

BUILDING THE FUTURE: HOW SMALL HOME BUILDERS ARE CLOSING AMERICA'S HOUSING GAP

HEARING BEFORE THE COMMITTEE ON SMALL BUSINESS UNITED STATES HOUSE OF REPRESENTATIVES ONE HUNDRED NINETEENTH CONGRESS SECOND SESSION

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Questions for the Record:

None.

Answers for the Record:

None.

Additional Material for the Record:

None.

BUILDING THE FUTURE: HOW SMALL HOME BUILDERS ARE CLOSING AMERICA'S HOUSING GAP

THURSDAY, MAY 21, 2026

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 10:02 a.m., in Room 2360, Rayburn House Office Building, Hon. Roger Williams [chairman of the Committee] presiding.

Present: Representatives Williams, Meuser, Jack, Velázquez, McGarvey, Scholten, McIver, Cisneros, Morrison, Tran, Olszewski, and Goodlander.

Chairman WILLIAMS. Good morning to everyone. I now call the Committee on Small Business to order. Without objection, the Chair is authorized to declare a recess of the committee at any time, and I now recognize myself for my opening statement.

Good morning and welcome to today's hearing titled Building the Future: How Small Home Builders are closing America's housing gap. I want to thank our witnesses for joining us today and for lending their time and expertise to this important conversation. And homeownership remains a cornerstone of the American dream. Homeownership represents more than just a roof over your head. It is the foundation of personal stability and freedom and a place where families are formed, children are raised, and memories are made. It is where much of America's small business activity begins, with millions of entrepreneurs launching and operating businesses from their homes. Roughly half of all new businesses start in the home. But that dream, for too many Americans, feels increasingly out of reach. Our nation is facing a serious supply and affordability challenge. Today, more than half, one-half of the American households cannot afford a \$300,000 home. And when housing construction slows and housing becomes unattainable, communities stagnate, growth slows, and young families are priced out. Priced out.

Main street across the country feel that the consequences as fewer people are able to plant roots, start businesses, and invest in their neighborhoods. Amid these challenges, small homebuilders have become essential. They have often the most agile, responsive, and innovative builders willing to meet that moment. Across the country, small business and small homebuilders are pushing the boundaries of what is possible in housing delivery. Whether through modular or manufactured housing, or emerging methods like 3D printed construction, small home builders are re-imagining

how homes are built from the concept to completion. These innovations offer real promise. By reshaping our approach to housing construction, these innovations can deliver faster construction timelines, lower material costs, reduce waste, and offer greater efficiency in bringing homes to the market.

Yet despite this momentum, significant barriers remain for the small homebuilders across the country. Key challenges such as overregulation and access to capital continue to drive up home costs and constrain supply. In some cases, much as 40 percent of the cost of multifamily home development is tied to—is not tied to brick and mortar, but to navigating layers of compliance costs, locally and state and federal requirements.

At a time when many families are struggling to find an affordable place to live, we must ask hard questions about whether our current system is helping meet those moments. Because often the solutions already exist in the ingenuity of builders and entrepreneurs across this country. What they need is a space to build, the clarity to plan, and the freedom to innovate as they can deliver their homes to Americans that we need urgently. Local officials across the country are beginning to realize this, and needless to say, whatever local regulations have been loosened, like in Austin, Texas, the housing market has boomed.

Now, you also will hear from our witnesses today, small business home builders are continuing to press forward despite their barriers, but it is time to stop hamstringing our best and our brightest. When small home builders are constrained, it affects people far—it affects people far beyond the housing market, and other industries feel the pressure. Local economies lose momentum and worker mobility becomes restricted. Housing is a driver of economic growth, and when workers cannot find affordable homes near their jobs, certain employers struggle to recruit and maintain talent. Productivity suffers and economic expansion slows. A shortage of housing does not just limit where people live, it also limits where people can grow, where workers can move, and how strongly local economies can compete.

So as a committee, it is our responsibility to look at the challenges that facing small home builders and bring their obstacles to light with clarity and with purpose. It is also our duty to empower the people who build America to do what they do best. And our role is to ensure that the committee is a partner in progress, not a roadblock to it. Just yesterday, the Ranking Member and I, along with our colleagues, voted to pass the House-led bipartisan housing bill that we passed out of this chamber yesterday. We need to work together to ensure that small home builders can compete, innovate, and deliver the housing this country is counting on. I want to thank all of you again for being here. Coming, it is a big deal that you will come. I look forward to the conversation ahead today. With that in mind, I now yield to our Ranking Member and my friend from New York, Ms. Velázquez.

Ms. VELAZQUEZ. Thank you, Mr. Chairman, for calling this timely hearing on one of the most important issues facing our economy. Let me also take this opportunity to welcome all the witnesses and to thank you for being here.

