the American Housing and Economic Mobility Act, which would invest over \$44 billion in the HTF annually over 10 years, resulting in investments to build, repair, and operate nearly 2 million homes for households with low incomes; and the Housing Crisis Response Act of 2023, which would allocate \$15 billion to the HTF.

An expansion of the HTF would make a significant contribution to ending homelessness and housing poverty.

Preserve Existing Affordable Housing

Preserving the existing stock is ultimately foundational to any effort to expand the supply of affordable housing and alleviate the shortage for the lowest-income renters. Preservation prevents the displacement of current tenants, stops the loss of difficult-to-replace housing in desirable neighborhoods, mitigates disinvestment from distressed communities, and prevents further decline in the already limited federally subsidized housing stock, while also presenting opportunities to reduce greenhouse gas emissions through energy retrofitting.

Federally assisted rental homes provide a vital supply of housing that is affordable to the lowest-income renters, given the shortage of private market units affordable and available to them. These homes, however, require sustained or renewed funding commitments to ensure future affordability and habitability as buildings age and existing rent restrictions and tenant eligibility requirements expire or come up for renewal. The Housing Crisis Response Act of 2023 would provide \$65 billion to repair the nation's public housing,

these communities. Indigenous people living on Tribal lands have some of the worst housing needs in the United States. They face high poverty rates and low incomes, overcrowding, lack of plumbing and heat, and unique development issues. Financing properties in these areas is particularly challenging. Likewise, rural communities face unique barriers to developing affordable rental homes, including lower incomes, higher poverty rates, and lack of access to private capital.

Reject Wasteful Middle Income Housing Tax Credit Proposals

As Congress debates a federal tax legislation, NLIHC urges policymakers to reject wasteful proposals – such as the “Middle Income Housing Tax Credit” or “Workforce Housing Tax Credit” from Senators Ron Wyden (D-OR) and Dan Sullivan (R-AK) – that would do little to address the underlying causes of the housing crisis. The Wyden/Sullivan proposal aims to create a new federal tax credit to incentivize developers to build market-rate apartments affordable to households earning up to 100% of the Area Median Income (AMI). NLIHC opposes the creation of a federal Middle Income Housing Tax Credit (MIHTC) as a misguided and wasteful use of scarce federal resources.

Nationally, very few middle-income renters face significant housing challenges; of all households paying at least half of their income on rent, only 1% have middle incomes; the vast majority (90%) have extremely low incomes or very low incomes and would not benefit from MIHTC.^{xv}

In most communities, the private sector can – and does – meet the housing needs of middle-income renters without any government subsidies. There are only three states (California, Florida, and Hawaii) and five metro areas (Los Angeles, CA; Miami, FL; Orlando, FL; Riverside, CA; and San Diego, CA) with fewer than 90 affordable and available homes for every 100 middle-income renters. In most communities nationwide, MIHTC would give tax breaks to developers for housing that the market is already providing.

Congress can achieve the same results without any subsidies by encouraging communities to reduce regulations that drive up housing costs. In the small handful of locations where there is any shortage of homes affordable to middle-income renters, the most cost-effective solution is to reform local zoning and land use regulations that restrict housing supply and increase costs.

Instead, scarce federal resources should be targeted to serve households with the greatest needs who cannot be served by the private sector unless federal subsidies are invested. Diverting resources away from where it is needed most exacerbates the housing and homelessness crisis.

Cuts to HUD funding would also impact affordable housing developments financed with Low Income Housing Tax Credits (LIHTC), as these developments need additional sources of funding to pencil out and operate. HUD programs such as HOME Investments Partnership Program, the Indian Housing Block Grant, and Community Development Block Grant (CDBG) are important sources of development financing, and Project-Based Rental Assistance (PBRA) allows properties to serve renters with the lowest incomes.

Congress must also act quickly and do everything in its power to protect HUD staff from termination. Recent media reports have stated that Elon Musk's Department of Government Efficiency (DOGE) is proposing to eliminate half of HUD's staff, with people employed in HUD field offices around the country targeted for the first round of firings. Some offices in HUD would be harder hit; the Office of Community Planning and Development (CPD) would be cut by 84%, the Office of Fair Housing and Equal Opportunity (FHEO) would be cut by 76%, the Office of Policy Development and Research (PD&R) would be cut by 76%, and the Office of Public and Indian Housing (PIH) would be cut in half.

Federal investments at HUD play a critical role in helping low- and moderate-income people in urban, suburban, rural, and Tribal communities thrive. These programs benefit millions of people each year, including people of color, seniors, people with disabilities, families with children, veterans, women, survivors of domestic violence, first-time homebuyers, and others. While improvements to federal programs are always needed, drastic cuts to HUD staff will not ensure these investments better serve people and communities. Instead, without adequate staff to allocate, oversee, and monitor these resources, communities and households nationwide will face unnecessary delays and challenges to accessing congressionally approved resources to:

- Rebuild housing and infrastructure after major disasters and mitigate future harm by increasing resilient homes.
- Ensure congressionally directed spending can be used to support key projects in local communities identified by members of Congress.
- Help rural communities and Tribal nations address their most pressing housing challenges.
- Build and preserve affordable rental housing for low-income households.
- Address and prevent homelessness, which has reached its highest level on record.
- Provide assistance to help low-income households afford their homes and reduce energy costs.
- Operate and maintain public housing and other affordable housing for millions of seniors, people with disabilities, and families with children.

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February 28, 2025

The Honorable French Hill
Chairman
Committee on Financial Services
U.S. House of Representatives,
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives,
Washington, DC 20515

Statement for the Record

Submitted to the United States House Committee of Financial Services

Hearing on: Building Our Future: Increasing Housing Supply in America

Date: 03/04/2025

Submitted by:

Mark Thiele

Chief Executive Officer

National Association of Housing and Redevelopment Officials (NAHRO)

630 I Street NW, Washington DC 20001

mthiele@nahro.org

Dear Chairman Hill and Ranking Member Waters:

On behalf of the National Association of Housing and Redevelopment Officials (NAHRO), I am pleased to submit a written statement for the record for the House Committee on Financial Service's March 4th, 2025, hearing titled "Building Our Future: Increasing Housing Supply in America." NAHRO, which was established in 1933, is a membership organization of 26,000 housing and community development providers and professionals throughout the United States. NAHRO members create and provide affordable housing for low- and middle-income families and support vibrant communities that enhance the quality of life for all. We believe Congress and the federal government should maximize solutions to expand homeownership opportunities for all Americans, leveraging existing programs at the Department of Housing and Urban Development to increase access.

George Guy, President; **Sean Gilbert**, SPHM, NAHRO Fellow, Senior Vice President; **Renee Smith**, NCC, Vice President - Commissioners; **David S. Gates**, CSO-PH, CSEC-PH, CMPO, C-PHM, CME, Vice President - Professional Development; **Jeff du Manoir**, Vice President - International Research and Global Exchange; **Duane Hopkins**, CME, Vice President - Budget & Administration; **Shaunté Evans** MBA, PHM, Vice President - Member Services; **Grace Ruiz-Steptor**, Vice President - Community Revitalization and Development; **Lanita Hillen**, Vice President - Housing; **Mark Thiele**, C-PHM, CME, CMVO, NCC, Chief Executive Officer

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Today, Americans face a national housing shortage of approximately 3.7 million homes, impacting both renters and homebuyers.¹ The shortage of homes is attributed to chronic underbuilding and exacerbated by high mortgage rates that disincentivize current homeowners with below-market interest rates from moving. Furthermore, the Congressional Budget Office (CBO) reported in September 2024 that pent-up demand for housing is currently near record levels.² According to the National Association of Home Builders (NAHB), increasing the nation's housing supply could help tame inflation and limit the impact of the housing affordability crisis by moving toward a healthy supply-demand balance of homes.³

Families and individuals across the income spectrum are struggling to find housing they can afford, both to buy and to rent. According to the State of the Nation's Housing 2024 annual report conducted by Harvard University, Americans face high housing costs and record high housing cost burdens. Between 2019 and 2022, those who spent more than 30 percent of household income on housing and utilities grew from 3 million to 19.7 million households. In 2024, home prices were 47 percent higher than pre-pandemic levels while still increasing 6 percent over the previous year.⁴ These significantly increasing housing costs make homeownership unattainable for too many Americans. There are many reasons for increases in costs, including, but not limited to, restrictive zoning and regulatory policies, skilled labor shortages, and financing limitations. Costs and availability to build new construction homes continue to be a challenge as well due to labor shortages and material costs. These matters must be addressed.

It is evident that expanding our nation's housing supply is essential to increasing homeownership and making it accessible to more families. While the private market plays a key role in this effort, we must also ensure that homeownership remains a viable option

¹<https://www.freddiemac.com/research/forecast/20241126-us-economy-remains-resilient-with-strong-q3-growth>.

²

<https://www.cbo.gov/publication/60727#:~:text=Declining%20Annual%20Household%20Formation%20as%20Deaths%20Increase,Millions&text=As%20the%20population%20ages%20and%20the%20number%20of%20deaths%20increase,s,is%20projected%20to%20decline%20sharply.&text=Data%20source:%20Congressional%20Budget%20Office,growth%2C%20housing%20starts%20also%20decline>.

³ <https://www.nahb.org/news-and-economics/press-releases/2024/02/single-family-starts-will-rise-in-2024#:~:text=The%20Forecast,existing%20home%20sales%20market%20improves>.

⁴https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2024.pdf.

for all American families, including those with lower incomes. While many are experiencing difficulties across the nation in accessing affordable housing, low-income families and individuals remain the most negatively impacted. Although the private market has its role in making homeownership affordable for low-income Americans, Department of Housing and Urban Development (HUD) programs like the HOME Investment Partnerships (HOME) program, the Housing Trust Fund (HTF), the Community Development Block Grant (CDBG) program, the Housing Counseling program, and the Housing Choice Voucher Homeownership (HCV Homeownership) program are critical as well. These programs offer essential financial support to lower-income families so that they can purchase homes, allowing them to build wealth and equity.

This letter discusses how each of the HUD programs listed above helps to expand homeownership opportunities and details certain other actions that may help to expand them as well.

HOME Investment Partnerships Program

The HOME program, which allows funding assistance to be used to purchase, begin new construction of, and rehabilitate housing, has had a steady impact on the housing market. From 1992 to 2024, \$16.35 billion has been used to support homeownership activities under the HOME program. These funds have supported the construction and rehabilitation of 827,492 homes.⁵

HCV Homeownership Program

The traditional HCV program provides federal rental assistance to families. In contrast, the HCV Homeownership program provides assistance to first-time homebuyers purchasing homes. As of February 2024, there were 9,710 active homeownership participants in the HCV Homeownership program. Between 2015 and 2025, there have been 11,272 closings nationally under this program.⁶

Down Payment Assistance Programs

Various down payment assistance programs, utilizing CDBG and HTF funds, provide critical down payment assistance. The State of the Nation's Housing 2024 report by Harvard University found that downpayment assistance can help households with the initial savings hurdle. According to the report, a \$25,000 downpayment assistance loan could make homeownership possible for 1.1 million income-ready renter households.

⁵ <https://crsreports.congress.gov/product/pdf/R/R40118>.

⁶ https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/homeownership.

HUD's Housing Counseling Program

The Housing Counseling program also plays a crucial role in helping families secure, maintain, and preserve their homes. These programs address housing barriers, assist with financial management, provide fair housing education, offer guidance on home improvement, and conduct workshops on avoiding predatory lending. By equipping first-time homebuyers with the knowledge they need, housing counseling ensures they are well-prepared to purchase their first home.

Conclusion

Congress and the federal government must provide and implement as many solutions as possible to increase homeownership opportunities for families and individuals of all incomes. The current and potential impact that federal subsidy programs have on the housing market are critical towards providing homeownership opportunities for low-income families. Federal programs also help educate first-time homebuyers. We cannot rely on the private market alone to support homeownership for all. Federal subsidies that expand homeownership opportunities provide families with the ability to own a home in the communities of their choice. With increasing barriers to homeownership, federal homeownership programs are needed now more than ever.

We thank the committee for the opportunity to help detail the importance of the role of certain federal government programs in expanding homeownership opportunities.

Sincerely,



Mark Thiele
Chief Executive Officer



Advancing racial
justice since 1940

March 4, 2025

Representative French Hill
Chairman
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Representative Maxine Waters
Ranking Member
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

RE: Legal Defense Fund Statement regarding "Building Our Future: Increasing Housing Supply in America"

Dear Chairman Hill and Ranking Member Waters:

The NAACP Legal Defense Fund and Educational Fund, Inc. (LDF) writes this letter to urge the House Committee on Financial Services to keep the need for fair housing enforcement and compliance at the fore as it prepares to hold its hearing entitled "Building Our Future: Increasing Housing Supply in America." Founded in 1940 by Thurgood Marshall, the LDF is the nation's oldest civil rights legal organization fighting for racial justice. LDF has been on the front lines of fighting discrimination against Black communities from its landmark school segregation case, *Brown v. Board of Education*, to housing discrimination.¹ While we are pleased that the Committee seeks to address the current housing crisis, increasing the supply of housing alone is insufficient. Without vigorous enforcement of fair housing laws, Black families, other families of color, women, persons with disabilities and LGBTQI+ individuals will be left behind, to the detriment of our economy as a whole.

Today's housing crisis calls for not only an increase in housing supply but also full enforcement of our country's fair housing laws. Both must be present to build a future where all, including Black communities and individuals, have an equal opportunity to thrive. Past efforts that have focused on increasing supply without protecting against discrimination have failed. It was during the housing crisis of the late 1940s when Congress opted to focus only on increasing housing supply and promised to address fair housing later. During the June 1949 House floor debate in support of a fair housing amendment, Congressman Vito Marcantonio of New York stated, "[y]ou have no right to use housing against civil rights." He lost that debate, and families and individuals who faced legalized housing discrimination suffered for decades. While white families benefited from government policies designed to promote homeownership and provide a pathway to the middle class, racial discrimination sponsored by the government and perpetuated by private parties resulted in neglected neighborhoods of concentrated poverty with poor housing stock, toxic environmental conditions, underfunded schools, poorly maintained parks, dilapidated infrastructure, and other problems.

¹ *E.g. Shelley v. Kramer*, 334 U.S. 1 (1948) (holding that state enforcement of racially restricted covenants violated the Equal Protection Clause of the Fourteenth Amendment).

40 Rector Street
5th Floor
New York, NY 10006

700 14th Street NW
Suite 600
Washington, DC 20005

260 Peachtree Street NW
Suite 2300
Atlanta, GA 30303

naacpldf.org
212-965-2200

At a time when Secretary Scott Turner of the U.S. Department of Housing and Urban Development (HUD) calls for the repeal of agency rules that help implement the Fair Housing Act of 1968's affirmatively furthering fair housing (AFFH) provision, our country appears to be headed back to its hyper-segregative times. Racial discrimination in housing remains an unfortunate reality. Secretary Turner's outcry to "save our suburbs," appears to revel in the discriminatory days of old. Congress must not allow its past to be prologue. The current housing crisis cannot yield the same results it did in the past. Any present or future congressional action must include fair housing enforcement and compliance supports if Black families, other families of color, women, persons with disabilities and LGBTQI+ individuals are to benefit from a new supply of housing. Full funding of fair housing compliance that ensures HUD-funded entities adhere to their civil rights duties and provisions that help increase housing supply must coexist.

The Black-white homeownership gap in our country remains high, and adequate fair housing enforcement can help address it. American history has taught us that decades of intentional government action, including redlining, exclusionary zoning and predatory lending schemes have contributed to this gap. Intentional acts that have segregated and discriminated against communities must be met with intentional steps to address the resulting harms. Beyond the harms created and perpetuated by local, state and federal governments, discriminatory private industry practices have and continue to take place far too often within the housing eco-system. This private action further contributes to this homeownership gap. These are the types of issues HUD's underfunded Office of Fair Housing and Equal Opportunity (FHEO) addressed when career staff members were placed on administrative leave and fired by the Trump Administration.

FHEO career staff members, from urban regional offices to rural field offices, process thousands of fair housing complaints each year. According to FHEO's fiscal year 2023 annual report to Congress, of the seven protected classes under the Fair Housing Act of 1968 (FHA), disability continues to be the top basis of alleged discrimination (5,128) followed by race (2,158).² Without the threat of enforcement, discrimination will only increase. Absent a fully staffed and funded HUD Office of Fair Housing (FHEO), there is no guarantee that persons experiencing housing discrimination will have a place to seek redress without the burden of hiring a lawyer.

Measures contemplated by members of Congress, including authorizing language, request for reports and data and the like, must not turn a blind eye to the need for full fair housing enforcement. While congressional bills, such as the Identifying Regulatory Barriers to Housing Supply Act, may seek to remove barriers to housing production, Congress also should seek to further remove barriers to fair housing. And, while congressional action that seeks to ensure middle income residents are able to access affordable housing near opportunities they believe will help their families thrive, like job centers, clean air and well-performing public schools, such

² The Fair Housing Act's protected classes include race, color, national origin, religion, sex, disability and familial status. See <https://www.justice.gov/crt/fair-housing-act-1>.

as the Housing for America's Middle Class Act does, attention must be paid to racial discrimination that takes place at every income level. Appraisal discrimination is but one example of a barrier faced by middle income Black households. The Brookings Institute found that homes in majority-Black neighborhoods are around two times more likely to be appraised under the contract price than homes in majority-white neighborhoods. The same study also found that homes in Black neighborhoods are valued roughly 21% to 23% below what their valuations would be in non-Black neighborhoods, resulting in \$162 billion in cumulative losses for Black communities.

While housing discrimination harms the families impacted the most, it also harms society as a whole. For example, a 2020 study by Citi estimates that the United States' aggregate economic output would have been \$16 trillion dollars higher since 2000 if we had closed racial gaps in wages, access to higher education, lending, and mortgage access. Creating equitable housing opportunities can help close those gaps.

FHEO's enforcement and compliance files are replete with housing providers who have been found to have discriminated against individuals based on race, color, national origin, religion, sex, disability and familial status. Congress crafted our country's Fair Housing Act to address these ills. Our collective zeal to increase the much needed housing supply for low- and middle-income families must match our zeal to fully enforce our country's anti-housing discrimination laws.

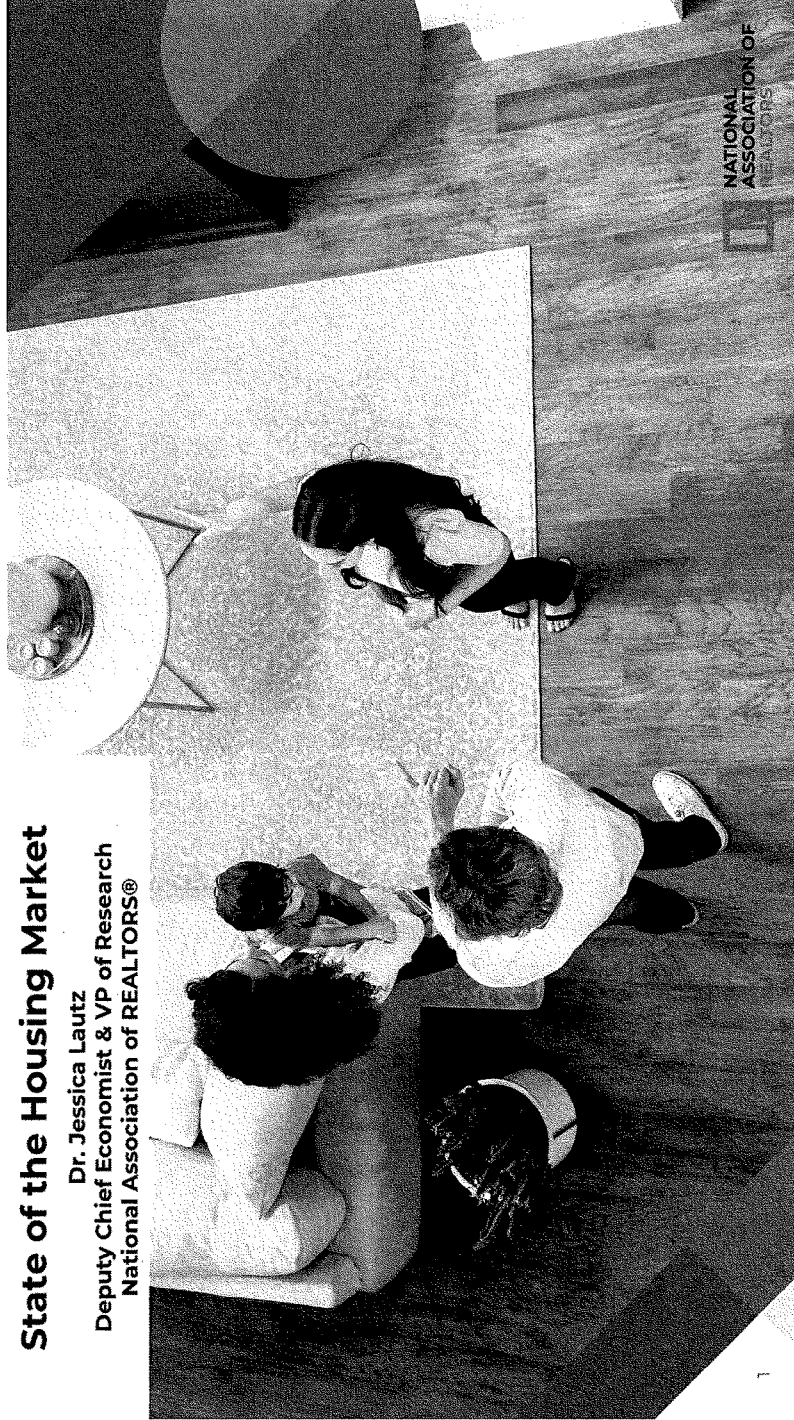
Sincerely,



Demetria L. McCain
Director of Policy
NAACP Legal Defense Fund

State of the Housing Market

Dr. Jessica Lautz
Deputy Chief Economist & VP of Research
National Association of REALTORS®



Record High
Home Price,
but Worst
Sales Since
1995

	1995	2024
Annual existing-home sales	3.85 million	4.06 million
U.S. population	266.6 million	341.1 million
Single-family inventory (December)	1.58 million	1.00 million
Median annual existing-home sales price	\$174,600 (\$241k inflation adjusted)	\$407,500



Source: Flashback: 1995 in the Housing Market vs Today <https://www.nar.realtor/blog/economists-outlook/flashback-1995-in-the-housing-market-vs-today>

30-Year Fixed Mortgage Interest Rate

(historical norm in red)

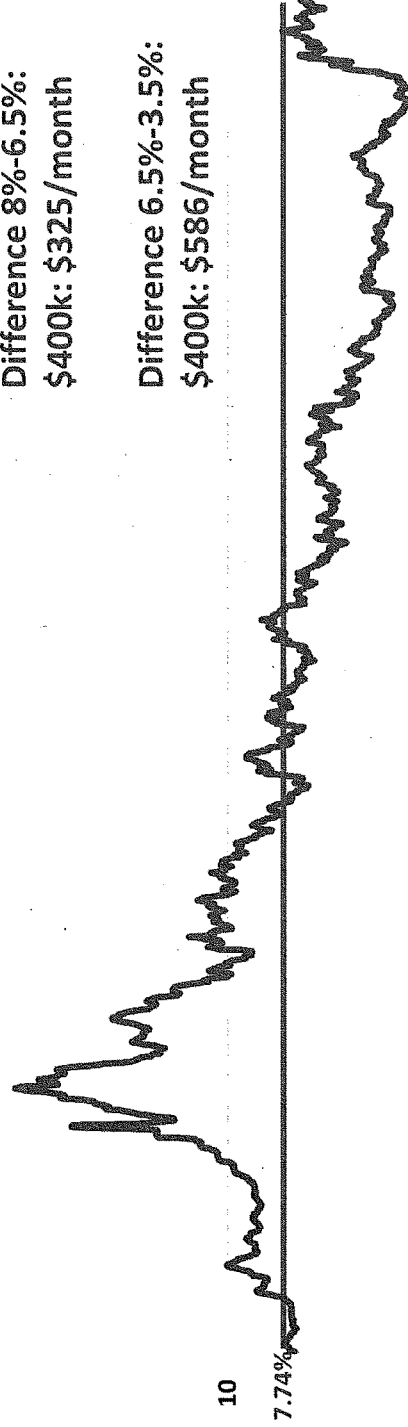
20

Difference 8%-6.5%:
\$400k: \$325/month

Difference 6.5%-3.5%:
\$400k: \$586/month

10

7.74%



153

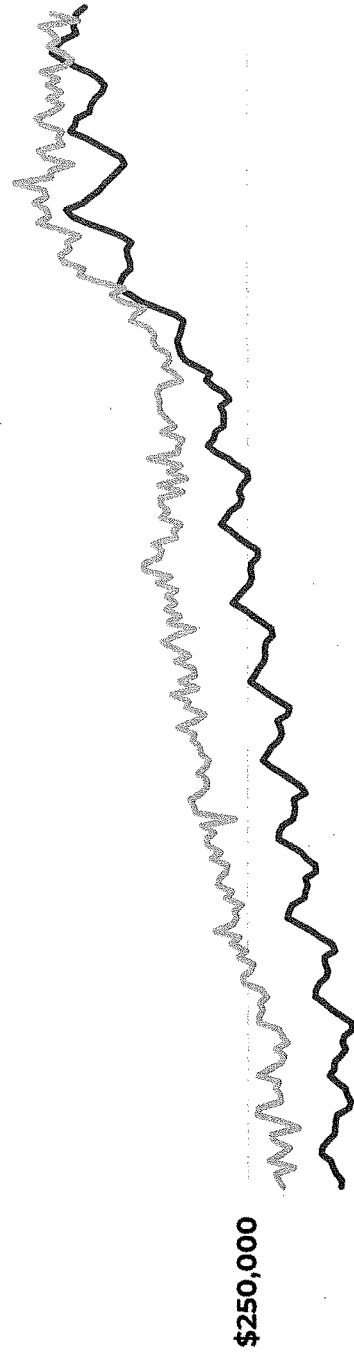
0

4/2/1971 4/2/1973 4/2/1975 4/2/1977 4/2/1979 4/2/1981 4/2/1983 4/2/1985 4/2/1987 4/2/1989 4/2/1991 4/2/1993 4/2/1995 4/2/1997 4/2/1999 4/2/2001 4/2/2003 4/2/2005 4/2/2007 4/2/2009 4/2/2011 4/2/2013 4/2/2015 4/2/2017 4/2/2019 4/2/2021 4/2/2023

Source: Freddie Mac <https://www.freddiemac.com/pmms>



Median Existing-Home Price On Par With New Home Price

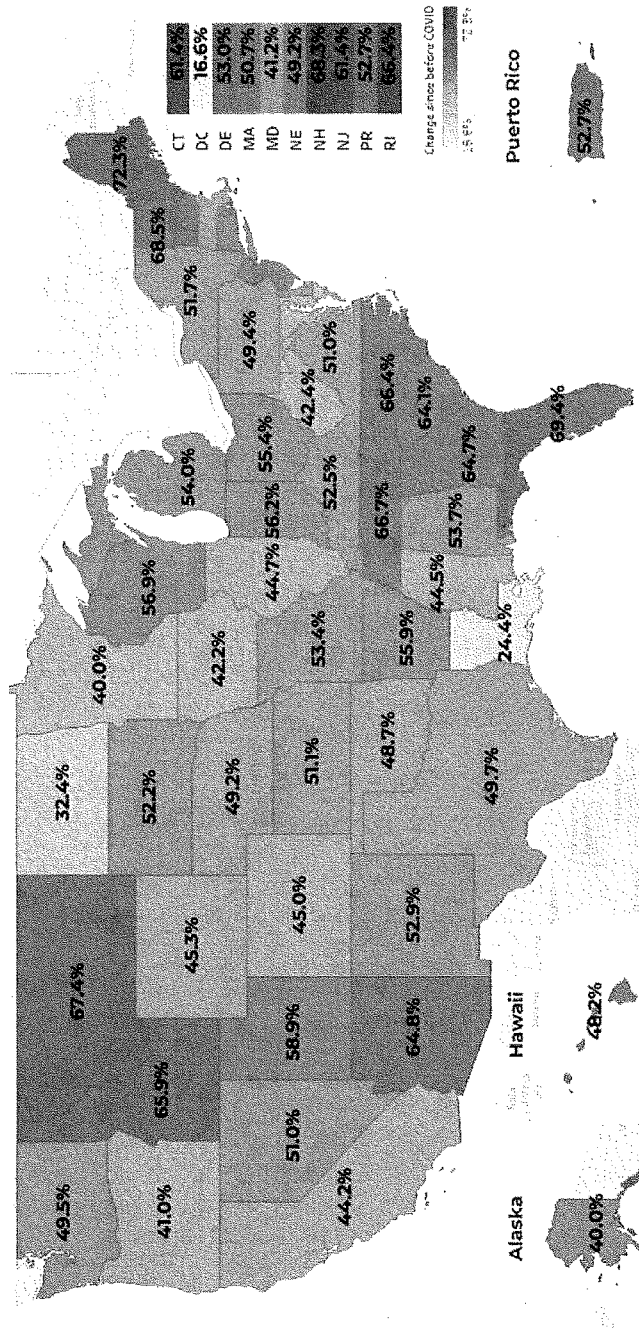


\$0
2010 - Jan
Existing New
2025 Jan

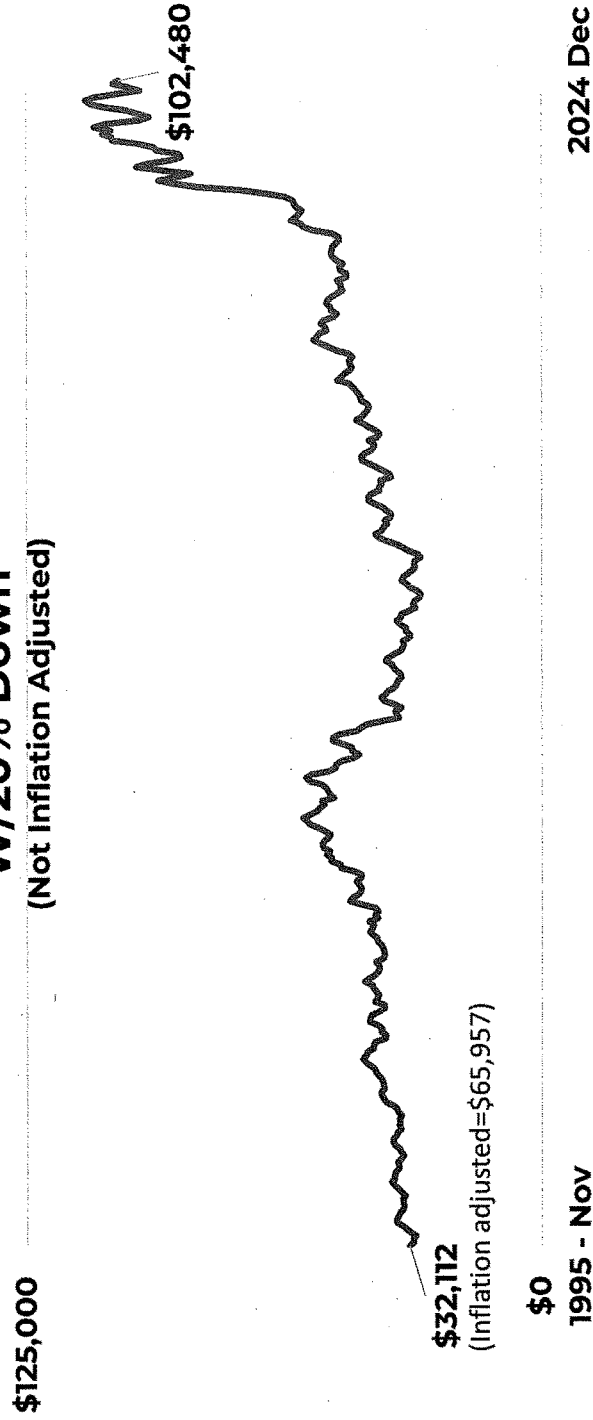


Source: NAR Existing-Home Sales <https://www.nar.realtor/research-and-statistics/housing-statistics/existing-home-sales>
Census/HUD <https://www.census.gov/construction/nsl/current/index.html>

Home Price Appreciation % change from Q1 2020 to Q3 2024



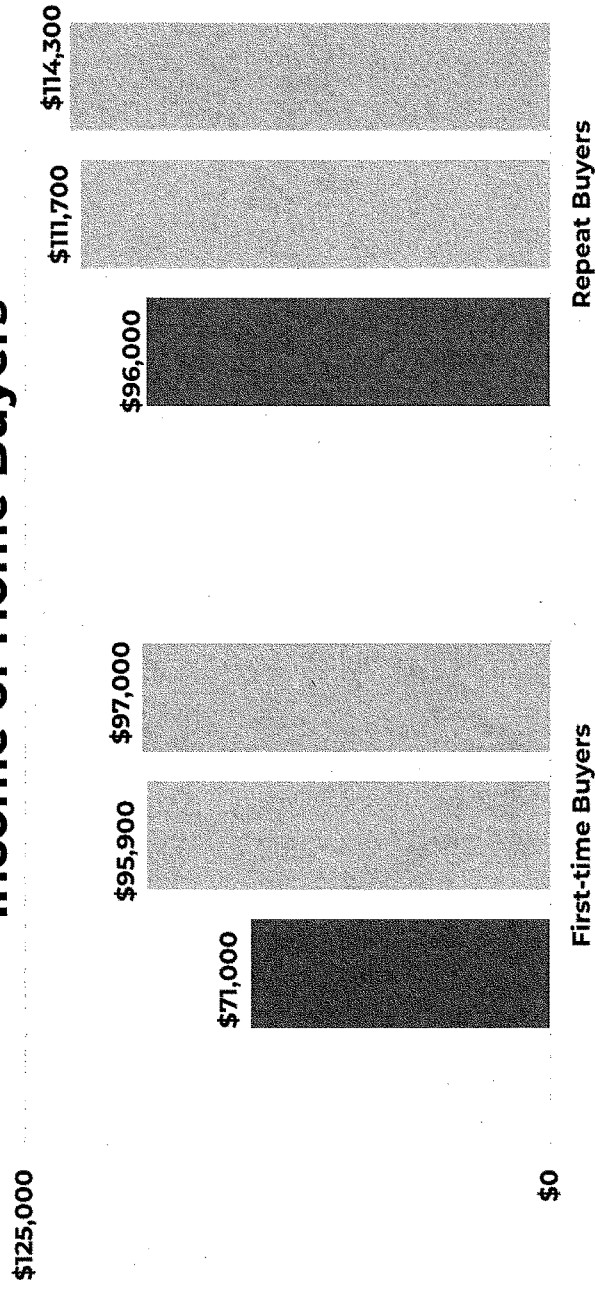
Qualifying Income Needed for Median Priced Home W/20% Down (Not Inflation Adjusted)



Source: NAR Housing Affordability Index
<https://www.nar.realtor/research-and-statistics/housing-statistics/housing-affordability-index>