Nowhere is our affordability crisis more evident than in housing where half of renters are rent-burdened and a quarter pay more than half of their income. In New York City, our rental market is out of control. On average, New Yorkers who rent are paying 41 percent of their income. This isn't a red or blue state issue either. Cities in states like Texas and Florida also face rental affordability issues. Similarly, homeownership is drifting further out of reach. According to the Atlanta Fed, the salary needed to afford the median home is roughly \$116,000, 36 percent higher than the actual median income of \$85,000. Over just the past 6 years, the median home price has surged over 30 percent, and elevated interest rates are keeping many locked into their low in low-rate pandemic-era mortgages. As a result, an entire generation has been priced out of home ownership.

According to the National Association of Realtors, the first-time homebuyer share is now at a record low, and the typical age of a first-time homebuyer is an all-time high of 40 years old. We are not building enough housing to meet demand. Experts estimate we lack between 3 and 5 million units nationwide. Tackling this issue will mean addressing shortages of both single-family and multifamily housing developments. I hope this hearing can identify causes and address solutions to this crisis, including by leveraging the power of small firms across the nation.

Yesterday, the House began addressing some of those issues by passing the 21st Century Road to Housing Act, which makes important reforms to federal housing programs and includes language I offer on cooperative housing developments and oversight of monitors and receivers of public housing authorities. This bill is an important first step, but it is not the complete answer. I urge the Senate to act quickly and pass this bill. Yet we must all recognize that we still need substantial investment in housing programs to tackle this issue. While the issue, slow housing construction, is caused by many structural problems, from labor and materials to financing to land regulations, it is clear that the administration who campaigned on affordability is making the problem worse.

For instance, this administration's cruel and racist immigration policies have specifically targeted a large portion of the construction workforce. As a result, threats of ICE raids have deterred even documented workers and legal residents from showing up to job sites, extending timelines and growing costs. Tariffs enacted solely by the president are adding costs to building materials, including Canadian softwood lumber, steel, aluminum, and copper, and even kitchen cabinets and furniture. These tariffs are inflating prices from foundation to finish. To make matters worse, the war in Iran has caused diesel to surge to over \$6 per gallon in many states, causing builders to face additional fuel surcharges in transporting building materials. High prices and growing inflation threaten to keep interest rates high, while further straining the budgets of renters, homebuyers, builders, and sellers.

Just last week, we received inflation data that confirmed price hikes are once again outpacing incomes, driven primarily by the president's signature policies, tariffs and the Iran war. The Kraft Heinz CEO said this plainly to the Wall Street Journal last week: consumers are literally running out of money at the end of the

month. Meanwhile, the administration is proposing to gut the very programs, rental assistance, community development grants, and home investment partnerships, that help fill the gap between what the market can deliver and what families can afford. Taken together, these policies and economic conditions aren't alleviating the housing shortage. They are making it worse.

Rather than focusing on the issue he was elected to solve, the president focuses on securing \$1 billion in taxpayer funds for a ballroom and even spending \$30 million on an odd bid contract to paint the reflecting pool. Not to mention spending \$1.7 billion on a slush fund for his insiders and cronies, some of whom ransacked the Capitol on January 6th. A billion dollars could build a lot of houses and go a long way toward helping small businesses fill this gap. I look forward to hearing from witnesses about how we could better allocate our resources to address this crisis and make life more affordable for everyday Americans. Thank you. I yield back.

Chairman WILLIAMS. The gentlelady yields back.

We will now move to the witness introductions. Our first witness today is Mr. Bill Owens. Mr. Owens is Chairman of the Board of the National Association of Home Builders. Mr. Owens is also the principal of Owens Construction, an Ohio-based residential construction firm he established in 1982, that is recognized for award-winning energy-efficient home designs. Mr. Owen has also held numerous leadership roles across the home building industry, including Chairman and positions with the NAHB Remodelers Council, Home Builders Institute, and the New American Home and Remodel Task Force. Mr. Owens is a longtime industry leader at the local, state, and national level. He has served on the NAHB Board of Directors for more than 20 years. He has previously served as president of the Ohio Home Builders Association. Mr. Owens is also a Member of the Harvard Joint Center for Housing Studies Remodeling Futures Steering Committee and remains active in professional education, workforce development, and community service along with his wife, Betsy. I want to thank you again for being here today. It is a pleasure.

Our next witness is Dr. Ivan Rupnik. Dr. Rupnik is founding partner of MOD X, a research-based advisory group focused on accelerating the underutilized housing industry. Dr. Upnick is also a professor of architecture at Northeastern University. His research focuses on industrialized housing delivery, particularly the regulatory and institutional barriers in off-site construction in the United States. Dr. Rupnick's work has been featured in the New York Times, and he has presented at HUD, the Harvard Kennedy School, and the National Housing Summit. Through multiple HUD-funded projects, MOD X has produced major policy reports. Their work has identified regulatory reform as a top priority for scaling industrialized housing. Dr. Rupnick holds a PhD in architecture from Harvard University, where his doctoral research examined the relationship between building design Industrial Management and Housing Policy, and he also holds a Master of Architecture with distinction from the Harvard Graduate School of Design and a Bachelor of Architecture summa cum laude from Louisiana State University. I look forward to our discussion.

Our next witness today is Mr. Eric Schaefer. Mr. Schaefer is the Chief Business Development Officer at Falling West Development, or Fading, sorry, Fading West Development, a Colorado-based modular home builder focused on providing affordable, high-quality homes, and he also helps lead Fading West's innovative modular housing projects focused on meeting the needs of communities. Mr. Schaefer also plays a key role in building partnerships with developers, nonprofits, and municipalities across Colorado, Hawaii, and the broader western region. Since the company's manufacturing facility opened in 2022, he has helped advance 25 projects resulting in the creation of more than 500 homes across the western United States. Mr. Schaefer has testified before the Senate Banking Subcommittee on Housing, Transportation, Community Development in 2024 and the House Financial Services Committee on Housing and Insurance in 2025. He holds a Bachelor of Science in Communication from Florida State University and a Master of Divinity from Columbia Theological Seminary. So I look forward to your testimony.

I now recognize the Ranking Member, Velázquez, to briefly introduce our last witness appearing before us today.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Our final witness today is Emily DiVito, senior advisor for economic policy at Groundwork Collaborative, where she manages the work on the housing crisis. Prior to Groundwork, she was the director of finance, corporate regulation, and consumer protection at Roosevelt Institute and a policy advisor at the U.S. Treasury Department. Her research has been featured in The Washington Post, The Guardian, and Bloomberg. She holds a bachelor's degree from Wesley College and an MPA from Columbia University. Thank you for joining us today, Emily. We look forward to your testimony.

Chairman WILLIAMS. The gentlelady yields back.

And I want to also say thank you to our witnesses. We appreciate all of you being here today. Now, before recognizing the witnesses, I'd like to remind them that their oral testimony is restricted to 5 minutes in length. That's an important number here, 5 minutes. If you see the light turn red in front of you, it means your 5 minutes has concluded and you should wrap up your testimony. And if you continue on, you'll hear this. That means you got to stop what you're saying, okay? I know you'll do fine. So with that in mind, I now recognize Mr. Owens for his 5-minute opening remarks.

STATEMENTS OF BILL OWENS, CHAIRMAN OF THE BOARD, NATIONAL ASSOCIATION OF HOME BUILDERS; DR. IVAN RUPNIK, PHD, FOUNDING PARTNER, MOD X, PROFESSOR OF ARCHITECTURE, NORTHEASTERN UNIVERSITY; MR. ERIC SCHAEFER, CHIEF BUSINESS DEVELOPMENT OFFICER, FADING WEST; AND MS. EMILY DIVITO, SENIOR ADVISOR FOR ECONOMIC POLICY, GROUNDWORK COLLABORATIVE

**STATEMENT OF BILL OWENS, CHAIRMAN OF THE BOARD,
NATIONAL ASSOCIATION OF HOME BUILDERS**

Mr. OWENS. Chairman Williams, Ranking Member Velázquez, and Members of committee, thank you for the opportunity to testify

on America's housing supply crisis. I am here today representing NAHB's Members, most of whom are small businesses who build 10 or fewer homes per year yet collectively, they construct roughly 80 percent of all new housing in the United States. At its core, today's affordability challenge is driven by a simple imbalance: the nation is not producing enough housing to meet demand. NAHB estimates a structural shortage of roughly 1.2 million homes. Vacancy rates remain historically low, and the resulting supply-demand mismatch has pushed both home prices and rents beyond the reach of too many households.

To explain why it is so difficult to build enough attainable housing, NAHB often points to the 5 L's: lending, lots, labor, lumber, and laws. These interrelated constraints make clear that the crisis is structural and cannot be solved by addressing a single factor alone. First, Lending. Housing production depends on access to capital, and for many small builders, that means financing from community banks. Credit conditions remain tight, with borrowing costs elevated, limiting the ability of builders to move projects forward. We are encouraged by recent efforts to highlight project-based working capital options for homebuilders and look forward to working with the committee and the SBA to ensure these programs are available to all builders.

Second, lots. A shortage of buildable lots remains a major obstacle as land development costs continue to rise. Restrictive zoning, infrastructure limitations, impact fees, local opposition, and federal permitting delays all constrain the ability to bring land to market. These challenges are especially acute for small builders who cannot spend or who cannot spread high fixed development costs across large-scale projects.

Third, labor. The skilled labor workforce shortage continues to significantly limit housing production. At any given time, there are more than 200,000 open positions in residential construction. In 2024 alone, labor shortages prevented the construction of roughly 19,000 homes and added nearly 2 months to project timelines. Congress can help by strengthening workforce development programs, expanding training and career pathways in the skilled trades, and ensuring legal and efficient workforce access where domestic labor supply is insufficient.

Fourth, labor and materials. Construction input costs remain elevated with continued price increases in 2026 compounding the challenges posed by financing costs, labor shortages, and delays. Even modest increases in material prices can determine whether a project is viable or not.