Income of Home Buyers

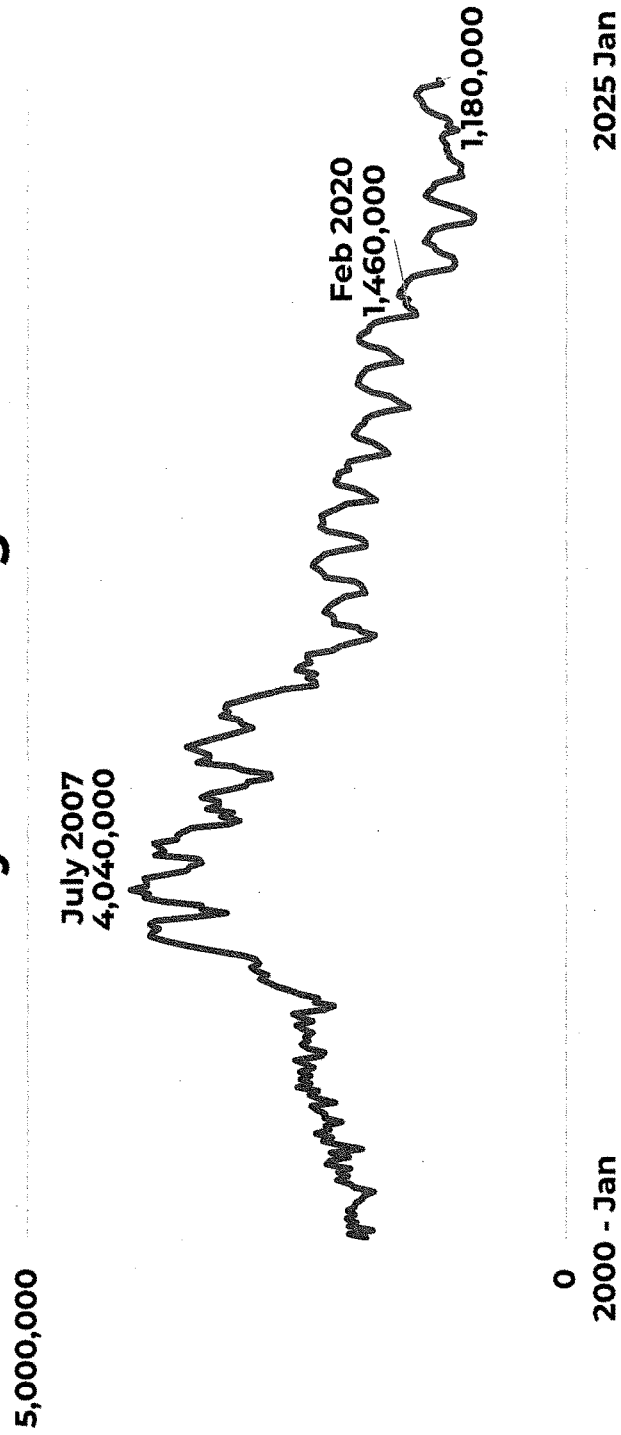


■ 2021 Household Income ■ 2022 Household Income ■ 2023 Household Income



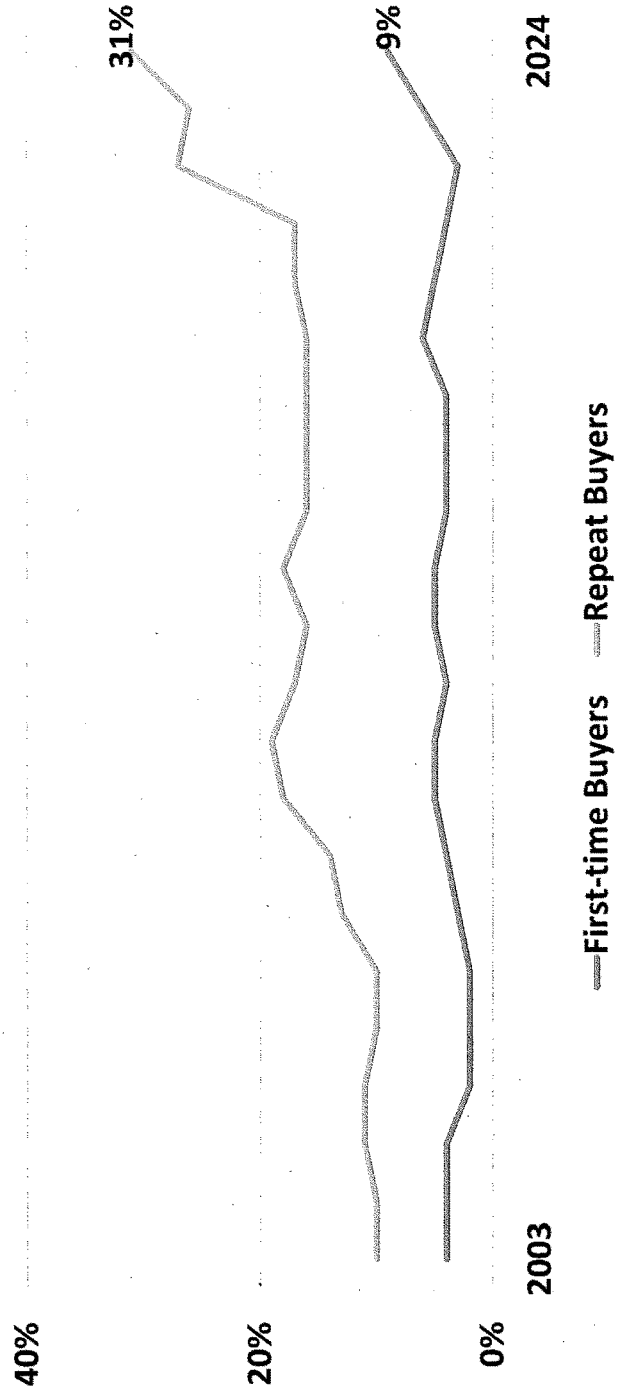
Source: Profile of Home Buyers and Sellers www.nar.realtor/research-and-statistics/research-reports/highlights-from-the-profile-of-home-buyers-and-sellers

Inventory of Existing Homes



Source: NAR Existing-Home Sales www.nar.realtor/research-and-statistics/housing-statistics/existing-home-sales

All Cash Buyers Hit All-time High

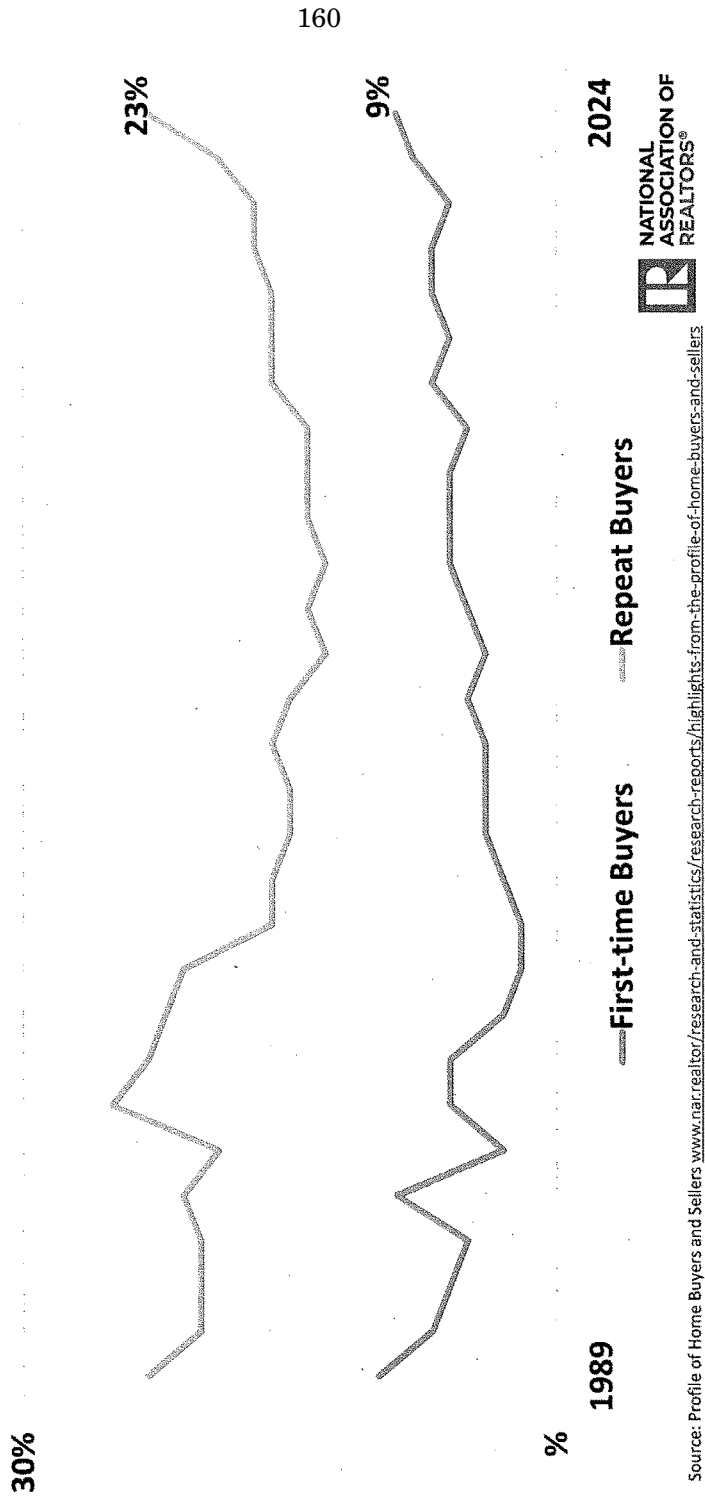


Source: Profile of Home Buyers and Sellers www.nar.realtor/research-and-statistics/research-reports/highlights-from-the-profile-of-home-buyers-and-sellers



NATIONAL
ASSOCIATION OF
REALTORS®

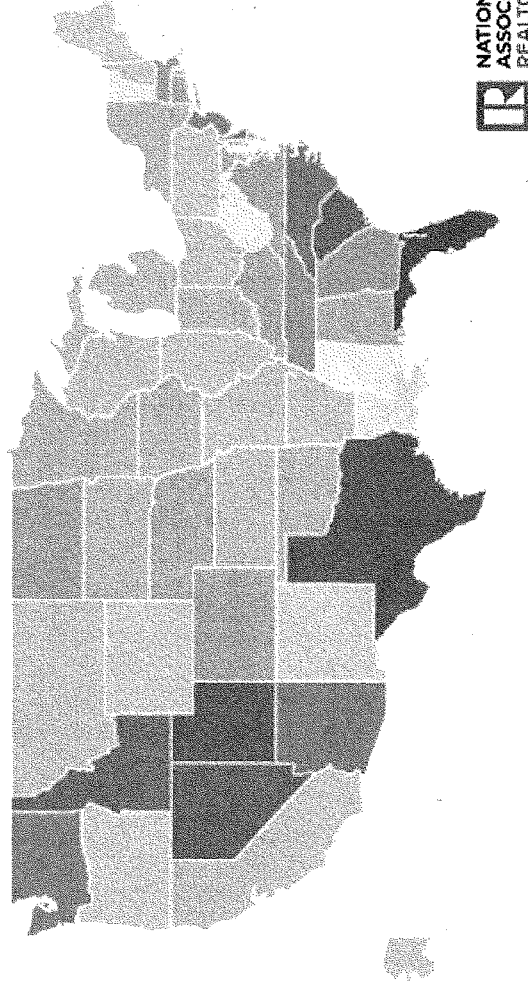
Downpayments Trend Higher





On the Move

Largest Percent Growth in Population: DC, Florida, Texas, Utah, South Carolina, Nevada, Idaho



Source: U.S. Census Bureau, Vintage 2024 Population Estimates



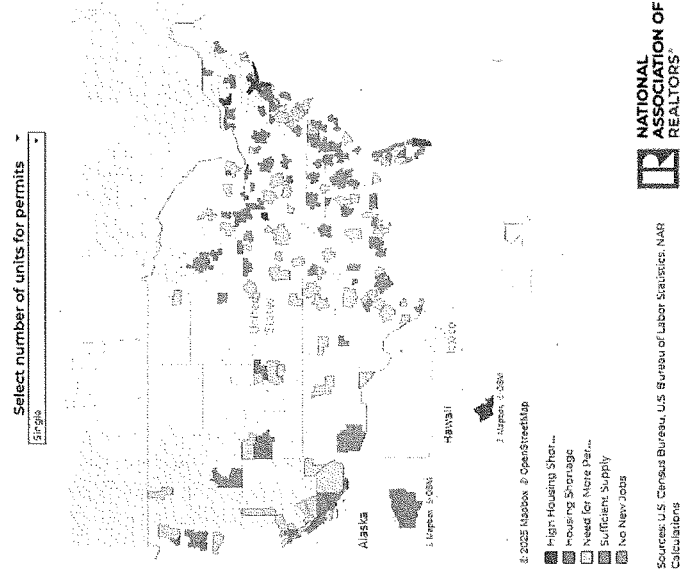
Source: Behind the Numbers: Top 15 States for Population and Migration Trends in 2024 <https://www.nar.realtor/blogs/economists-outlook/behind-the-numbers-top-15-states-for-population-and-migration-trends-in-2024>

**121 metro areas have
supply shortage**

**Historically:
1 new single-family
permit issued for
2 new jobs**

Source: Housing Shortage Tracker: Insights From the Final Quarter of 2024
<https://www.nar.realtor/blogs/economists-outlook/housing-shortage-tracker-insights-from-the-final-quarter-of-2024>

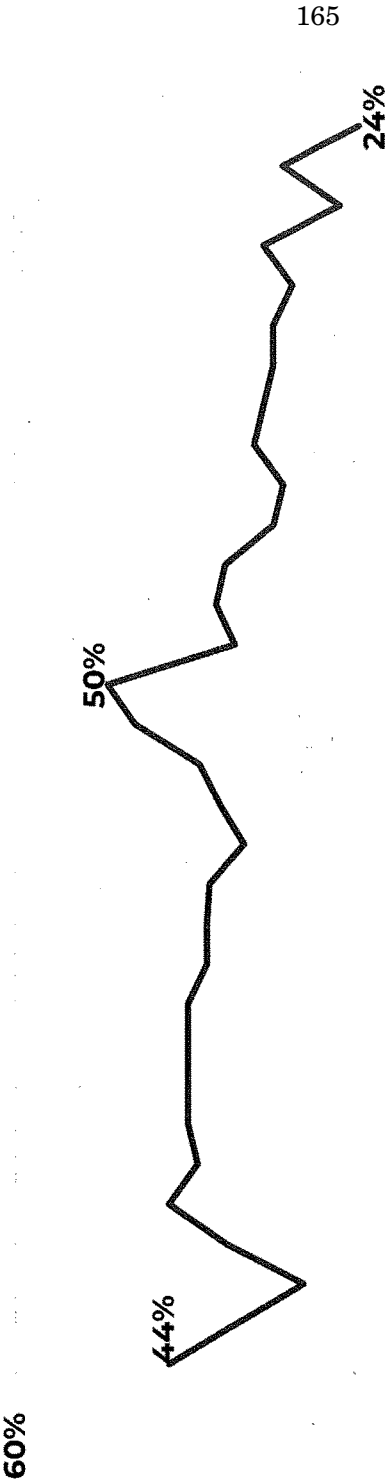
Housing Shortage Index by Metropolitan Area,
December 2024



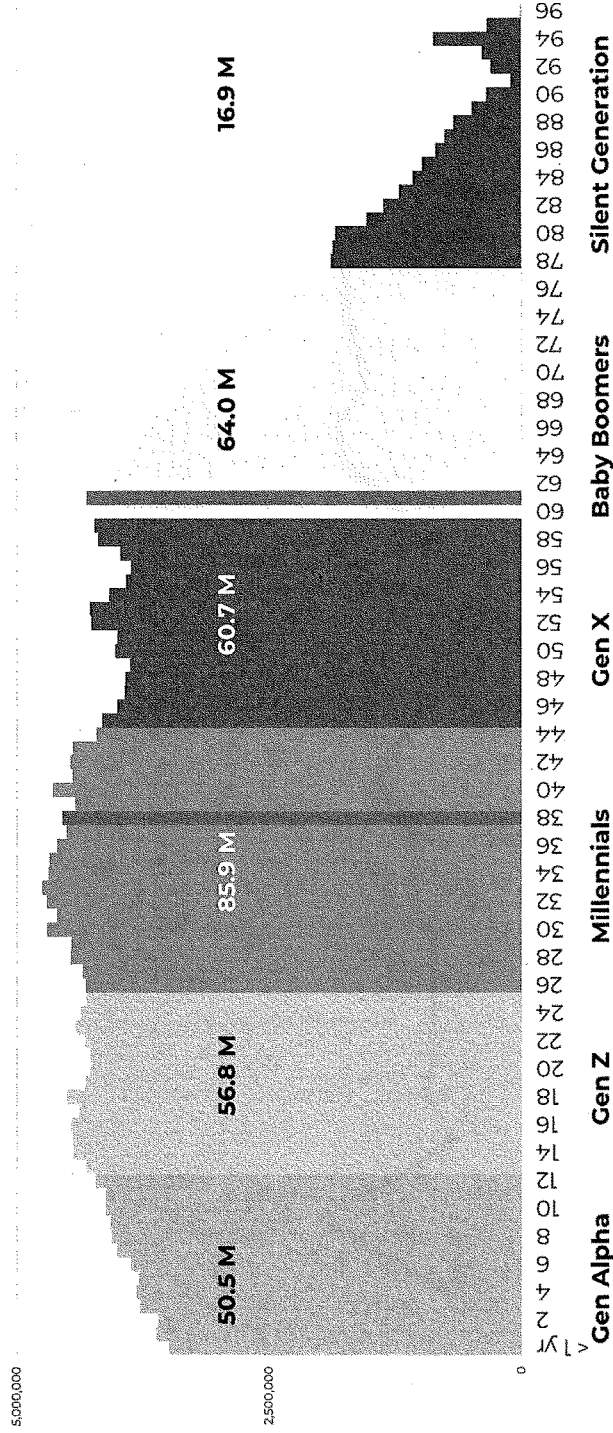
First-time Buyers and Age



First-time Home Buyers Hit All-Time Low



U.S. Population by Age (in 2023)



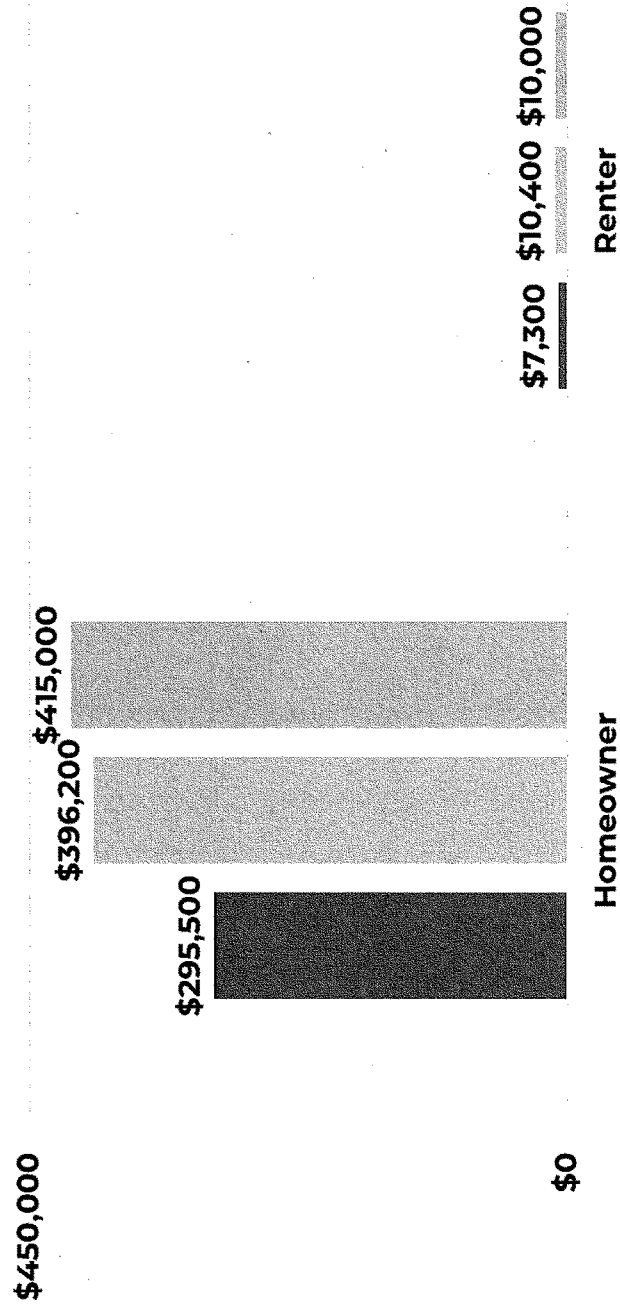
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Source: ACS PUMS 2023, 2024 Profile of Home Buyers and Sellers <https://www.nar.realtor/research-and-statistics/research-reports/highlights-from-the-profile-of-home-buyers-and-sellers>

Net Worth and Impact to GDP



Median Net Worth



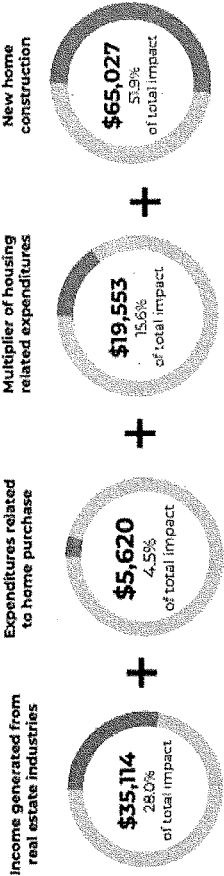
Source: Board of Governors of the Federal Reserve System, The 2022 Survey of Consumer Finances <https://www.federalreserve.gov/econres/scfindex.htm>

THE ECONOMIC IMPACT
OF A TYPICAL HOME SALE

in the United States

The real estate industry accounted for **\$5.0** trillion or **17.7%** of the gross state product in 2024.