Finally, laws, meaning regulation. Regulatory costs act as a hidden tax on housing production. NAHB research shows that regulation accounts for nearly 25 percent of the cost of a new single-family home and over 40 percent of multifamily development costs. These burdens increase carrying costs and financing risk. Permitting challenges are particularly burdensome for small builders. For example, under the Clean Water Act, the difference between a streamlined nationwide permit and an individual permit can add hundreds of thousands of dollars and more than a year in delays, directly reducing the number of homes that can be built. The bottom line is clear: there is a supply problem. Small builders are

ready to help meet the challenge by delivering housing in local markets and underserved communities.

But progress will remain limited if costs and delays continue to escalate across financing, land, labor, materials, and regulation. Congress can play a role by advancing supply-focused reforms that expand access to capital, strengthen workforce pipelines, increase the availability of buildable lots, and reduce the excessive regulatory costs and permitting delays. If we want to make housing more attainable, we must make it easier and less expensive to build. Thank you, and I look forward to your questions.

Chairman WILLIAMS. Thank you. The gentleman yields back.

I now recognize Dr. Rupnik for his 5-minute opening remarks.

**STATEMENT OF IVAN RUPNIK, PHD, FOUNDING PARTNER,
MOD X, AND ASSOCIATE PROFESSOR OF ARCHITECTURE,
NORTHEASTERN UNIVERSITY**

Mr. RUPNIK. Chairman Williams, Ranking Member Velázquez, thank you. Thank you for the opportunity to testify.

This year I co-authored or published a report from HUD that examined why the United States has persistently struggled to industrialize housing delivery while our peer economies have not. What we found was that much of the work that was done abroad was first proposed in the United States but never fully implemented. The industrialization of housing delivery is the integration of design, off-site production, and on-site assembly into a coordinated system. Most American industries operate within this regulatory framework that supports this kind of integration, including automotive. Housing does not.

In 1968, HUD documented exactly this issue and concluded that the federal role is to create enabling conditions within which companies can innovate to address housing affordability. In response, Congress authorized HUD to pilot a form of regulatory streamlining called Housing System Certification. That pilot, Operation Breakthrough, validated this approach through work in 8 different states and 20 different companies. Six years later, Congress concluded that the lack of uniform housing and building regulatory provisions increases the cost of construction and thereby reduces the amount of housing and other community facilities which can be provided. The '74 Housing and Community Development Act then produced two performance-based regulatory reform actions.

The first was the HUD Code, which has been discussed extensively. The second, the more exciting part for me, was the establishment of the National Institute of Building Science, or NIBS, mandated by Congress to continue the work HUD had piloted developing a performance-based fast track for small innovative companies to deliver housing. The problem had been identified and measured, a solution had been demonstrated, an institution had been established, but what was never completed was implementation.

Our recent report renewed a call for housing system certification for 3 concrete reasons. It was proven out at a pilot level in the United States through Operation Breakthrough. It has been operating successfully in Japan for more than 50 years. Today more than 28 percent of Japanese housing goes through this fast-track

route and has serious benefits. And it is also the same framework that we already use to govern every other consequential American manufactured product, automobiles, our aircraft, medical devices, our food, our pharmaceuticals. A housing system is essentially a product definition. The design logic, the structural and material systems, the off-site manufacturing and on-site assembly processes, quality insurance, and quality control of a defined, repeatable housing offering treated as a unified whole rather than a collection of discrete decisions made project by project.

What defines it as a system is the integration, the design for manufacturing assembly, coordinated supply chains, serial production, and continuous improvement. In other words, industrialized housing delivery. Permitting through this would be streamlined. Lenders and insurers could rely on the certification as a basis for underwriting. Code officials would retain their authority, but exercise it against a known and tested baseline. Federal programs could utilize certification for awards and subsidies. This is what's done in Japan. This is not a proposal to preempt local code officials. It is a proposal to give them a tested performance baseline against which to exercise their authority. The savings would come not from redoing the same approvals in every project.

The quality gains would come from concentrating expert review at the systems level rather than fusing it across thousands of individual project reviews. In the U.S., the strongest endorsement for housing system certification has come from small vertically integrated companies like my friend Eric Schaefer here, who's also serving on a technical committee to support our work. Fading West will be discussed today. Certification benefits factory, site, and hybrid delivery equally because what it certifies is the integrated system, not the technology itself. It also certifies the technology. Some innovative site builders have also endorsed this regulatory form for exactly the same reason, including Texas-based JPI, a major multi-family builder.

MOD X is working with NIBS and a steering and technical committee of 21 people to develop the standard. We hope to be completed by December of 2026. And we're happy to say that the state of Washington is already working to pilot this at a state level. Todd Beyreuther, who is an industry expert and also the Chair of the Building Council, is developing this. I wanted to make this committee aware of this important work, more than half a century in the making, and I look forward to your questions and your thoughts about how federal action can support state, local, and government, and NIBS in helping to scale. Thank you.

Chairman WILLIAMS. Thank you.

I now recognize Mr. Schaefer for his 5-minute opening remarks.

**STATEMENT OF ERIC SCHAEFER, CHIEF BUSINESS
DEVELOPMENT OFFICER, FADING WEST DEVELOPMENT**

Mr. SCHAEFER. Thank you, Chairman Williams, Ranking Member Velázquez, and Members of the committee for the opportunity to testify today.

My name is Eric Schaefer, and I am Chief Business Development Officer for Fading West in Buena Vista, Colorado. We are a fully integrated design, construction, and modular manufacturing com-

pany focused on the Lean process. The U.S. faces a crushing housing deficit, and this burden falls on both national builders and smaller home builders like Fading West. With little or no innovation in the past 50 years in how houses are built, Fading West and the modular manufacturing industry firmly believe that this committee has a vital role to play in helping small home builders innovate, scale, and actively participate in resolving our national housing shortage. To understand the challenges small home builders face, we must look at how far the U.S. lags in manufacturing adoption. In our country, modular construction represents less than 5 percent of all housing. For comparison, in Scandinavia, modular makes up over 45 percent. We are failing to address the root systemic causes holding back our construction sector.

First, it is because of a fractured labor pipeline. Forty-one percent of the current construction workforce will retire by the year 2031. With fewer skilled trade professionals available, labor costs will rise and slow project timelines. Second, the price of residential construction goods has gone up over 40 percent since 2020. And third, the regulatory burden. Regulations account for 25 percent of the average sale price of a new home. And fourth, there are 43,000 individual building code jurisdictions across the United States, and this makes it difficult for modular factories to standardize.

Fading West has shown that building homes using Lean manufacturing principles in our 110,000-square-foot factory has helped us reduce waste from 30 percent down to 3 percent. We have over 100 employees who can build a house in less than 10 days in the factory and then complete the on-site work in less than 30 days for a total of 40 days, far less than traditional construction. We build homes 20 percent cheaper and 50 percent faster. We recently built our 1,000th unit in our 4.5 years since opening. To see this in action, I would like to highlight a partnership that we have with Rural Homes, a nonprofit developer in Telluride. In high-cost mountain and rural towns in Colorado, traditional site building costs are prohibitive for workforce housing. Together with Rural Homes, we have scaled a unique public-private philanthropic partnership blueprint. Under Governor Polis, Colorado has become a modular-friendly state through initiatives like Proposition 123, equity funding, and Senate Bill 2409, and the state is streamlining factory certifications and has slashed red tape. By pairing donated municipal land, low-cost philanthropic capital, and Fading West's factory speed of delivery, we are building workforce housing at prices well below regional and market pricing.

We are currently building projects all around Colorado, in Wyoming, in Texas, in Montana, and have signed first contracts in the Pacific Palisades for families that lost homes in the fire. We built 85 homes in our Colorado factory and shipped them to Lahaina for the FEMA disaster relief project in Maui. We are currently building 24 homes for the Department of Hawaiian Home Lands (DHHL) for a pilot project in Honolulu for their beneficiaries. We are also partnering with DHHL to build a factory in Hawaii which will speed up building and reduce cost.

To empower small businesses, I offer three recommendations: provide direct capital incentives for facilities through federal grants and 0 percent interest loans; to create regional building codes for

different climate zones, which will unlock standardization and allow factories to flourish; and to prioritize and reward vertically integrated public-private partnerships. Housing policy is education policy, it is economic policy, it is environmental policy, it is transportation policy, it is community policy. The committee can empower small businesses to be the master key that unlocks a new era of attainable housing, vibrant communities, and thriving local economies across America. Thank you, and I look forward to questions.

Chairman WILLIAMS. Thank you. And the gentleman yields back.

I now recognize Ms. DiVito for her 5-minute opening remarks.

STATEMENT OF EMILY DIVITO, SENIOR ADVISOR FOR ECONOMIC POLICY, GROUNDWORK COLLABORATIVE

Ms. DIVITO. Chairman Williams, Ranking Member Velázquez, and Members of the committee, thank you for the opportunity to testify.

My name is Emily DiVito. I am the senior advisor for economic policy at Groundwork Collaborative, an economic policy think tank in Washington, D.C. We face a housing affordability crisis worsened by existing housing shortages and a failure to build more homes of all types. Congress is already taking on barriers to building, such as restrictive zoning, through the 21st Century Road to Housing Act. Such efforts are important, but zoning reform alone will be insufficient to fix the housing affordability crisis. Home builders and home buyers face economic headwinds that Congress must tackle head on. As this committee knows, small and medium-sized home builders play a hugely important role in the U.S. housing system.

I would like to highlight two particular cost challenges for builders that ultimately put housing out of reach for many families: the rising cost of construction and the high cost of capital. The Trump administration is driving up the cost of construction through its mismanagement of the economy, specifically tariffs on core building materials, as well as higher transportation costs and higher interest rates due to the Iran conflict. In the latest Producer Price Index, the price of goods used in residential construction was up 1.2 percent over the last month and up 6.1 percent from last year. Higher prices place a particular strain on small builders who do not have the resources or scale to mitigate tariff costs or to pass rising transportation costs through to consumers.

The Center for American Progress recently estimated that higher building costs due to the tariffs will lead to 450,000 fewer homes built over the next 5 years. At the same time, a lethargic labor market and the Trump administration's immigration crackdown make it more difficult for firms to find and retain construction workers, adding further time delays and additional costs to the home building process. These higher construction costs get passed on to home buyers in the form of higher prices.