TOTAL ECONOMIC IMPACT
\$125,300



Source: State by State Economic Impact Reports <https://www.nar.realtor/reports/state-by-state-economic-impact-of-real-estate-activity>



THANK YOU.



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<https://www.linkedin.com/showcase/narresearch>
 Blog: www.nar.realtor/blogs/economists-outlook

THAT'S WHO WE 



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

February 27, 2025

[REDACTED]
Executive Director
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Subject: Termination Notice for Fair Housing Initiatives Program (FHIP) [REDACTED]

Dear [REDACTED],

The United States Department of Housing and Urban Development (HUD), at the direction of the President of the United States pursuant to the Executive Order 14158, "Establishing and Implementing the President's 'Department of Government Efficiency'", and at the direction of said Department of Government Efficiency (DOGE), issues this notice of termination according to 2 CFR 200 subpart D. This notice serves to inform [REDACTED] that HUD intends to terminate the subject award effective February 27, 2025.

This notice of termination has been finalized in coordination with the subject award's program office partners, including the HUD Offices of General Counsel (OGC), and HUD Offices of Fair Housing and Equal Opportunity (FHEO).

HUD is terminating this award because it no longer effectuates the program goals or agency priorities.

HUD intends to terminate the subject award for \$ [REDACTED] or the balance remaining, pending final billing.

Effective February 27, 2025, all obligations and activities under the grant number [REDACTED] will cease, subject to the termination conditions below:

All closeout actions must be completed within 120 days of the termination date.

1. **Final Report:** Within 60 days, submit the final report, including the final SF-425, to the Regional Office Government Technical Representative (GTR)/Government Technical Monitor (GTM), **marked as final**. Submit a copy of the final report and all final products/deliverables not previously submitted to the GTR/GTM.
2. **Final Billing:** If the organization has incurred any expenses prior to the date of termination, please provide a detailed accounting of the expenses to the GTR/GTM, for review and payment within the next 60 days. Please note that any funds owed to the Government will be deducted from any final payments

made. If the GTR/GTM does not hear from you within that time period, we will assume no additional payments are warranted and will commence closeout procedures on each grant.

3. **Closeout:** Within 15 business days of receipt of your final report to the GTR/GTM, the GTR/GTM will prepare and submit to you the final performance assessment report. You will have 30 days from receipt of the report to review and provide any comments (e.g., rebut evaluation and/or rating, etc.), as applicable. If you decide not to provide comments, the rating becomes final after 30 days.

Additional details on closing your award can be found in the Applications and Awards Policies and Procedures Guide (AAPPG), which is accessible through the [Fair Housing Initiatives Program \(FHIP\)](#) webpage. You may also contact your Regional Office for additional guidance.

You may appeal HUD's decision to terminate the subject award by sending an e-mail to AllAboutFHIP@hud.gov. Any appeals must be delivered to AllAboutFHIP@hud.gov within 30 calendar days of the date of this letter.

HUD appreciates the efforts your organization has made in promoting fair housing. If you have any questions regarding this notice or require assistance with the closeout process, please contact AllAboutFHIP@hud.gov.

Sincerely,

**MATTHEW
AMMON**

Digitally signed by
MATTHEW AMMON
Date: 2025.02.27
18:00:06 -05'00'

Matthew E. Ammon
Performing the Delegable Duties of the
Deputy Secretary
U.S. Department of Housing and Urban
Development

cc: [REDACTED]



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Fort Worth Regional Office, Region VI
Office of Fair Housing & Equal Opportunity
307 W. 7th Street, Suite 1000
Fort Worth, TX 76102
Phone 1-888-560-8913 - Fax (202) 485-9115
www.hud.gov

February 21, 2025

[REDACTED]
[REDACTED]

Dear [REDACTED]

SUBJECT: Housing Discrimination Complaint
[REDACTED]

On [REDACTED], this Office received your complaint regarding your housing concern. This Office is responsible for investigating allegations of discrimination in housing and housing related services. We are also responsible for assuring that recipients of Federal financial assistance from the U.S. Department of Housing and Urban Development administer their programs in a non-discriminatory manner. Based upon our review of your complaint, we have determined housing decisions based upon one's sexual orientation are not subject to federal fair housing laws. You are advised to contact your city attorney's office and state attorney general's office to determine whether you may file a claim based upon state or local law. Therefore, we cannot accept your complaint for processing.

If you have any questions, please feel free to contact lincoln.s.williams@hud.gov **Linc Williams** at 210-475-6895 or 1-888-560-8913. If you are hearing impaired, you may call 1-800-735-2989.

Sincerely,
L. Williams on behalf of,

Calvin M. Hooper
Intake Branch Chief, Region VI
Office of Fair Housing and Equal Opportunity



Striving to Build Better Communities

630 Eye Street, NW Washington, DC 20001
T: (202) 293-5820 W: www.coscda.org

Statement for the Record
Council of State Community Development Agencies
Tess Hembree, Executive Director
U.S. House Subcommittee on Housing and Insurance
“Building Our Future: Increasing Housing Supply in America”
March 4, 2025

The Council of State Community Development Agencies (COSCD A) applauds Chair Flood, Vice Chair De La Cruz, Ranking Member Cleaver, and members of the Subcommittee on Housing and Insurance for exploring housing supply solutions. COSCD A represents state agencies that administer Dept. of Housing and Urban Development (HUD) grants to mostly small and rural communities outside large metropolitan areas. We support the common interest of state agencies, with major emphasis on community development, affordable housing, local economic development and state-local relations.

Housing supply in general—and affordable housing especially—is increasingly scarce throughout the country. Federal investments through the Department of Housing and Urban Development (HUD) provide critical financing that supports the creation and preservation of housing supply in every single state. COSCD A members administer at least three programs with successful record of increasing housing supply: the HOME Investment Partnerships Program (HOME), the Community Development Block Grant (CDBG) program, and the National Housing Trust Fund (HTF).

HOME Investment Partnerships Program (HOME)

HOME is the only federal housing program exclusively focused on providing states and local communities with flexible financing to address their most pressing affordable housing needs. HOME program resources are used efficiently to support tens of thousands of homes every year. Since 1992, HOME has constructed and rehabilitated **more than 1.38 million units of affordable housing**¹. HOME has an excellent return on investment – HUD estimated that at the FY24 appropriated level of \$1.25 billion, HOME would leverage approximately **\$6 billion in additional public and private investment**².

Appropriated HOME funds fall short of community need. In 2021, 39 state-administered HOME programs reported \$697 million in project requests compared to \$480 million committed through available funds³. Moving forward, COSCD A urges Congress to provide increased HOME funding to help address the growing housing supply shortage.

Congress should also work to improve the HOME program through legislative action. COSCD A recommends including the following in any HOME legislation:

¹ HUD Exchange. [HOME National Production Report](#). September 30, 2024.

² U.S. Department of Housing and Urban Development. FY2025 Budget. [Congressional Justifications – HOME Investment Partnerships Program](#). March 11, 2024.

³ National Council of State Housing Agencies. [2022 State HFA Factbook](#). 2022.

- Update the authorized HOME funding level to keep pace with inflation and rising construction costs.
- Focus on completion deadline compliance rather than commitment deadlines when monitoring HOME program performance.
- Update the Community Housing Development Organization (CHDO) set-aside and broaden it to include other non-profits.
- Increase the program's administrative cap to 15%.
- Invoke one national standard in HOME property inspections.
- Modernize the HOME qualification standard, ensuring program funds can be adequately managed and targeted to maximize housing development.

Community Development Block Grant Program (CDBG)

For the past five decades, the CDBG program has been one of the most important resources used by state and local governments to meet community development needs. Communities use CDBG funding for public infrastructure, housing, economic development, and public services. CDBG helps preserve affordable housing and expand housing supply. **Since FY05, CDBG-funded housing activities have directly benefited over 2 million households** across the country through unit rehabilitation, homeownership assistance, construction, and more. CDBG also has a great return on investment with every dollar of 2022 CDBG funding **leveraging an average of \$5.02 in local investment**⁴.

State and local communities often receive more CDBG funding requests than they can accommodate. When appropriations decline or remain flat, CDBG administrators cannot accomplish as many projects for their communities when faced with the reality of rising construction and labor costs. COSCDA believes a targeted increase to CDBG is justified and would result in an increase in housing supply and repairs in communities across the nation.

COSCDAs urge Congress to improve the CDBG program while supporting the role of state agencies. State CDBG grantees direct CDBG program funding to aid small and rural communities. Program updates would be advantageous in providing more support to these important but continually neglected places in our country. COSCDA recommends the following common-sense improvements to the CDBG program:

- Provide funding that keeps pace with inflation and increased project costs.
- Broaden CDBG's impact by **making construction of new housing an eligible activity**.
- In response to increasing need and a variety of new regulations, enhance administrative resources and technical assistance for rural communities by raising the state's administrative and Technical Assistance cap to 6%.
- Ease state budget constraints by increasing the administrative match threshold to every dollar over the first \$500,000 matched by state funds.

National Housing Trust Fund (HTF)

The HTF, established through the Housing and Economic Recovery Act of 2008, directs funds to states for affordable housing development aimed at households with ongoing and significant housing instability. The program is funded through an annual assessment from the Federal Housing Agency (FHA) on mortgage receipts. Since launching in 2016, the HTF has facilitated the development of **more than 6,700 units of**

⁴ U.S. Department of Housing and Urban Development. FY2025 Budget. Congressional Justification – Community Development Fund. March 11, 2024.

affordable housing⁵. The program often supports related investments from HOME and the Low-Income Housing Tax Credit (LIHTC). **Every dollar of HTF leverages an estimated \$10.04** from other public and private sources⁶. HTF has been a successful model for serving individuals at the lowest incomes who are not as well supported through other programs and should continue to be supported.

Federal Investments Are Critical

Without federal support, many state and local housing supply efforts would not be feasible. For example, **\$700,000 in HOME funding enabled the small community of Owensboro, Kentucky to build 12 units** of affordable, permanent housing for those transitioning out of homelessness from the Daniel Pinto Shelter⁷. Additional funding leveraged for the Nicky Hayden Apartments included \$600,000 from the Federal Home Loan Bank of Cincinnati, \$200,000 from the Housing Trust Fund, and \$91,840 in private financing.

HOME, CDBG, and HTF are key investments in housing supply—especially affordable housing—that is simply not available to the same degree at the local and state levels. COSCDA urges the Subcommittee on Housing and Insurance to recognize the value of these programs and commit to supporting and improving them for the future.



Tess Hembree, Executive Director
Council of State Community Development Agencies (COSCDA)

⁵ HUD Exchange. [HTF National Production Report](#). September 30, 2024.

⁶ Ibid.

⁷ HOME Coalition. [HOME Project Profile – Nicky Hayden Apartments](#). N.d.



March 1, 2025

Hon. Mike Flood, Chairman
Subcommittee on Housing and Insurance
House Committee on Financial Services
2219 Rayburn House Office Building
Washington, DC. 20515

Hon. Emanuel Cleaver II, Ranking Member
Subcommittee on Housing and Insurance
House Committee on Financial Services
2219 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Davidson and Ranking Member Cleaver II:

Thank you both for the opportunity to submit a letter for the record for the March 4, 2025, hearing, "Building Our Future: Increasing Housing Supply in America," hosted by the Subcommittee on Housing and Insurance of the House Financial Services Committee.

The Center for Responsible Lending (CRL) is an affiliate of Self-Help, a community development financial institution headquartered in Durham, NC. Since 1980, Self-Help has provided over \$11 billion in financing to 168,000 families, individuals, and businesses underserved by traditional financial institutions. Self-Help has accomplished that goal by financing hundreds of homebuyers each year and providing affordable financing for nonprofits, child-care centers, community health facilities, public charter schools, and other residential or commercial real estate projects. Through its credit union network, Self-Help also serves over 190,000 people by offering a full range of financial products and services in states nationwide—including North Carolina, South Carolina, California, Illinois, Florida, Georgia, Washington State, and Wisconsin.

Since 1969, the nonprofit [National Consumer Law Center® \(NCLC®\)](#) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people in the United States. NCLC's expertise includes policy analysis and advocacy; consumer law and energy publications; litigation; expert witness services; and training and advice for advocates. NCLC works with nonprofit and legal services organizations, private attorneys, policymakers, and federal and state government and courts across the nation to stop exploitative practices, help financially stressed families build and retain wealth, and advance economic fairness.

The lack of housing supply is a significant issue and presents a barrier to homeownership. The Urban Institute calculates that there is a supply shortage of 4.9 million housing units.¹ We are grateful that the Subcommittee is holding this hearing and recognizing the role these supply shortages play in the housing crisis.

However, housing supply is only one half of the housing crisis problem; the other half is affordability. Homeownership rates will not increase, no matter how many new homes are built, if these homes are too expensive for consumers to purchase. Several proposed policies and actions advanced both by members of the 119th Congress and by the second Trump Administration have the potential to increase unaffordability, thus undermining the positive effect an increase in housing supply will have in helping to relieve the housing crisis.

First, the Administration's tariffs and deportation policies will increase the costs of building these new homes. The proposed tariffs will increase construction costs by as much as 25% because the Administration has proposed 25% tariffs on all imports from Canada including lumber -- one of the most imported materials from Canada.² Other building materials like steel and aluminum are also expected to be taxed with tariffs, further increasing costs above this 25%. Labor is always the most expensive category in any construction project. The loss of skilled and unskilled labor through increased deportation policies will skyrocket labor costs. This labor shortage will also slow down the number of new homes that can be built because there will not be enough workers to meet the current supply demand. These additional costs will raise the price of these new homes, resulting in their being unaffordable to many consumers.

Second, affordability rests on consumers' ability to access credit at reasonable rates. The Administration's plan to significantly cut the federal workforce of the Consumer Financial Protection Bureau (CFPB) and the Federal Housing Administration (FHA) at the U.S. Department of Housing and Urban Development (HUD) will negatively impact access to credit.

The CFPB has created concrete standards like the qualified mortgage safe harbor to the ability-to-repay rule, which creates more predictability and certainty in the lending process and lowers financial institutions' litigation costs by barring some claims from being filed. The CFPB also provides stability to the mortgage marketplace through standardization of practices and forms, which lowers financial institutions' costs. These cost saving actions result in increased access to affordable credit for more consumers.

¹ Patel, Elena, Aastha Rajan, and Natalie Tomeh. "Make It Count: Measuring Our Housing Supply Shortage." Brookings Institution, 26 Nov. 2024, <https://www.brookings.edu/articles/make-it-count-measuring-our-housing-supply-shortage/>.

² "Trump lumber tariff threat is latest headache for homebuilders." Axios, 1 Mar. 2025, <https://www.axios.com/2025/03/01/trump-tariffs-lumber-homes>.

A significant cut to the FHA workforce will result in limiting the number of new homeowners. "In FY 2024, FHA insured more than 498,000 first-time homebuyers.... [p]roposed reductions would curtail FHA's ability to originate loan guarantees and manage assets. Without the ability to process and issue mortgage insurance in a timely fashion, lenders will decline to participate in FHA lending...and prospective homeowners find their home mortgage options increasingly limited. Further, the effects would have a disproportionate impact on working class families. FHA mortgages are often the debt products of "last resort" for borrowers whose credit scores or loan-to-value ratios disqualify them from more conventional options."³ At the same time, plans to cut staff at the FHA National Servicing Center in Oklahoma will prevent FHA homeowners from resolving problems with their mortgage servicers, resulting in unnecessary foreclosures and avoidable losses to the FHA insurance fund.

We understand that the Subcommittee has decided not to investigate affordability during this hearing. We urge the Subcommittee to give affordability equal weight when addressing the housing supply shortage. Failing to address affordability will exacerbate the housing crisis instead of alleviating it.

Thank you again for the opportunity to present our thoughts for the hearing record.

Sincerely,

The Center for Responsible Lending

National Consumer Law Center (on behalf of its low-income clients)

³ Up for Growth Staff. "What HUD Cuts Could Mean for Housing Supply." Up for Growth, 24 Feb. 2025, https://upforgrowth.org/news_insights/what-hud-cuts-could-mean-for-housing-supply/.



Statement for the Record
House Financial Services Committee
Housing and Insurance Subcommittee
“Building Our Future: Increasing Housing Supply in America”
March 4, 2025

Dear Chairman Flood, Ranking Member Cleaver, and members of the subcommittee:

We write today to thank you for holding the hearing titled ‘Building Our Future: Increasing Housing Supply in America’, and appreciate the opportunity to submit a statement for the record.

Our organization, the National Community Stabilization Trust (NCST), is a national nonprofit that supports families and communities by restoring distressed single-family homes, strengthening neighborhoods, and increasing sustainable and affordable homeownership opportunities. NCST offers a multifaceted approach to revitalize vacant and defaulted properties, further best practices for community development across the nation, and advance federal policies to support affordable and equitable homeownership.