Meanwhile, just months after DOGE cut staffing at federal housing agencies, the Trump administration is pulling back on federal housing funding by proposing the elimination of programs like Home Investment Partnerships and Community Development

Block Grants. These programs have channeled millions of dollars to local businesses and community partners, helping meet the needs of over 2 million people and resulting in the construction or rehabilitation of more than 1.3 million units of affordable housing. Let's be clear, these challenges didn't come out of nowhere. The higher prices we see today are the result of specific policy choices by this administration that Congress can rein in.

But even before the price hikes, cost of capital had already been a major constraint to new construction. Building the capital stack, the specific debt, the specific blend of debt and equity required for a given project can be costly for firms raising capital from investors seeking returns. Small and emerging developers without the same resources or established track records of large firms have more challenges securing construction loans and recruiting investors in the first place. And even when small developers secure financing, investors often impose strict repayment schedules and high return expectations, which ultimately result in higher costs for consumers.

Congress should target interventions that lower the cost of capital and make it easier for homebuilders to build to affordability. First, Congress should allow entities like Fannie Mae and Freddie Mac to buy and sell construction loans, especially the tranches of debt costlier for developers. Existing programs within the Federal Home Loan Bank System should also be expanded. Second, government should leverage their borrowing power to help cities and states establish revolving loan funds that can extend financing with low interest rates at long maturities to facilitate new construction. Third, Congress should play a bigger role in ensuring mortgages are affordable to homebuyers. This can be achieved through popular policies such as providing low-rate direct federal mortgages reducing mortgage insurance premiums, and allowing families to utilize portable mortgages.

Ultimately, policies such as these will make it easier and cheaper for businesses to access the financing they need to build more homes. If Congress can lower the cost of construction and the cost of capital, more builders, especially small ones, will be able to meaningfully expand the housing supply at lower prices, which ultimately means more homes that working families can afford. Thank you, and I look forward to your questions.

Chairman WILLIAMS. The gentlelady yields back.

We will now move to the Member questions under the 5-minute rule. I recognize myself for 5 minutes.

Mr. Owens, as a Chairman of the National Association of Home Builders, you spent more than 4 decades in the residential construction industry and have seen firsthand how the regulatory landscape has evolved in the local, state, and federal levels. And small home builders play a critical role in meeting housing demand. But many say increasingly complex and costly requirements have made it harder to build homes efficiently and affordably. So my question would be, to give a small homebuilder a fair chance to succeed, how important is it to reduce unnecessary regulations? And over the years, have these regulations been easier to navigate or increasingly burdensome for some homebuilders?

Mr. OWENS. Thank you for the question, Chairman. That definitely strikes home. I mean, we deal with this every day. The, you

know, what we've done with or what we've dealt with over the 4 decades of increased regulation just isn't from a code or a land use point of view. It has nothing to do with any one particular item. But when we, when we talk about a combination of factors at the land development phase, we talk about issues with restrictive zoning, with impact fees. And again, we understand this isn't all federal mandated. This can be state as well as local regulation as well.

But then when we look at infrastructure constraints, even the NIMBY-ism, the local opposition, can, can add in, you know, an interesting kind of twist into our ability to build. And I think what we're trying to do right now is to just recognize that, and as we bring this to Congress, and I knew at some point I probably would be able to share this with you all, is there's not one particular item as far as regulation goes, there's not one thing in particular that if we did away with today that we would be in a much better place tomorrow to provide attainable and affordable housing. It is, I call it death by a thousand cuts.

But every one of these adds another layer of cost that we simply just cannot absorb, and that ultimately is going to be passed on to the consumer much like everything else. When our costs go up, that is a direct impact then on the eventual home buyer.

Chairman WILLIAMS. All right. Thank you.

Dr. Rupnick, as a professor of architecture and a leading technical expert in off-site construction and building innovation, you spent years studying how design, manufacturing, regulation interact in the housing industry, and through your work with MOD X, and your collaboration with the National Institution of Building Sciences, you've exploring ways to modernizing housing construction and reduce regulatory barriers that slow the development. So offsite and modular construction are often viewed as promising solutions to improve efficiency, lower costs, and expand housing supply, but they also face significant challenges because of codes, permitting, and inspections, et cetera. Standardization. So my question is, quickly could you walk us through some of the innovations, technologies, and regulatory reforms you are exploring to make the process more scalable and more manageable?

Mr. RUPNIK. Thank you, Chairman, for that question. I think that there's a lot of interesting technologies out there, but the reality is, if we look globally, light wood frame construction, an American form of construction, is actually seen in many countries as an innovative form of construction. So I say that there are a lot of innovative technologies. The innovations that we're excited about are in the code compliance space. And that's what we're really advocating for because as Mr. Owens pointed out, there are a lot of regulations. We can't point to one of them, but what we can point to is the structure of code compliance.