To ensure NCST’s policy recommendations are rooted in the practitioner perspective, we manage a nonprofit-led advocacy coalition called the Homeownership Alliance consisting of housing organizations and community development financial institutions (CDFIs) across the country.¹ The Alliance ensures NCST’s policy recommendations yield efficient delivery of affordable, owner-occupied units on the ground. Together, NCST and the Homeownership Alliance work to elevate the successes and pitfalls of federal homeownership policies, address the decreasing single-family housing stock that hinders potential homebuyers from entering the market, and advocate for enhanced resources to improve affordable homeownership opportunities for working families.²

Single-Family Housing Supply Shortage

Today’s homebuyers and homebuilders are faced with an unprecedented economic landscape due to a historic lack of affordable supply. Record-high mortgage rates, increased construction and labor costs, and market volatility due to inconsistent trade policy declarations are all detriments to increasing the supply of housing. Entities seeking to add new single-family homes to the market at a price that families can afford are experiencing trepidation and uncertainty, limiting the scale of their work. Homebuyers face serious affordability concerns as 77% of households are unable to afford today’s new median-priced home, further exacerbated by the lack of affordable supply options.³ In a recent report by the National Association of Realtors (NAR), the shortage of available affordable homes for middle-income homebuyers is drastic, with a missing 320,000 listings from the market at a value up to \$265,000.⁴ A shrinking housing supply has constrained the

¹ [Homeownership Alliance](#) (March 2025).

² In addition to our federal advocacy work, NCST focuses on how vacant, defaulted, and distressed homes can be rehabilitated to increase supply and thereby increase America’s homeownership rate. This is achieved through our collaboration with over 300 community buyers, as well as our creation of the Homeownership Alliance. NCST develops innovative methods to stabilize communities by ensuring distressed units are rehabilitated, brought into the market, and sold at an affordable price point to prospective lower- and middle-income homeowners.

³ [National Association of Home Builders](#) (March 2025).

⁴ [Housing Affordability & Supply Report](#) (June 2023). National Association of Realtors.



opportunities available to those seeking to build wealth through homeownership because there simply are not enough units.

A lack of patient, flexible capital for affordable housing also plays into this issue, as many of the existing federal resources are not adequately designed to support single-family homes. Many of these programs could benefit from simple, no-cost regulatory reforms to ensure the public dollars flow efficiently, make an impact on the ground, and are executed due to their statutory purpose. It is important to note that programmatic reform does very little to support supply without programmatic investment, and we call on Congress to provide sufficient funding for federal programs that support affordable housing development under both the Department of Housing and Urban Development (such as HOME, CDBG and SHOP) and the Department of Treasury (such as the CDFI Fund).

Importance of a Nonprofit Delivery System

It is NCST's fundamental belief that robust engagement with on-the-ground, mission-driven practitioners is a central component in increasing homeownership. Many nonprofit housing organizations revitalize the nation's dormant housing stock through acquiring and rehabilitating distressed assets, and their commitment to affordability increases opportunities for families to own their own homes versus relying on market forces alone. Embracing a nonprofit delivery system as a method to responsibly rehabilitate and resell distressed properties guarantees these units are kept in the hands of owner-occupants. Additionally, nonprofit developers expertly navigate the complex housing finance space to add to the number of newly-constructed homes to the market - while selling the homes at an affordable price as is their mission.

Housing nonprofits have their finger on the pulse of the economic challenges faced by everyday Americans, and can expertly leverage federal funds, pair public dollars with private investment, and weave around the ever-changing regulatory environment to ensure development resources are put to their statutorily-intended uses. In fact, some members of the Homeownership Alliance have cited instances of potential, and in some cases successful, collaboration between mission-based nonprofits and private investors. Adding to our waning housing supply in communities across the nation will require a wide variety of financing tools; as the subcommittee determines legislative priorities to reform existing housing programs to maximize efficiency, ease of nonprofit participation must be a priority.

Supporting mission-driven developers as key contributors to supply for homebuyers will ensure an increase of affordable units for working families. Nonprofit organizations, including NCST's community buyers and members of the Homeownership Alliance, are best equipped to respond to community needs. Willing investor partners can provide the sale of properties to expand the portfolio of units available for sale at affordable rates. This unlocks more supply opportunities for owner-occupancy, as well as responsibly-managed rental units while charting a path for homeownership. Congress can support these efforts by providing flexible capital to nonprofit developers,⁵ incentivizing these partnerships wherein a for-profit entity empowers a nonprofit's mission, and designing national programs based on proven local models.

⁵ NCST and the Homeownership Alliance commend the release of the [Housing Production - Financial Assistance](#) program through the CDFI Fund and strongly encourage the continued support and funding to maximize its impact. This \$100 million in affordable housing supply resources is a critical tool for developers seeking to finance the production of much-needed affordable homeownership opportunities. As the demand for affordable homeownership continues to grow, sustaining and expanding this program will be essential to ensuring that even more low- to moderate-income individuals obtain affordable homeownership.



The Neighborhood Homes Investment Act

Congress can also support affordable supply by passing the Neighborhood Homes Investment Act.⁶ This bipartisan legislation would create a tax credit to build or rehabilitate 500,000 owner-occupied homes over a decade. NCST supports the Neighborhood Homes Investment Act as a way to bridge the valuation gap faced by many communities where the price of the home is lower than the cost to construct or rehabilitate. With this mission in mind, NCST co-leads the Neighborhood Homes Coalition, a collective advocacy effort aimed at advancing the Neighborhood Homes Investment Act to passage.⁷

If signed into law, the Neighborhood Homes Investment Act would create a first-of-its-kind federal tax credit that is solely focused on increasing affordable homeownership through incentivizing single-family development. The subcommittee rightly points out that the lack of single-family housing is especially pronounced. A Neighborhood Homes tax credit would address this issue by covering the gap between the cost of building or renovating homes and the price at which they can be sold to working families. This makes renovation and new home construction possible in a way that does not exist under our nation's current economic conditions. The Neighborhood Homes Investment Act creates jobs, stabilizes communities, and provides a much-needed resource for developers to access in order to ensure single-family homes are built and purchased at an affordable pricepoint.

NCST's Expansion of Affordable Owner-occupied Supply

Acquisition Bridge Fund. One avenue to create new homeowners is through NCST's launch of the Acquisition Bridge Fund (ABF). This initiative provides early mission-based bridge capital to support home seekers who have been pre-approved for conventional or portfolio mortgage financing for a home purchase. This bridge capital helps home seekers operate competitively in limited-supply markets with cash buyers, including large institutional investors. Eligible properties include single-family properties with a purchase price at or below \$250,000. Ensuring affordability for these homebuyers is crucial, particularly as home prices remain out of reach for many families, resulting in a below-average homeownership rate.⁸

ABF is structured as a revolving fund using philanthropic investments to help homebuyers access early, flexible capital to purchase residential properties and compete with cash investors. Eligible ABF homebuyer clients can access this resource by working with NCST to identify an eligible property for the program, after which NCST acquires the property on the homebuyer's behalf utilizing ABF interim capital for the initial purchase. This structure allows the homebuyer to secure their preferred property quickly and subsequently finance their purchase of the property from NCST with the assistance of a lender.

Developing Affordable Starter Homes (DASH) Fund. NCST has also taken on a lending initiative to better support small, emerging developers seeking to revitalize distressed communities. The DASH Fund⁹ provides flexible, well-priced capital to small entrepreneurs who acquire, renovate, and re-sell single-family homes to

⁶ H.R. 3940.

⁷ Neighborhood Homes Investment Act, Neighborhood Homes Coalition.

⁸ The National Association of Realtors found that first-time homebuyers made up a historic low of just 24% of all homebuyers in 2024. (2024). National Association of Realtors.

⁹ Dash Fund, (2024). NCST.



owner-occupants in neighborhoods suffering from disinvestment. By supporting these developers through flexible financing and project management, DASH helps to accelerate the production of quality, affordable units made available for both low- and moderate-income households.

To ensure DASH yields the intended outcome of affordable owner-occupancy, completed rehabilitation projects are limited to a maximum sales price of no more than \$350,000 to preserve affordability. The small developer receiving the funds is required to commit to homeownership as the intended outcome, and the program is designed to support a broad group of eligible developers by providing small balance loans, as opposed to a handful of developers conducting this work with larger credit lines.

NCST has partnered with the Neighborhood Impact Investment Fund and Baltimore City Department of Housing & Community Development to launch DASH in Baltimore. We support any Congressional efforts to replicate this program at a larger scale, allowing CDFIs and lenders greater ability to support small, mission-driven developers in their crucial work of rehabilitating and developing dormant supply.

First Look. NCST's flagship property acquisition program, First Look,¹⁰ delivers real estate-owned (REO) and auction inventory to nonprofits with affordable homeownership as their central mission. First Look gives local community buyers the opportunity to obtain properties in their market areas before the units are marketed more broadly. In many cases, REO properties can be acquired at a discount to assist the financial feasibility for nonprofit buyers to rehabilitate these properties for new homeowners.

Our First Look approach has proven to be a best practice in making more single-family homes available to eligible households and nonprofits, as opposed to large investors. Over the past 15 years, this method has produced over 28,000 transactions totaling over \$1.8 billion and has provided over \$325 million in savings to our community buyers.¹¹ Our success and experience led NCST to be a natural partner to HUD for the National HUD First Look Program¹² and facilitated FHA First Look REO sales from 2011 to 2016. In 2022, the FHA issued a mortgagee letter¹³ improving the program's Claims Without Conveyance of Title (CWCOT) process as a means to expand affordable housing supply. This regulatory action allowed a 30-day exclusive period, giving buyers (owner-occupants, HUD-approved nonprofits, and government entities) an opportunity to bid on foreclosed properties ahead of investors. NCST views this as a welcome first step and continues to engage with the Department on additional recommendations¹⁴ to improve community outcomes amid the sale of distressed assets.

Specifically, in order to expand the pool of certified buyers and ensure these properties end up in the hands of responsible entities with a mission of community revitalization, NCST has called on HUD to establish a Certified Buyer Program, managed by a qualified and experienced third-party provider on behalf of HUD, solely for CWCOT First Look eligibility. The Preserving Homes and Communities Act of 2024, introduced by Senator Jack Reed (D-RI), would codify such a program into law, permitting well-equipped nonprofit entities, such as NCST, to carry out activities related to approval and monitoring under CWCOT.¹⁵

¹⁰ [Property Acquisition](#), (2024). NCST.

¹¹ [About](#), (2024). NCST.

¹² [FHA First Look Sales Method for NSP Grantees](#), (2024). Department of Housing and Urban Development.

¹³ [Mortgagee Letter 2022-08](#), (May 2022). Department of Housing and Urban Development.

¹⁴ [NCST's Response to ML 2022-08](#), (June 2022). NCST.

¹⁵ [S.3784](#).



For over a decade, we have collaborated with our broad pool of buyers purchasing distressed assets and returning them to productive use in communities. Not only does this legislation have the potential to unlock new affordable supply for aspiring homeowners, but it would prioritize economic mobility for American families over corporate investor interests. As such, we urge Congress to take swift action in reintroducing and passing the Preserving Homes and Communities Act.

NCST appreciates the opportunity to submit a statement for the hearing record, and stands ready to further collaborate with the subcommittee on any of the items articulated herein. We thank the subcommittee for prioritizing the importance of affordable homeownership through increasing housing supply.

Sincerely,

The National Community Stabilization Trust (NCST)



NAHB > 25% Tariff Hike on Canadian and Mexican Goods Harms Housing Affordability

25% Tariff Hike on Canadian and Mexican Goods Harms Housing Affordability

Advocacy

Published

Feb 01, 2025

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Carl Harris, chairman of the National Association of Home Builders (NAHB) and a custom home builder from Wichita, Kan., issued the following statement after President Trump announced an across-the-board tariff of 25% on Canadian and Mexican goods coming into the United States:

"On President Trump's first day in office, he **issued an executive order**
(<https://www.nahb.org/news-and-economics/press-releases/2025/01/nahb-commends-pre>)

~~trumps-executive-order-on-housing~~) directing departments and agencies to deliver emergency price relief by pursuing actions to lower the cost of housing and increase housing supply. This move to raise tariffs by 25% on Canadian and Mexican goods will have the opposite effect. More than 70% of the imports of two essential materials that home builders rely on — softwood lumber and gypsum (used for drywall) — come from Canada and Mexico, respectively.

“Tariffs on lumber and other building materials increase the cost of construction and discourage new development, and consumers end up paying for the tariffs in the form of higher home prices. NAHB **urges the administration**

([https://www.nahb.org/-/media/NAHB/advocacy/docs/letter-to-president-potential-tariffs-013125.pdf?](https://www.nahb.org/-/media/NAHB/advocacy/docs/letter-to-president-potential-tariffs-013125.pdf?rev=c69b59cd8a2c4ea2a71e04ac5548201b&hash=1C329F16D621AA3FCAB9FC095E01EB81)

[rev=c69b59cd8a2c4ea2a71e04ac5548201b&hash=1C329F16D621AA3FCAB9FC095E01EB81](https://www.nahb.org/-/media/NAHB/advocacy/docs/letter-to-president-potential-tariffs-013125.pdf?rev=c69b59cd8a2c4ea2a71e04ac5548201b&hash=1C329F16D621AA3FCAB9FC095E01EB81)) to reconsider this action on tariffs and we will continue to work with policymakers to eliminate barriers that make housing more costly and prevent builders from boosting housing production.”



NAHB > [Blog \(https://www.nahb.org/blog\)](https://www.nahb.org/blog) > Trump Imposes Additional 25% Tariff on Canadian Softwood Lumber

Trump Imposes Additional 25% Tariff on Canadian Softwood Lumber

Material Costs

Published

Feb 03, 2025

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This post has been updated.

President Trump on Feb. 1 announced an across-the-board tariff of 25% on Canadian and Mexican goods coming into the United States, and these tariffs on building materials will raise construction costs and harm housing affordability. As of Feb. 3, tariffs on both countries have been delayed for one month as negotiations continue.

The 25% tariff on softwood lumber products from Canada would be in addition to an effective 14.5% duty rate already in place, meaning that the overall effective Canadian lumber tariffs will rise to nearly 40%.

NAHB Chairman Carl Harris issued the following statement in response to the White House action on tariffs:

"On President Trump's first day in office, he issued an **executive order** (<https://www.nahb.org/news-and-economics/press-releases/2025/01/nahb-commends-president-trumps-executive-order-on-housing>) directing departments and agencies to deliver emergency price relief by pursuing actions to lower the cost of housing and increase housing supply. This move to raise tariffs by 25% on Canadian and Mexican goods will have the opposite effect. More than 70% of the imports of two essential materials that home builders rely on – softwood lumber and gypsum (used for drywall) – come from Canada and Mexico, respectively.

"Tariffs on lumber and other building materials increase the cost of construction and discourage new development, and consumers end up paying for the tariffs in the form of higher home prices. NAHB urges the administration to reconsider this action on tariffs, and we will continue to work with policymakers to eliminate barriers that make housing more costly and prevent builders from boosting housing production."

In the week prior to the president's announcement, NAHB had been in contact with administration officials seeking a building materials exemption on the tariffs because of their harmful effect on housing affordability. In addition,

([https://www.nahb.org/-/media/NAHB/advocacy/docs/letter-to-president-potential-tariffs-013125.pdf?](https://www.nahb.org/-/media/NAHB/advocacy/docs/letter-to-president-potential-tariffs-013125.pdf?rev=4f33c6137e9846b1866e4692241d2a1d&hash=C2AEFB98FFB519145B3C4DF50296B2B8)

[rev=4f33c6137e9846b1866e4692241d2a1d&hash=C2AEFB98FFB519145B3C4DF50296B2B8](https://www.nahb.org/-/media/NAHB/advocacy/docs/letter-to-president-potential-tariffs-013125.pdf?rev=4f33c6137e9846b1866e4692241d2a1d&hash=C2AEFB98FFB519145B3C4DF50296B2B8))

NAHB sent a letter to the president

([https://www.nahb.org/-/media/NAHB/advocacy/docs/letter-to-president-potential-tariffs-013125.pdf?](https://www.nahb.org/-/media/NAHB/advocacy/docs/letter-to-president-potential-tariffs-013125.pdf?rev=c69b59cd8a2c4ea2a71e04ac5548201b&hash=1C329F16D621AA3FCAB9FC095E01EB81)

[rev=c69b59cd8a2c4ea2a71e04ac5548201b&hash=1C329F16D621AA3FCAB9FC095E01EB81](https://www.nahb.org/-/media/NAHB/advocacy/docs/letter-to-president-potential-tariffs-013125.pdf?rev=c69b59cd8a2c4ea2a71e04ac5548201b&hash=1C329F16D621AA3FCAB9FC095E01EB81))

stating that "bringing down the cost of housing will require a coordinated effort to remove obstacles to construction, be they regulatory, labor or supply-chain related. NAHB stands ready to work with you to accomplish these goals."

The letter further stated that the 25% tariffs on Canada and Mexico will be counterproductive by slowing down the domestic residential construction industry.

NAHB will continue to sound the alarm to the administration on the detrimental effects that tariffs on building materials have on housing affordability and continue to seek a tariff exemption for building materials. And we will actively engage with policymakers to reduce regulatory burdens and eliminate other obstacles that are preventing builders from constructing more attainable and affordable housing.

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POLITICS // TEXAS POLITICS

Texas wants more affordable housing. Insurance costs are getting in the way.

By Megan Kimble, *Austin Bureau*
Feb 24, 2025

[Gift Article](#)

Construction workers at one of several construction sites Harris County is building a number of new subdivisions to replace affordable housing lost to Hurricane Harvey on Monday, Sept. 25, 2023, in Houston.
Raquel Natalicchio/Staff photographer



Texas wants more affordable housing. Insurance costs are getting in the way.

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Avenue Las Brisas was what urban planners call "naturally occurring" affordable housing. Built in 1963, the two-story complex in Houston Heights was tidy but had all the typical problems that come with age, so rents were cheap.

An affordable housing developer bought the property in 2012 and planned to rebuild the complex with more housing for low-income households. But last year, its insurance premiums doubled, to \$2 million.

RELATED: [How much is your Texas home worth? If you pay a lot for insurance, less than you might think.](#)

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It was a huge hit. "The insurance cost put us from basically breaking even or better into some pretty serious losses," said Mary Lawler, who leads the development group, a nonprofit called Avenue CDC.

Affordable housing developers like Lawler's have been especially hard hit by the state's rising insurance costs. Unlike market-rate developers, they can't pass on increased premiums to renters, forcing some to sell off units and others to scale back plans for new ones. Some have seen insurance costs increase by 300% since 2020, far surpassing the price hikes for single-family homeowners.

Between 2021 and last year, production of new affordable rental housing in the state built with federal tax credits declined by more than 20%, from 5,200 units to 3,700, according to Nathan Kelley, the president of the Texas Affiliation of Affordable Housing Providers. He cited insurance costs, interest rate hikes and property taxes as the primary reasons.

Kelley's company, the Houston-based Blazer Building, saw its property insurance premiums increase more than threefold since 2020, from \$415 to \$1,315 per unit as of last year. "That's obviously dampening the ability to create new units," he told lawmakers in a hearing last summer. "But it really puts a significant damper on the financial health of existing and operating properties."