So we now have a smaller number of model codes that are then adopted by states and then modified, adopted by counties and modified, and then actually interpreted project by project. The multiplication of what actually a company has to deal with, small or large, is infinitesimal. The investment in streamlining code compliance is the single tool that we think would benefit both conventional builders and offsite builders. And that is something where we've seen AI and other digital tools used in this space. And every

industrialized economy has had the difficult process of saying our code compliance system is fragmented. It doesn't work. It doesn't work for conventional, doesn't work for new technologies, and we need to reform it.

Chairman WILLIAMS. Thank you.

I now recognize the Ranking Member for 5 minutes. My time is up.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

Ms. DiVito, Housing costs are at the root of the affordability crisis, putting significant pressure on family budgets and limiting the ability of people to save money or even meet their basic needs. Can you outline some of the root causes of the housing shortage?

Ms. DIVITO. Thank you for the question. For decades, the U.S. has underinvested in housing. Construction never really recovered after the Great Financial Crisis, and since then we've only had persistent labor and construction shortages. At the same time, as my testimony mentioned, acute price hikes are making it worse as builders and contractors contend with high prices on core construction materials from tariffs. And one of the biggest underlying challenges we face today is the high cost of capital that makes it incredibly expensive, time-consuming, and overall difficult for developers, especially small firms, to build affordable housing. And this is why I believe that if we want to fix our housing affordability crisis, we have to fix our housing financing system.

Ms. VELAZQUEZ. Thank you.

Mr. Owens, the National Association of Builders testified before the Financial Services Committee that uncertainty from tariffs was constraining investment. What impact do Section 232 tariffs on lumber, steel, and aluminum, and kitchen cabinets and finished wood products, as well as potential future 301 tariffs, have on small builders?

Mr. OWENS. Thank you very much for the question. Our research through our econ team has shown a fairly insignificant burden when it comes to tariffs. Somewhere around—when we look at total building cost, everything that goes into the home, we're estimating that about 7 percent of building materials that go into that home are actually imported. So we're somewhere under 10 percent of our net costs here. So, you know, currently with the administration working toward the American First environment, that's influencing some of our work, but it is fairly minimal.

Ms. VELAZQUEZ. And you disagree with the member of the National Association of Home Builders that tariffs are constraining investment?

Mr. OWENS. I don't think there's any question that they're having some impact.

Ms. VELAZQUEZ. Okay. Wouldn't you agree that these tariffs have increased the cost of housing? You're saying no?

Mr. OWENS. Slightly.

Ms. VELAZQUEZ. Okay.

The president has proposed significant cuts to programs at HUD. Ms. DiVito, what are some of these cuts? How do they impact housing affordability?

Ms. DIVITO. That's right. The president has been trying to eliminate some of the nation's most flexible housing programs, in-

cluding the Home Investment Partnerships Program and Community Development Block Grants. In the president's proposed budget for fiscal year 2027 that would cut funding for the Department of Housing and Urban Development by roughly \$11 billion, or 13 percent. Cutting this funding means that these communities and businesses that are counting on these programs for the flow of capital won't get it and may not be able to build as many homes or at rates that families can afford.

Ms. VELAZQUEZ. Do you agree that if the president and Members in Congress are serious about addressing housing production, that they will be increasing not decreasing HUD's housing production programs?

Ms. DIVITO. Yes, ma'am.

Ms. VELAZQUEZ. On both sides of the aisle, Ms. DiVito, many of us recognize that NIMBYs have abused land use regulation to slow the construction of new housing starts, but solving that issue is only part of the problem. Why is expanding government options for access to capital so important for new construction? And particularly for small builders.

Ms. DIVITO. Thank you. Yeah, I mean, I think everybody on the panel agrees that there's no doubt that zoning restrictions and complex permitting processes have worsened our housing affordability crisis. Unfortunately, though, I feel strongly that fixing zoning alone will not dissipate the underlying costs of securing financing, which is one of the major drivers of the affordability crisis we see today.

Ms. VELÁZQUEZ. Thank you.

Mr. Owens, to that end, your testimony mentioned exploring SBA financing to help get more access to capital for small developers. I am working on a bill to modernize the 504 CDC program to support renovation of mixed-use developments for commercial and residential units. Would this be a provision you will support?

Mr. OWENS. I think we'd want to look into that a little bit more, but I think that we're absolutely in alignment and very hopeful that the Small Business Administration grant process, you know, the lending process will help us out. We represent the small builders, and anything that we can do—capital is always an issue for us, not just in mainly the carrying cost of the business more so than just actually financing the land.

Ms. VELAZQUEZ. Thank you. Oh yeah, my time expired.

Chairman WILLIAMS. The lady's time is up. She forgets that sometimes.

I now recognize Mr. Meuser from the great state of Pennsylvania for 5 minutes.

Mr. MEUSER. Thank you, Chairman. Thank you all. Very interesting and important discussion and, and hearing here. We all agree construction costs, regulatory delays, outdated zoning constraints fuel decades of underbuilding. Perhaps as many as 3 to 4 million single-family homes we need to build and make available. Small home builders play a vital role, Mr. Owens, as you are clearly bringing out, as you did in your testimony. Earlier this week, as has been mentioned, we did pass a very bipartisan amendment to the 21st Century Road to Housing Act that will address many of these housing shortage issues by reducing unnecessary barriers to

new home construction, modernizing HUD programs, allowing banks to more freely deploy capital, and have some restrictions on institutional purchases of single-family homes. Not the building of single-family homes, but the purchasing of them.