MORE FROM MEGAN: [Texas Senate greenlights new property tax cuts despite concerns over mounting costs](#)

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The squeeze comes as Texas is already grappling with a dearth of affordable housing. Texas would need to add close to 700,000 more units to meet demand from low-income households, according to the nonprofit National Low Income Housing Coalition. Texas lawmakers, including Lt. Gov. Dan Patrick, have said creating affordable housing is one of their top priorities this session.

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Passing on the costs

Rising property insurance rates are typically thought of as a problem for homeowners. But for the roughly 10 million Texans who don't own their homes, skyrocketing prices are passed along through higher rents — and fewer available units.

The amount of money developers are putting into insurance is a relatively small percentage of their overall operating costs, said Paul Fiorilla, the director of research at Yardi Matrix, a commercial real estate company that collects data from millions of apartments across the country. But that expense is growing — Yardi Matrix found last year that insurance costs for multifamily properties were increasing three times faster than their operating costs. Today, insurance represents close to 8% of overall expenses, Fiorilla said, compared to 4% historically.

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Those increases are straining even developers who build and operate market-rate apartments. Since 2020, the annual cost to insure an apartment has increased 128% nationally, Fiorilla said. By comparison, the average homeowner's insurance premium increased by "only" 20% in that same time.

And in Texas, the increases have been even bigger. Every metro in the state exceeded that national average, with per unit costs in Houston increasing by 165% as of January, or \$671 per unit annually.

That doesn't mean rent will increase by that much for every apartment in Houston. "If you get a massive increase in insurance or taxes, you can't just suddenly pass that on to residents," said Gina Erwin, the president of GWR Management, a Houston-based property management company. "The market drives what the rents are... If that market is \$800 for a one bedroom, you're not suddenly going to be able to get \$900 just because the taxes went up or because the insurance went up."

Erwin opted to take on a larger deductible after her insurance costs increased by more than 60% in 2023. Any damage below \$2 million across the roughly 2,200 units they own and operate will fall to the company. "We're basically self-insured," Erwin said.

But market-rate developers at least have the option to raise rents. Affordable housing providers are required to charge rents at rates determined by the state and federal programs that support affordable housing, usually calculated as a percentage of the median income.

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"It's this constant battle between our expenses are going up much faster than the rents that we can collect from residents because their incomes are not increasing fast enough," said Chris Akbari, the CEO of ITEX. Akbari's firm mostly builds multifamily housing using low-income housing tax credits offered through the federal government.

Property managers say they've had to respond by cutting costs in other areas, like capital investments.

"Eventually that leads to a downward spiral where if you're not preserving the asset year over year, it's depleting the quality of the housing," Akbari said.

And it's not just in Houston: Affordable housing providers are feeling the crunch statewide.

"What's hard about insurance is that we can't control it," said Walter Moreau, the executive director of Foundation Communities, an Austin-based affordable housing provider that has seen its premiums double since 2022. "We can do a lot to try to mitigate risks on our properties and reduce claims, but that only goes so far when it's a global financial product."

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Moreau has led the nonprofit for nearly three decades. During that time, he said, he's seen insurance rates cycle up and down. "Twice in my career, I've seen insurance rates double in a short period and then come back down again," he said. But this time

**National Fair Housing Alliance
Federal Grants Received During/Since FY2022**

Grant No.	Amount	Time Period	Description
FHIP:			All HUD Funded
FPEI10050	\$300,000	6/1/21 – 6/30/22	FHIP PEI MYFC YR 1
FPEI20055	\$375,000	5/1/22 – 4/30/23	FHIP PEI MYFC YR 2
FEI210077	\$500,000	8/1/22 – 7/31/23	FHIP EOI – NMCC
FPEI22009	\$350,000	6/1/22 – 8/31/23	FHIP PEI – ARP
FPEI20055	\$425,000	5/1/23 – 4/30/24	FHIP PEI MYFC YR 3
FEI220002	\$1,300,000	8/15/23 – 9/16/24	FHIP EOI – NMCC
FHOI220082	\$434,863	9/1/23 – 8/31/24	FHOI ENOC YR 1
FPEI230090	\$400,000	7/1/24 – 6/30/25	FHIP PEI MY YR 1
FHOI230075	\$260,000	8/1/24 – 10/31/25	FHIP FHOI CDC
FHOI220082	\$691,852	9/1/24 – 8/31/25	FHOI ENOC YR 2
FEI230002	\$1,300,000	9/2/24 – 9/2/25	FHIP EOI – NMCC
Community Compass:			
C-18-TA-DC-0031	\$250,000	7/1/19 – 12/31/24	Compass Technical Assistance
Cloudburst Consulting:			
Task Order No. NFHA-3599-601-001	\$35,236	4/16/24 – 1/24/25	Subcontract under Community Compass
Task Order No. NFHA-5503-501-001	\$53,133	4/16/24 – 1/24/25	Subcontract under Community Compass



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March 3, 2025

The Honorable Mike Flood
Chairman
Subcommittee on Housing and Insurance
House Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

The Honorable Emanuel Cleaver II
Ranking Member
Subcommittee on Housing and Insurance
House Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Re: Hearing Entitled: "Building Our Future: Increasing the Housing Supply in America"

Dear Chairman Flood and Ranking Member Cleaver:

On behalf of the Defense Credit Union Council (DCUC) and the defense credit unions that serve our nation's military, veterans, and their families, we appreciate the opportunity to submit this letter for the record regarding the critical issue of housing affordability and access for those who serve or have served our country. DCUC represents credit unions stateside and overseas serving military and veteran communities as well as their families, encompassing over 40 million members and having over \$525 billion in assets.

Housing stability is a crucial pillar of financial readiness for military personnel and veterans. Unfortunately, service members and veterans face unique challenges in the housing market, ranging from access to affordable rental housing and homeownership to difficulties in utilizing VA home loans. These challenges not only affect individual financial well-being but also impact mission readiness, recruitment, and retention.

Challenges Facing Military and Veterans in Housing

1. **Soaring Housing Costs Near Military Installations.** The rising cost of housing near military bases disproportionately affects service members, especially junior enlisted personnel. In many areas, Basic Allowance for Housing (BAH) has not kept pace with skyrocketing rents, leading to increased financial strain and housing insecurity. Military families often move every few years due to Permanent Change of Station (PCS) orders, making it difficult to build equity in homeownership.

2. **Barriers to Utilizing the VA Home Loan Program.** The VA home loan program is one of the most powerful benefits available to veterans, yet many face obstacles in utilizing it. Issues include: Seller Reluctance - Many sellers and real estate agents mistakenly believe VA loans are cumbersome, leading them to reject offers from veterans.

Appraisal Delays and Discrepancies - VA appraisals often take longer than conventional loans and undervalue properties in competitive markets, making it harder for veterans to purchase homes.

Funding Fee Costs - While VA loans do not require a down payment, funding fees can be costly, discouraging some veterans from utilizing the benefit.

Serving Those Who Serve Our Country

3. Housing Affordability and Homelessness Among Veterans. Rising home prices and interest rates have made homeownership increasingly unattainable for many veterans. Homelessness among veterans remains a persistent issue, with many struggling to access stable, affordable housing despite federal assistance programs.

4. Lack of Mortgage Lending Flexibility for Defense Credit Unions. Defense credit unions play a crucial role in providing mortgage lending and financial education to military families, yet they face regulatory hurdles that limit their ability to offer competitive mortgage products.

Proposed Solutions

1. Increase and Modernize Basic Allowance for Housing (BAH). Congress should commission a study to evaluate whether BAH accurately reflects rental costs in high-cost military housing areas and adjust it accordingly.

2. Improve the VA Home Loan Program. Educate Realtors and Sellers - Expand efforts to educate realtors, sellers, and lenders on the benefits of VA loans and dispel misconceptions. Streamline VA Appraisals - Reduce processing times and modernize appraisal methods to reflect competitive market conditions. Reduce Funding Fees for First-Time Veteran Buyers - This would encourage greater utilization of the benefit.

3. Expand Affordable Housing Solutions for Veterans. Strengthen partnerships between government agencies, nonprofit organizations, and financial institutions including defense credit unions to develop more affordable housing options for veterans. Expand federal grant programs that support veteran-focused housing developments.

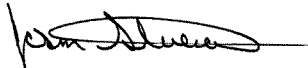
4. Allow Defense Credit Unions Greater Flexibility in Mortgage Lending. Support regulatory reforms that reduce unnecessary compliance burdens on credit unions offering VA home loans.

DCUC and its member credit unions stand ready to work with Congress to address these critical issues. Housing stability is essential for the well-being of our nation's military personnel, veterans, and their families. We urge the Subcommittee to prioritize solutions that ensure our servicemembers and veterans have access to affordable, stable housing.

Thank you for your leadership on this issue. We appreciate your continued support of those who serve our country and look forward to collaborating on these efforts.

Should you or your team have any questions or desire additional information, please do not hesitate to contact me at 202.557.8528 or by email at jstverak@dcuc.org.

Sincerely,



Jason Stverak
Chief Advocacy Officer
DCUC



March 3, 2025

The Honorable French Hill
Chairman
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
House Committee on Financial Services
4340 O'Neill House Office Building
Washington, DC 20515

The Honorable Mike Flood
Chairman
Subcommittee on Housing and Insurance
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Emanuel Cleaver
Ranking Member
Subcommittee on Housing and Insurance
4340 O'Neill House Office Building
Washington, DC 20515

Dear Chairman Hill, Chairman Flood, Ranking Member Waters, and Ranking Member Cleaver:

On behalf of the National Association of Residential Property Owners (NARPO®), thank you for holding the hearing entitled, "Building Our Future: Increasing Housing Supply in America." We appreciate your attention to these important topics and your leadership on issues critical to our members and the American economy.

By way of background, the National Association of Residential Property Managers is an association of real estate professionals who know first-hand the unique problems and challenges of managing single-family and small multifamily residential properties.

Founded in 1988, NARPM provides a permanent trade organization for the residential property management industry. It continues to be the premier professional association of residential property managers, currently representing approximately 6,000 members comprised of real estate agents, brokers, managers, and their employees. Our organization promotes a high standard of business ethics, professionalism, and fair housing practice. NARPM also educates its members on the standards and practices of the residential property management industry and promotes continuing professional education. Our members focus on managing single-family and small multifamily residential properties, an asset class overwhelmingly composed of small landlords.

We appreciate the direct focus of this hearing on issues related to the lack of housing supply in this nation. Our members know firsthand how this lack of supply affects young families, particularly those in moderate-income price ranges. And, as housing costs increase, we know that increases the political pressure for flawed policies like rent control that have the net effect of making the problem worse and hurt those families such policies are intended to help.

Chairman Hill, et al
March 3, 2025
Page 2

The real key to addressing affordability is to address the lack of housing supply. As real estate professionals, we see the regulatory barriers that our clients and others encounter in trying to produce new housing units. Housing affordability is driven by a variety of factors including income levels, land and resource availability, population growth, and housing supply-demand imbalance. In addition, the regulatory and administrative barriers present in each jurisdiction play a significant role in housing's overall affordability. Research has shown that nearly one-third of housing development costs are derived from these barriers. They have the dual effect of artificially restricting the number of units developed and adding cost to those that are produced, a true double hit on American families looking for affordable housing.

We believe that the legislation in today's hearing represents a solid start to address issues that hamper housing production and by extension, housing affordability. We support the *Identifying Regulatory Barriers to Housing Supply Act*. This legislation helps eliminate barriers to housing development by requiring certain Community Development Block Grant (CDBG) program recipients to submit to the Department of Housing and Urban Development information regarding their implementation of certain land-use policies, such as policies for expanding high-density single-family and multifamily zoning.

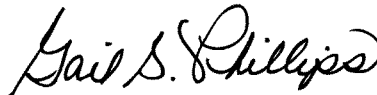
Likewise, we support the *Housing Supply and Innovation Frameworks Act*. This is a natural extension of the work of the *Identifying Regulatory Barriers to Housing Supply Act*. Sustainable state and local land-use policies that yield the housing units needed to meet demand come from careful planning, balance, and thought. To the extent that the Department of Housing and Urban Development (HUD) can curate, develop, and share best practices and policies with communities across the nation, we can ensure that every community is positioned and empowered to prosper and thrive.

Moreover, we support the *Housing for America's Middle Class Act* as it will help ensure that we do not lose focus on how housing affordability programs affect middle-income families, and it will ensure that there is a more uniform definition of workforce housing.

Thank you for your consideration of our views. If you have questions, please feel free to reach out to our legislative team at legislativeinfo@narpm.org or (800) 782-3452.

With kind regards, I am

Sincerely,



Gail Phillips, CAE
NARPM® CEO

cc: House Financial Services Committee Members



**Testimony of the National Community Development Association
For the Record**

**Subcommittee on Housing and Insurance
Hearing – Building Our Future: Increasing Housing Supply in America**

Chairman Flood, Ranking Member Cleaver, and distinguished members of the Subcommittee, the National Community Development Association (NCD A) is pleased to submit this written testimony for the record. NCD A is a non-partisan association committed to assisting local governments achieve high quality, locally responsive programs for making communities better places in which to live and work. NCD A represents over 500-member local governments that administer the Community Development Block Grant (CDBG) program and the HOME Investment Partnerships (HOME) program, key federal resources for increasing housing supply. The following are recommendations for some changes to existing HUD programs that we believe will make these programs more useful as tools to increase the supply of housing.

Community Development Block Grant Program

Created in 1974, the Community Development Block Grant (CDBG) Program provides annual funding to over 1,200 states, local jurisdictions, and insular areas to provide decent housing, a suitable living environment, and expand economic opportunities for low- and moderate-income people. The program focuses on four major activities: affordable housing, infrastructure, services, and economic development. The program allows communities to design and implement strategies tailored to meet local needs and priorities. State and local governments work with their local program partners and harness input from the public to develop community development projects.

Using the CDBG Program for Affordable Housing

CDBG program can be used to preserve existing affordable housing and to increase the stock of affordable housing. The single largest use of CDBG funds for affordable housing is the rehabilitation of owner-occupied single-family housing for low and moderate-income homeowners. Many lower-income homeowners simply cannot afford to make necessary repairs and improvements without financial assistance. These households are oftentimes seniors on fixed incomes and working families with limited budgets and options for financing home repairs.

Since FY 2005, the program has assisted over 1.2 million low- and moderate-income households to rehabilitate their homes.¹ CDBG funds are used by local governments to provide flexible financing in the form of deferred payment loans, forgivable loans, grants, and amortizing loans with very low interest rates to help families repair their homes.

¹ U.S. Department of Housing and Urban Development, CDBG National Accomplishment Report.

CDBG can be used to increase the stock of affordable housing by acquiring and rehabilitating existing housing for rent or sale to low- and moderate-income people. CDBG can also assist in developing new rental units by providing funds for property acquisition, site clearance and assemblage, and site improvements. Since FY2005, the CDBG program has funded multifamily rehabilitation improvements that assisted over 220,000 households.²

CDBG funds can be used to provide direct assistance to a homebuyer to assist them in purchasing a home in several ways. CDBG can be used to pay for downpayment and closing cost assistance and for services such as housing counseling, credit counseling, and financial management classes. CDBG can directly finance or subsidize financing for homebuyers through several avenues: amortizing loans, deferred payment loans, forgivable loans, grants, interest-rate write-downs, principal write-downs, and the payment of private mortgage insurance.

CDBG can be used to assist in the development of new affordable housing by funding the acquisition of land, demolition of existing structures, or installation of utilities and other infrastructure. Unfortunately, CDBG funds cannot be used to assist in new housing construction except in very limited circumstances, if the housing project is carried out by a Community-Based Development Organization (CBDO) as part of a comprehensive local neighborhood revitalization plan. In FY24, less than one percent of CDBG funding was used for new construction of housing and NCDA believes this is because of the restrictions mentioned previously in this paragraph. Local governments need to be able to use all the available tools to address the affordable housing crisis and the CDBG program is one tool that most communities have available if the restrictions on new housing construction are lifted. While the HOME program does allow new construction of housing, less than one-third of CDBG grantees receive HOME program funding.

Recommendation: Amend the CDBG statute to include new construction of housing as an eligible activity without any restrictions.

With rising costs, stagnant CDBG allocations, and increased local demand, the CDBG program is not able to meet existing needs. Local grantees report receiving more CDBG funding requests than they can accommodate. The cost of labor and materials related to the program's two major activities, housing and infrastructure, has increased exponentially. And, with rising inflation and housing costs, more people need CDBG assistance.

Recommendation: Support no less than \$4.2 billion for the CDBG program in FY2026.

Provide Flexibility to CDBG Administrators

Do Not Use the CDBG Consolidated Plan to Track Land Use and Zoning Reforms

NCDA opposes legislation that expands the administrative burden of CDBG grantees. Legislation such as the "Identifying Regulatory Barriers to Housing Supply Act" would require CDBG grantees to track twenty-two land use and zoning reform policies through the Consolidated Plan. CDBG grantees, many of which are small communities, are overwrought with program reporting and administrative requirements that take away from project implementation. The current CDBG Consolidated Plan already requires grantees to identify and address regulatory barriers to affordable housing. This onerous requirement will add another layer of administrative burden to

² Ibid

already shrinking budgets. This legislation, if enacted, would require CDBG grantees to implement a separate plan to change certain land use policies. Many CDBG grantees have zero control over local land use policies and this requirement will prevent them from receiving their annual CDBG allocations if a plan is not adopted. It will hold federal CDBG funding hostage for those communities unable to change local zoning laws.

Recommendation: A more reasonable solution is laid out in the “Housing Supply and Innovations Frameworks Act” that directs the U.S. Department of Housing and Urban Development to publish guidelines and best practices for zoning reform.

Eliminate the CDBG Timeliness Test

The CDBG program timeliness test requires local CDBG grantees to have no more than one-half times their annual grant in their fund balance, 60 days prior to the end of their program year. No other federal program requires such a timeliness test. Due to the late finalization of annual appropriation bills, CDBG allocations are released months after the start of the federal fiscal year causing grantees to receive their grant agreements after the start of their program year which causes extreme delays in project implementation leading to untimely program spending.

Further, the timeliness test discourages grantees from undertaking large-scale, multi-year construction projects such as larger multi-family housing development because of the need to keep program balances low each year. Many construction projects in the northern and midwestern part of the country have difficulty meeting the standard due to the short construction season.

Recommendation: Delete the CDBG timeliness test from the regulations.

Increase the CDBG Public Services Cap and Remove it for Some Activities

The 15% cap on public services hinders the ability to expand the use of CDBG funds to provide critical services to vulnerable residents. We urge you to amend the CDBG statute to increase the public services cap to at least 20% and remove it for housing and homelessness activities. This change would enable grantees to more effectively address the current housing crisis by allowing for increased services to prevent homelessness and keep vulnerable residents housed through interim assistance such as rent, utilities, and mortgage payments.

HOME Investment Partnerships (HOME) Program

Affordable housing continues to be an overarching issue impacting communities nationwide and the HOME Investment Partnerships (HOME) program is the primary federal resource available for communities to build new affordable rental and homeowner housing. Since 1992, the HOME program has produced more than 1.37 million units of affordable housing.³ The HOME program provides funding to state and local governments for the construction and preservation of single- and multifamily for rental or homeownership, rehabilitation of owner-occupied housing, tenant-based rental assistance, and assistance to homebuyers. Rising rents and construction costs are putting people at risk of homelessness and pricing them out of owning a home. These rising costs and the reduction of funding have diminished the impact of HOME program as a tool for increasing housing production.

³ U.S. Department of Housing and Urban Development, HOME Investment Partnerships (HOME) Program National Production Report, December 31, 2024.

Recommendation: Support no less than \$2.5 billion for the HOME program in FY26.

Provide Program Flexibility

Enhanced program flexibility helps participating jurisdictions address local affordable housing needs more quickly, including the expansion of affordable housing.

Community Housing Development Organization (CHDO) Set-Aside

Adding units to the affordable housing stock should be the priority of the HOME program regardless of who is developing the units. However, grantees are required to reserve 15% of their HOME funding for housing to be developed owned or sponsored by CHDOs. While funding a CHDO should continue to be an allowable expense, the set aside does not work for areas without a willing organization to step in as a CHDO. Also, for small grantees the 15% set-aside is too small an amount to incentivize a CHDO to participate in the HOME program.

Recommendation: Allow the CHDO set-aside to be an option for participating jurisdictions, not a requirement.

Increase the HOME Program Administrative Cap

The administrative burden of developing, underwriting, and monitoring HOME-funded projects has risen to a level of unsustainability because of stagnant program funding. More funding for program administration is needed for state and local grantees to add more staff capacity. This is especially important for grantees with many HOME units that must be inspected and monitored each year.

Recommendation: Increase the HOME administrative cap from 10% to at least 15%.

Other Federal Deterrents to Expanding the Affordable Housing Supply

Davis-Bacon and Related Acts

Davis-Bacon Act prevailing wages are required for all non-residential construction and rehabilitation work over \$2,000 and for residential construction and rehabilitation of 8 or more units of housing in projects assisted with CDBG and in projects with 12 or more HOME-assisted units. The Davis-Bacon Act threshold has not increased since its enactment in 1931. The low threshold means that small projects with minimal federal funding are subject to the prevailing wage compliance requirements which are administratively burdensome for grantees, small contractors, and small business owners. Reasonable thresholds are needed to ensure small projects with minimal federal funding are not burdened by this compliance requirement.

Recommendation: Apply the Davis-Bacon Act prevailing wage requirements only to residential construction contracts receiving more than \$200,000 in CDBG or HOME funding and at least 12 or more CDBG or HOME-assisted units. The dollar threshold should be adjusted periodically.

Build America, Buy America (BABA)

The Build America, Buy America Act requires that all iron, steel, manufactured products, and construction materials used in federally funded projects in the U.S. be produced domestically. The requirement reduces the pool of available suppliers for contractors which leads to increased project costs. This is particularly worrisome for projects in high-cost areas, as it could further hinder

the development of affordable housing. In addition, the recent tariffs on steel and lumber will further increase costs and will likely reduce the supply of such materials.

Recommendation: Remove this requirement for federal housing programs, including HOME and CDBG.

Thank you for the opportunity to provide comments and recommendations for increasing the housing supply in America. NCDA is ready to work with the Subcommittee to institute changes to make this possible.

Contact

Vicki Watson
Executive Director
National Community Development Association
vwatson@ncdaonline.org

Questions for the Record**Subcommittee on Housing and Insurance Hearing****“Building Our Future: Increasing Housing Supply in America”****March 4, 2025****Chairman Flood:**

Mr. Compton: As I believe you know, manufactured housing currently represents about 10% of new home starts in the country and is among the most affordable housing options for many Americans, especially rural Americans, including those in my home state of Nebraska. Maximizing production from manufacturers and taking advantage of efficiencies in factory-built processes may be among the fastest ways to boost housing affordable housing supply, particularly given the right regulatory policies in Washington.

1. When you were before the committee last year, you spoke to energy conservation standards for manufactured housing as one place ripe for streamlining. Care to elaborate on what needs to be done there in your view?
2. What other regulatory policies would you recommend the administration or Congress consider for streamlined, rationalized, or eliminated to help remove barriers to additional manufactured housing production?

Chairman Flood:

1. Costs to the consumer need to be considered more closely in connection with mandates for energy savings in manufactured housing. In many areas, we are past the point of diminishing returns where the value of energy savings is significantly outstripped by the cost of achieving them. We should have more humility in our regulatory approach, and even if it is a close call, there should not be a regulatory mandate. Instead, we should let the free market make determinations. This is especially the case with manufactured homes which often have significantly greater financing costs associated with them, making increased capital costs for energy improvements all the more expensive.

2. The structure of the Manufactured Housing Consensus Committee should be reconsidered. While laudable in theory, in practice operating under the Federal Advisory Committees Act, it typically slows regulatory innovation. Bolder action, such as the adoption of a “regulatory sandbox”, should be considered. This would permit manufacturers to try new methods under regulatory supervision, but outside the stricture of existing regulations. This would be particularly helpful in bringing innovation to the industry, as well as supporting smaller, more nimble participants.

Questions for the Record

Subcommittee on Housing and Insurance Hearing

“Building Our Future: Increasing Housing Supply in America”

March 4, 2025

Rep. De La Cruz:

- 1. Mr. Compton, what do you see as the best ways to incentivize private businesses to play a greater role in addressing housing supply?**
 - a. Mr. Compton, in your testimony you suggest making HUD study and quantify the cost of regulatory delays on housing production. Can you talk more about this? What do you think this study would yield?**

Representative De La Cruz:

1. Reducing regulatory burden and uncertainty would make the business proposition of building and selling houses more attractive. We should also encourage more avenues for equity investment in housing, both in the for-sale and rental sectors. This could be done by restoring provisions of the Internal Revenue Code to those that existed before the 1986 Tax Act. It eliminated the ability of most individual and small business investors to obtain the same tax advantages for investing the production of housing that can be achieved by large financial institutions and real estate investment trusts. This was widely foreseen to have a serious adverse effect on housing production and today we see the results of that.

(a) There are relatively few good studies on the cost of regulation. This is particularly the case in attempting to measure the impact of delays occasioned by regulatory requirements. In my view, such delays not only have time value of money impacts, but in fact raise the level of required returns to account for the uncertainty which is created. Regulations are often viewed in isolation as they are adopted to address one perceived issue or another. However, in practice it is the cumulative, indeed I believe exponential, burden of all of these that weighs down housing production. Until we have a gauge of that cumulative burden, and the negative synergies that are within it, it will be difficult to marshal political will to make the significant changes necessary to encourage more housing. Such an analysis could, for instance, compare the cost of different regulatory approaches across jurisdictions, for instance comparing Santa Clara County, California, to Tarrant County, Texas.

FRENCH HILL, AR
CHAIRMAN



MAXINE WATERS, CA
RANKING MEMBER

United States House of Representatives
One Hundred Nineteenth Congress
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Questions for the Record
Subcommittee on Housing and Insurance Hearing
“Building Our Future: Increasing Housing Supply in America”
March 4, 2025

Rep. De La Cruz:

1. Mr. Hughes, a recent study from the National Association of Home Builders showed that government regulation adds nearly \$100,000 to the cost of a new, single-family home. Do you believe this is the government acting efficiently?
 - a. How do we lower this number?

Thank you for the opportunity to respond, Congresswoman. On average, regulations from the local, state, and federal level account for nearly 25% of the cost of a single-family home and more than 40% of the cost of a typical apartment development. Agencies and officials at all levels of government must thoughtfully consider the true effect regulations have on small businesses by requiring a more thorough analysis, including indirect costs associated with a proposed rule.

For example, at the federal level, the 2024 HUD/USDA final determination on minimum energy standards¹ imposes high upfront costs with marginal benefits. This determination requires HUD to insure mortgages for new single-family homes only if they are built to the 2021 International Energy Conservation Code (IECC) and HUD-financed multifamily housing be built to 2021 IECC or ASHRAE 90.1-2019. A study by the Home Builders Association of Greater Kansas City found that building to the 2021 IECC can add as much as \$31,000 to the price of a new home while only minimally increasing the energy efficiency of the home.²

Federal efforts to further regulate the housing industry must be subject to greater congressional oversight, allow for increased public participation in the process, be based on sound data, and should only be undertaken after a careful consideration of the costs and benefits as well as the potential effects on small businesses.

At the state and local level, inefficient zoning and land-use regulations inhibit home construction and drive-up costs. Federal and local policymakers should collaborate to encourage zoning laws and local land use policy that allows greater flexibility for developers, streamlines approval processes and reduces unnecessary fees and costs for the development process. NAHB supports ideas such as reducing minimum lot sizes, promoting accessory dwelling unit construction, minimizing parking requirements, and legalizing missing middle housing (townhomes and duplexes) construction.

¹ Final Determination: Adoption of Energy Efficiency Standards for New Construction of HUD- and USDA-Financed Housing: <https://www.federalregister.gov/documents/2024/04/26/2024-08793/final-determination-adoption-of-energy-efficiency-standards-for-new-construction-of-hud-and-usda-financed-housing>

² 2021 IECC Adoption Consumer Impact: https://kchba.org/wp-content/uploads/2022/07/KCHBA-2021-IECC-Consumer-Impact_KCMO_Updated-DS.pdf



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From the Desk of Emily Hamilton

March 31, 2025

The Honorable French Hill
United States Representative
Chairman, House Financial Services Committee
Washington, DC 20515

Re: Hearing on March 4, 2025, entitled "Building Our Future: Increasing Housing Supply in America"
Dear Chairman Hill:

After my testimony before the Subcommittee on Housing and Insurance on March 4, 2025, you requested answers to one question submitted by Congresswoman De La Cruz and two questions submitted by Ranking Member Waters. The questions and answers are below.

Question from Congresswoman De La Cruz

- (1) Dr. Hamilton, what states and localities are playing a positive role in bringing more housing online? How are they doing so?**
a. How do outdated local zoning regulations impact our housing supply and affordability?

Many states and localities are playing a positive role in bringing more housing online. I'll highlight three examples:¹

1. Reducing Minimum-Lot-Size Requirements in Houston

In my testimony on March 4, I mentioned the positive example of Houston's minimum-lot-size reform. After the city reduced minimum-lot-size requirements from 5,000 square feet down to 1,400 square feet, approximately 80,000 small-lot homes were built at lower prices than comparable houses with larger yards would have commanded.²

Critics of land-use deregulation sometimes argue that allowing more intensive uses of land in existing residential developments causes the appreciation of existing houses and apartments by increasing their land's option value. While upzoning undeniably increases land's option value, it can also expand housing supply, which puts downward pressure on rents and land prices.

¹ These examples are from Emily Hamilton, "Improving Housing Affordability by Reducing Barriers to Housing Construction" (Mercatus Testimony, Mercatus Center at George Mason University, December 2023).

² Emily Hamilton, "Learning from Houston's Townhouse Reforms" (Mercatus Policy Brief, Mercatus Center at George Mason University, April 2023).

I have done research to measure the total effect of Houston's minimum-lot-size reduction on land values, using a 2013 expansion of the reform to create a control group.³ I found no evidence that the expansion of development rights increased land values in the affected area. Zeroing in on the parcels most likely affected by the policy change, I found that the reform reduced land values, demonstrating that affordability gains from increased housing supply outweighed upward pressure on land values from expanded option value.

2. Allowing Transit-Oriented Development in the Washington, DC, Region

The DC region has plenty of opportunities to reduce barriers to new housing construction; however, relative to most other high-income coastal areas, this region excels at permitting multifamily construction, particularly along its transit corridors.⁴ Beginning in the 1960s, officials in Arlington County, VA, planned for multifamily construction in areas originally developed with low-rise commercial buildings. That set off a 60-year boom in apartment construction, which has allowed the county's population to grow by 37 percent.

In part because of Arlington's experience, Montgomery County, MD, and Fairfax County, VA, have also embraced transit-oriented development in more limited areas. DC has followed suit, allowing new neighborhoods to be built in formerly industrial areas including NoMa and the Navy Yard. Among the country's "Superstar Cities"⁵—Boston, Los Angeles, New York, San Francisco, Seattle, and Washington—Washington has the lowest median house price. This is, in part, because it permits multifamily housing at rates that are double or more than those in Boston, Los Angeles, New York, and San Francisco.

3. Legalizing Accessory Dwelling Units in California

In response to growing housing-supply issues and affordability challenges in the US, state policymakers are beginning to set limits on local authority to curb housing construction. California, where these challenges are the most dire, has led the way. The state has been particularly successful in legalizing accessory dwelling units (ADUs), which are typically small apartments located in single-family houses.

Legislators in California first began efforts to legalize accessory-dwelling-unit construction in 1982, and in 2016 they got serious about addressing the remaining regulatory barriers hindering homeowners from building ADUs.⁶ In some parts of the state, most notably Los Angeles, ADU construction drastically accelerated beginning in 2017. Today, one in four residential units in the city of Los Angeles is an ADU.

In contrast to the examples above, most jurisdictions in the US have not meaningfully reduced barriers to housing construction—barriers that have accumulated over the past century of expanding land use regulations. In fact, some places are still moving to make land use regulations more restrictive. A growing body of research indicates that zoning regulations and complex permit approval processes are constraining housing supply and raising rents and prices relative to what they would be if it were easier for the housing market to respond to increasing demand with new supply.⁷

³ Emily Hamilton, "The Effects of Minimum-Lot-Size Reform on Houston Land Values," *Cityscape* 26, no. 3 (2024).

⁴ Emily Hamilton, "How DC Densified," *Works in Progress*, May 2023.

⁵ Aaron Renn, "Scaling Up: How Superstar Cities Can Grow to New Heights," *Manhattan Institute*, January 23, 2020.

⁶ Emily Hamilton and Abigail Houseal, "A Taxonomy of State Accessory Dwelling Unit Laws" (Mercatus Policy Brief, Mercatus Center at George Mason University, March 2023).

⁷ Sanford Ikeda and Emily Hamilton, "How Land-Use Regulation Undermines Affordable Housing" (Mercatus Research Papers, Mercatus Center at George Mason University, November 2015).

These rules are contributing to deteriorating affordability, particularly for households that rent. While the share of households that rent has held quite steady since the 1960s, the share of income the median renter spends on housing has increased by more than 25 percent since then.⁸

Questions from Ranking Member Waters

Answers are marked in yellow highlight and underlined.

(2) Which of the following options best describes your race?

a. White or Caucasian

b. Black or African American

c. Hispanic/Latinx

d. Asian

e. Middle Eastern/North African

f. Choose not to answer

g. Prefer to self-describe (please specify)

(3) Which of the following options best describes your gender identity?

a. Woman

b. Man

c. Non-binary

d. Transgender Man

e. Transgender Woman

f. Choose not to answer

g. Prefer to self-describe (please specify)

Thank you for the opportunity to testify and for the opportunity to contribute to the hearing's Questions for the Record.

Sincerely,

Emily Hamilton
Senior Research Fellow

⁸ Emily Hamilton, "Zoning Out American Families," *Discourse*, February 23, 2023.

FRENCH HILL, AR
CHAIRMAN



MAXINE WATERS, CA
RANKING MEMBER

United States House of Representatives
One Hundred Nineteenth Congress
Committee on Financial Services
2120 Rayburn House Office Building
Washington, DC 20515

Questions for the Record

Subcommittee on Housing and Insurance Hearing
“Building Our Future: Increasing Housing Supply in America”
March 4, 2025

Ranking Member Waters:

Mr. Paul Compton:

1. Which of the following options best describes your self-identified race? (you may choose more than one)
 - a. White or Caucasian
 - b. Black or African American
 - c. Hispanic/Latinx
 - d. Asian
 - e. Middle Eastern/North African
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)

2. Which of the following options best describes your gender identity?
 - a. Woman
 - b. Man
 - c. Non-binary
 - d. Transgender Man
 - e. Transgender Woman
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)

Ranking Member Waters:

Mr. Buddy Hughes:

1. Which of the following options best describes your self-identified race? (you may choose more than one)
 - a. **White or Caucasian**
 - b. Black or African American
 - c. Hispanic/Latinx
 - d. Asian
 - e. Middle Eastern/North African
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)

2. Which of the following options best describes your gender identity?
 - a. Woman
 - b. **Man**
 - c. Non-binary
 - d. Transgender Man
 - e. Transgender Woman
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)

FRENCH HILL, AR
CHAIRMAN



MAXINE WATERS, CA
RANKING MEMBER

United States House of Representatives
One Hundred Nineteenth Congress
Committee on Financial Services
2124 Rayburn House Office Building
Washington, DC 20515

Questions for the Record
Subcommittee on Housing and Insurance Hearing
“Building Our Future: Increasing Housing Supply in America”
March 4, 2025

Ranking Member Waters:

Ms. Tara Vasicek:

1. Which of the following options best describes your self-identified race? (you may choose more than one)
 - a. White or Caucasian
 - b. Black or African American
 - c. Hispanic/Latinx
 - d. Asian
 - e. Middle Eastern/North African
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)

2. Which of the following options best describes your gender identity?
 - a. Woman
 - b. Man
 - c. Non-binary
 - d. Transgender Man
 - e. Transgender Woman
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)

Questions for the Record

Subcommittee on Housing and Insurance Hearing

“Building Our Future: Increasing Housing Supply in America”

March 4, 2025

Rep. Downing:

The United States national debt now exceeds \$36 trillion. We spend more on interest on our debt than we do our national defense.

1. Can you discuss the impacts higher borrowing costs have on construction and on aspiring first-time homebuyers?
2. Would reigning-in federal spending over the long-term put downward pressure on home prices?

Representative Downing:

1. Higher borrowing costs have distinct adverse effects on both construction and aspiring home buyers. With respect to construction, it increases costs and risks, and for first-time home buyers it can easily cause them to be priced out of the lower reaches of the market. Unfortunately, higher interest rates are often a function of expectations about the future as much as the reality of today. Governmental leaders track record over the last several years has evidenced little political will to rein in deficits. This has created a prevailing expectation that not only will deficits grow but the level of deficit will continue to grow, keeping interest rates, particularly long-term interest rates, higher than they should be.

2. In that respect, the federal debt competes for many of the same investment dollars that mortgage loans do. Thus, the need for greater purchases of federal debt crowd out the ability to purchase mortgage loans, making them more expensive. The United States has the most sophisticated mortgage finance market in the world, but that does not override basic laws of supply and demand.

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 (Original Signature of Member)

119TH CONGRESS
 1ST SESSION

H. R. _____

To require certain grantees under title I of the Housing and Community Development Act of 1974 to submit a plan to track overly burdensome land use policies, and for other purposes.

 IN THE HOUSE OF REPRESENTATIVES

Mr. FLOOD introduced the following bill; which was referred to the Committee
 on _____

A BILL

To require certain grantees under title I of the Housing and Community Development Act of 1974 to submit a plan to track overly burdensome land use policies, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Identifying Regulatory
 5 Barriers to Housing Supply Act”.

1 **SEC. 2. PURPOSE.**

2 The purpose of this Act is to discourage the use of
3 overly burdensome land use policies and remove barriers
4 to making housing more affordable in order to further the
5 original intent of the Community Development Block
6 Grant program.

7 **SEC. 3. LAND USE PLAN.**

8 (a) IN GENERAL.—Section 104 of the Housing and
9 Community Development Act of 1974 (42 U.S.C. 5304)
10 is amended by adding at the end the following:

11 “(n) PLAN TO TRACK AND REDUCE OVERLY BUR-
12 DENSOME LAND USE POLICIES.—

13 “(1) IN GENERAL.—Prior to receipt in any fis-
14 cal year of a grant from the Secretary under sub-
15 section (b), (d)(1), or (d)(2)(B) of section 106, each
16 recipient shall have prepared and submitted, not less
17 frequently than once during the preceding 5-year pe-
18 riod, in accordance with this subsection and in such
19 standardized form as the Secretary shall, by regula-
20 tion, prescribe, with respect to each land use policy
21 described in paragraph (2) that is applicable to the
22 jurisdiction served by the recipient, a description
23 of—

24 “(A) whether the recipient has already
25 adopted the policy in the jurisdiction served by
26 the recipient;

1 “(B) the plan of the recipient to implement
2 the policy in that jurisdiction; or

3 “(C) the ways in which adopting the policy
4 will benefit the jurisdiction.

5 “(2) LAND USE POLICIES.—The policies de-
6 scribed in this paragraph are as follows:

7 “(A) Enacting high-density single-family
8 and multifamily zoning.

9 “(B) Expanding by-right multifamily zoned
10 areas.

11 “(C) Allowing duplexes, triplexes, or
12 fourplexes in areas zoned primarily for single-
13 family residential homes.

14 “(D) Allowing manufactured homes in
15 areas zoned primarily for single-family residen-
16 tial homes.

17 “(E) Allowing multifamily development in
18 retail, office, and light manufacturing zones.

19 “(F) Allowing single-room occupancy de-
20 velopment wherever multifamily housing is al-
21 lowed.

22 “(G) Reducing minimum lot size.

23 “(H) Ensuring historic preservation re-
24 quirements and other land use policies or re-
25 quirements are coordinated to encourage cre-

1 ation of housing in historic buildings and his-
2 toric districts.

3 “(I) Increasing the allowable floor area
4 ratio in multifamily housing areas.

5 “(J) Creating transit-oriented development
6 zones.

7 “(K) Streamlining or shortening permit-
8 ting processes and timelines, including through
9 one-stop and parallel-process permitting.

10 “(L) Eliminating or reducing off-street
11 parking requirements.

12 “(M) Ensuring impact and utility invest-
13 ment fees accurately reflect required infrastruc-
14 ture needs and related impacts on housing af-
15 fordability are otherwise mitigated.

16 “(N) Allowing prefabricated construction.

17 “(O) Reducing or eliminating minimum
18 unit square footage requirements.

19 “(P) Allowing the conversion of office units
20 to apartments.

21 “(Q) Allowing the subdivision of single-
22 family homes into duplexes.

23 “(R) Allowing accessory dwelling units, in-
24 cluding detached accessory dwelling units, on all
25 lots with single-family homes.

1 “(S) Establishing density bonuses.

2 “(T) Eliminating or relaxing residential
3 property height limitations.

4 “(U) Using property tax abatements to en-
5 able higher density and mixed-income commu-
6 nities.

7 “(V) Donating vacant land for affordable
8 housing development.

9 “(3) EFFECT OF SUBMISSION.—A submission
10 under this subsection shall not be binding with re-
11 spect to the use or distribution of amounts received
12 under section 106.

13 “(4) ACCEPTANCE OR NONACCEPTANCE OF
14 PLAN.—The acceptance or nonacceptance of any
15 plan submitted under this subsection in which the
16 information required under this subsection is pro-
17 vided is not an endorsement or approval of the plan,
18 policies, or methodologies, or lack thereof.”.

19 (b) EFFECTIVE DATE.—The requirements under
20 subsection (n) of section 104 of the Housing and Commu-
21 nity Development Act of 1974 (42 U.S.C. 5304), as added
22 by subsection (a), shall—

23 (1) take effect on the date that is 1 year after
24 the date of enactment of this Act; and

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1 (2) apply to recipients of a grant under sub-
2 section (b), (d)(1), or (d)(2)(B) of section 106 of the
3 Housing and Community Development Act of 1974
4 (42 U.S.C. 5306) before, on, and after such date.

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[118H6552]

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 (Original Signature of Member)

119TH CONGRESS
 1ST SESSION

H. R. _____

To require the Government Accountability Office to study and recommend
 a definition for workforce housing.

 IN THE HOUSE OF REPRESENTATIVES

Mr. LAWLER introduced the following bill; which was referred to the
 Committee on _____

A BILL

To require the Government Accountability Office to study
 and recommend a definition for workforce housing.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Housing for America’s
 5 Middle Class Act of 2025”.

6 **SEC. 2. CONGRESSIONAL FINDINGS.**

7 The Congress finds that—

1 (1) the lack of affordable housing in the United
2 States is an issue impacting millions of middle-class,
3 working American families;

4 (2) many of these families earn more annually
5 than the income limits for certain Federal housing
6 financing and benefits; and

7 (3) these families are often excluded from living
8 in neighborhoods near their places of work, schools,
9 shopping, and healthcare due to a lack of afford-
10 ability.

11 **SEC. 3. REPORT TO CONGRESS.**

12 Not later than 180 days after the date of the enact-
13 ment of this Act, the Comptroller General of the United
14 States shall submit to the Congress a report that—

15 (1) identifies issues with housing affordability
16 for America’s middle-income homeowners and rent-
17 ers, including identifying geographically where hous-
18 ing is the most unaffordable for these populations;

19 (2) identifies Federal housing programs, includ-
20 ing Federal tax credits, grants, credit programs, and
21 other programs that currently benefit lower-income
22 households, which are not available to middle-income
23 households;

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(Original Signature of Member)

119TH CONGRESS
1ST SESSION

H. R. _____

To direct the Secretary of Housing and Urban Development, acting through the Assistant Secretary for Policy Development and Research, to publish guidelines and best practices for State zoning and local zoning frameworks, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. FLOOD introduced the following bill; which was referred to the Committee
on _____

A BILL

To direct the Secretary of Housing and Urban Development, acting through the Assistant Secretary for Policy Development and Research, to publish guidelines and best practices for State zoning and local zoning frameworks, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Housing Supply and
5 Innovation Frameworks Act”.

1 **SEC. 2. FINDINGS.**

2 Congress finds the followings:

3 (1) As of 2022 in the United States, there was
4 an estimated housing shortage of 3,850,000 homes.
5 This housing supply shortage has resulted in a
6 record number of cost-burdened households across
7 regions and spanning the large and small cities,
8 towns, and coastal and rural communities of the
9 United States.

10 (2) Several factors contribute to the under-
11 supply of housing in the United States, particularly
12 workforce housing, including rising costs of con-
13 struction, a shortage of labor, supply chain disrup-
14 tions, and a lack of reliable funding sources.

15 (3) Regulatory barriers at the State and local
16 levels, such as zoning and land use regulations, also
17 inhibit the creation of new housing to meet local and
18 regional housing needs.

19 (4) State and local governments are proactively
20 exploring solutions for reforming regulatory barriers,
21 but additional resources, data, and models can help
22 adequately address these challenges.

23 (5) While land use regulation is the responsi-
24 bility of State and local governments, there is Fed-
25 eral support for necessary reforms, and there is an
26 opportunity for the Federal Government to provide

1 support and assistance to State and local govern-
2 ments that wish to undertake necessary reforms in
3 a manner that fits their communities' needs.

4 (6) Therefore, zoning ordinances or systems of
5 land use regulation that have the intent or effect of
6 restricting housing opportunities based on economic
7 status or income without interests that are substan-
8 tial, legitimate, nondiscriminatory and that outweigh
9 the regional need for housing are contrary to the re-
10 gional and national interest.

11 **SEC. 3. DEFINITIONS.**

12 In this Act:

13 (1) **AFFORDABLE HOUSING.**—The term “afford-
14 able housing” means housing in which the occupant
15 is paying no more than 30 percent of gross income
16 for housing costs.

17 (2) **ASSISTANT SECRETARY.**—The term “Assist-
18 ant Secretary” means the Assistant Secretary for
19 Policy Development and Research of the Depart-
20 ment of Housing and Urban Development.

21 (3) **FRAMEWORK-RELATED TERMS.**—

22 (A) **LOCAL ZONING FRAMEWORK.**—The
23 term “local zoning framework” means the local
24 zoning codes and other ordinances, procedures,

1 and policies governing zoning and land-use at
2 the local level.

3 (B) STATE ZONING FRAMEWORK.—The
4 term “State zoning framework” means the
5 State legislation or State agency and depart-
6 ment procedures, or such legislation or proce-
7 dures in an insular area of the United States,
8 enabling local planning and zoning authorities
9 and establishing and guiding related policies
10 and programs.

11 (4) SECRETARY.—The term “Secretary” means
12 the Secretary of Housing and Urban Development.

13 **SEC. 4. GUIDELINES ON STATE AND LOCAL ZONING FRAME-**
14 **WORKS.**

15 (a) ESTABLISHMENT.—Not later than 3 years after
16 the date of enactment of this section, the Assistant Sec-
17 retary shall publish documents outlining guidelines and
18 best practices to support production of adequate housing
19 to meet the needs of communities and provide housing op-
20 portunities for individuals at every income level across
21 communities with respect to—

22 (1) State zoning frameworks; and

23 (2) local zoning frameworks.

24 (b) CONSULTATION; PUBLIC COMMENT.—During the
25 one year period beginning on the date of enactment of this

1 section, in developing the guidelines and best practices re-
2 quired under the previous subsection, the Assistant Sec-
3 retary shall—

4 (1) publish draft guidelines in the Federal Reg-
5 ister for public comment; and

6 (2) establish a task force for the purpose of
7 providing consultation to draft guidelines published
8 under the previous clause, the members of which
9 shall include—

10 (A) planners and architects;

11 (B) advocates with experience in affordable
12 housing, community development efforts, and
13 fair housing;

14 (C) housing developers, including afford-
15 able and market-rate housing developers, manu-
16 factured housing developers, and other business
17 interests;

18 (D) community engagement experts and
19 community members impacted by zoning deci-
20 sions;

21 (E) public housing authorities and transit
22 authorities;

23 (F) members of local zoning and planning
24 boards and local and regional transportation
25 planning organizations;

1 (G) State officials responsible for housing
2 or land use, including members of State zoning
3 boards of appeals;

4 (H) academic researchers; and

5 (I) home builders.

6 (c) CONTENTS.—The guidelines and best practices
7 required under subsection (a) shall—

8 (1) with respect to State zoning frameworks,
9 outline potential models for updated State enabling
10 legislation or State agency and department proce-
11 dures;

12 (2) include recommendations regarding—

13 (A) the reduction or elimination of parking
14 minimums;

15 (B) the increase in maximum floor area
16 ratio requirements and maximum building
17 heights and the reduction in minimum lot sizes
18 and set-back requirements;

19 (C) the elimination of restrictions against
20 accessory dwelling units;

21 (D) increasing by-right uses, including du-
22 plex, triplex, or quadplex buildings, across cities
23 or metropolitan areas, including mechanisms,
24 such as proximity to transit, to determine the
25 jurisdictional level for rezoning and ensures de-

- 1 development that does not disproportionately bur-
2 den residents of economically distressed areas;
3 (E) review of by-right development pro-
4 posals to streamline review and reduce uncer-
5 tainty, including—
6 (i) nondiscretionary, ministerial re-
7 view; and
8 (ii) entitlement and design review
9 processes;
10 (F) the reduction of obstacles to a range of
11 housing types at all levels of affordability, in-
12 cluding manufactured and modular housing;
13 (G) State model zoning regulations for di-
14 recting local reforms, including mechanisms to
15 encourage adoption;
16 (H) provisions to encourage transit-ori-
17 ented development, including increased permis-
18 sible units per structure and reduced minimum
19 lot sizes near existing or planned public transit
20 stations;
21 (I) potential reforms to the public engage-
22 ment process, including—
23 (i) meaningful access for persons with
24 limited English proficiency and effective

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- 1 communication improvements for persons
- 2 with disabilities;
- 3 (ii) leveraging of virtual meeting tech-
- 4 nologies; and
- 5 (iii) proactive outreach in commu-
- 6 nities;
- 7 (J) reforms to protest petition statutes;
- 8 (K) the standardization, reduction, or
- 9 elimination of impact fees;
- 10 (L) cost effective and appropriate building
- 11 codes;
- 12 (M) models for community benefit agree-
- 13 ments;
- 14 (N) mechanisms to preserve affordability,
- 15 limit disruption of low-income communities, and
- 16 prevent displacement of existing residents;
- 17 (O) with respect to State zoning frame-
- 18 works, a model for a State zoning appeals proc-
- 19 ess, which would—
- 20 (i) create a process for developers or
- 21 builders requesting a variance, conditional
- 22 use, or zoning district change or otherwise
- 23 petitioning a local zoning or planning
- 24 board for a project including a State-de-
- 25 fined amount of affordable housing to ap-

- 1 peal a rejection to a State body or regional
2 body empowered by the State;
- 3 (ii) establish qualifications for com-
4 munities to be exempted from the appeals
5 process based on their available stock of
6 affordable housing; and
- 7 (iii) establish a State zoning appeals
8 board to consider appeals to a variance re-
9 jection and objectively evaluate petitions
10 based on the potential for environmental
11 damage and infrastructural capacity;
- 12 (P) with respect to State zoning frame-
13 works, best practices on the disposition of land
14 owned by State governments for affordable
15 housing development;
- 16 (Q) with respect to local zoning frame-
17 works—
- 18 (i) the simplification and standardiza-
19 tion of existing zoning codes;
- 20 (ii) maximum review timelines;
- 21 (iii) differentiations between best
22 practices for rural, suburban, and urban
23 communities, and communities with dif-
24 ferent levels of density or population dis-
25 tribution; and

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- 1 (iv) best practices for the disposition
2 of land owned by local governments; and
3 (R) other land use measures that promote
4 access to new housing opportunities identified
5 by the Secretary; and
6 (3) consider—
7 (A) local housing needs, including ways to
8 set and measure housing goals and targets;
9 (B) a range of affordability for rental
10 units, with a prioritization of units attainable to
11 extremely low-income, low-income, and mod-
12 erate income residents;
13 (C) a range of affordability for homeown-
14 ership units attainable to low-income and mod-
15 erate-income residents;
16 (D) with respect to State zoning frame-
17 works, distinctions between States providing
18 constitutional or statutory home rule authority
19 to municipalities and States operating under
20 the Dillon rule, as articulated in *Hunter v.*
21 *Pittsburgh* (207 U.S. 161 (1907));
22 (E) accountability measures;
23 (F) the long-term cost to residents and
24 businesses if more housing is not constructed;

1 (G) barriers to individuals seeking to ac-
2 cess affordable housing in growing communities
3 and communities with economic opportunity;

4 (H) consistency with respect to fair hous-
5 ing and civil rights requirements;

6 (I) effects of adopting any recommenda-
7 tions on eligibility for Federal discretionary
8 grants under the Department of Housing and
9 Urban Development, the Department of Trans-
10 portation, and the Department of Agriculture,
11 and tax credits for the purpose of housing or
12 community development;

13 (J) coordination between infrastructure in-
14 vestments and housing planning;

15 (K) with respect to State zoning frame-
16 works, statewide mechanisms to preserve exist-
17 ing affordability over the long term, including
18 support for land banks and community land
19 trusts;

20 (L) with respect to State zoning frame-
21 works, guidance to States on collecting and
22 maintaining proactive data on the current rent-
23 al housing market and rental registries;

24 (M) public comments described in sub-
25 section (b)(1); and

1 (N) other considerations as identified by
2 the Secretary.

3 **SEC. 5. REPORTING.**

4 Not later than 2 years after the date on which the
5 Assistant Secretary publishes the guidelines and best prac-
6 tices for State and local zoning frameworks, the Assistant
7 Secretary shall submit to Congress a report describing—

8 (1) the States that have adopted recommenda-
9 tions from the guidelines and best practices, pursu-
10 ant to section 4 of this Act;

11 (2) a summary of the localities that have adopt-
12 ed recommendations from the guidelines and best
13 practices, pursuant to Section 4 of this Act;

14 (3) a list of States that adopted a State zoning
15 framework;

16 (4) a summary of the modifications that each
17 State has made in their State zoning framework;
18 and

19 (5) a general summary of the types of updates
20 localities have made to their local zoning framework.

21 **SEC. 6. ABOLISHMENT OF REGULATORY BARRIERS CLEAR-**
22 **INGHOUSE.**

23 (a) IN GENERAL.—The Regulatory Barriers Clear-
24 inghouse established pursuant to section 1205 of the

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1 Housing and Community Development Act of 1992 (42
2 U.S.C. 12705d) is abolished.

3 (b) REPEAL.—Section 1205 of the Housing and
4 Community Development Act of 1992 (42 U.S.C. 12705d)
5 is repealed.

6 **SEC. 7. AUTHORIZATION OF APPROPRIATIONS.**

7 There is authorized to be appropriated to the Sec-
8 retary of Housing and Urban Development to carry out
9 this Act \$3,000,000 for each of fiscal years 2026 through
10 2030.

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1 (3) identifies any gaps in the inclusion of mid-
2 dle-income households in Federal housing programs
3 designed to promote affordability;

4 (4) sets forth recommendations for a definition
5 of “workforce housing” based on income parameters
6 in order to assist Federal agencies in including mid-
7 dle-income households under existing Federal pro-
8 grams; and

9 (5) analyzes how such a definition could relate
10 to incentives for workforce housing development
11 through Federal programs, policies, and other initia-
12 tives.