So Mr. Owens, very intrigued by your testimony. You had some real good ideas in there. I like this lending lots, labor, lumber, laws. I mean, that's good. Sums things up and helps us focus, I think.

The banking, as the Ranking Member was just talking about, you know, our Housing Act allows banks to lend more to finance home construction. This should make a difference. It should double it. It could actually double it according to the intent of the law anyway. And I am intrigued, intrigued about the idea of expanding 7a loans for home construction, maybe double it. Right now it is at \$5 million. We bring it up to \$10 million. I mean, one builder alone, perhaps that could equate to, well, you do the math, 13, maybe 14, 15 new homes. Your thoughts on that?

Mr. OWENS. Thank you, sir, for the question. You know, for us, access to capital is a must. We absolutely cannot build without that. So when we talk about the possibility, as I said earlier, we're encouraged by the SBA 7a or 7b program as a way to finance direct costs. I think there are limits, though, to that. What we had seen, for example, phased development would be excluded from that, and actual project-based working capital would be something that I think I understand would have been excluded. I think when we're looking at the overall landscape of construction financing, larger builders, I think, have more varied access to different capital pathways. We represent the small volume builders. Our average builder is building 10 or less homes a year.

Mr. MEUSER. The ones I know. Yeah, sure.

Mr. OWENS. Yeah. So that's the one thing right now that we're looking at is what are some means that these smaller builders would have access to capital? And that's why we sort of are, we're encouraged by some of your discussions with the SBA on this.

Mr. MEUSER. And the SBA would be, I think, more effective, maybe faster, than the HUD programs that exist.

Mr. OWENS. It may be.

Mr. MEUSER. Okay. So Dr. Rupnick, well, first off yeah, Dr. Rupnick, the 21st Century Road to Housing bill, the regulation from a regulation standpoint, or any aspect of that bill. Could you give me your feedback on that, some of your thoughts?

Mr. RUPNIK. I haven't studied the specifics of it, but I think the issue is that we have not yet really understood, based on the conversation today, where the cost is, because we're talking about the cost of regulations. We're not talking about the structural cost of our code compliance. So that, I think, from what I've seen in the bill, and I haven't spent as much time as I'd like to because it has been changing. All I would caution is that from our research from 20 years, it is really code compliance, not the regulations themselves, that have been a burden in the U.S. Also in Pennsylvania, which has a very strong modular sector. What I don't see is specific tools for really understanding first and then assessing those. And that's where I think we really need to understand before we even

allocate funding, really understand the hidden costs of our code compliance regime.

Mr. MEUSER. Okay, thank you.

Mr. Schaefer, any feedback you can provide on the on our Housing Act?

Mr. SCHAEFER. Yeah, certainly the innovation for modular is the huge plus that we see in cutting the red tape which is big for us. If entitlements take 12 to 18 months before you can even build a house, a lot of times in affordable housing projects, by the time you get to the entitled stage, it doesn't pencil anymore. So we can't even do the project.

Mr. MEUSER. Thank you very much. I yield back, Mr. Chairman.

Chairman WILLIAMS. The gentleman yields back. I now recognize Mr. McGarvey from the great state of Kentucky for 5 minutes. Thank you, Mr. Chairman.

Mr. MCGARVEY. Mr. Owens, in your testimony, you opened up and said there were a shortage of 1.2 million homes in this country. I think that number could be low. But regardless, we're all agreeing that we are millions of homes short in this country. And I think this is really important, because one of the things we talk about here in the Small Business Committee is the American dream. The American dream, you can work hard, you can provide for your family, you can leave the world a little better than you found it, and you can put your kids in a better spot than you were in. And I think owning a home is a foundational cornerstone of this American dream. We still know that owning a home is a generational wealth a home builder, it is an asset you can pass on.

But when we're talking about building homes, I want to talk about what people are going through right now when they want to buy a home, because it is far from easy. So I wanted to run the numbers a little bit for you. I am from Louisville, Kentucky, and I was looking at my town, Louisville, Kentucky, and I wanted to find a home that was \$250,000. Why? I wanted to make the math easier for me. So I got on Zillow and found immediately 4 homes listed for \$250,000, one in Shively, one in Okolona, one in Germantown, one just east of J-Town. All have 2 bathrooms. One of them has 2 bedrooms, the other 3 have 3 bedrooms. 3 of them are between 1,200 and 1,400 square feet. One of them was 2,100 square feet, right there in Louisville, Kentucky. \$250,000. Okay, so the area median income for Louisville, Kentucky is about \$89,000 annually for a 4-person household. After taxes, that's about \$65,500. So that shakes out about \$5,500 per month that you're bringing home after taxes. If you want to buy a \$250,000 home, let's pretend, and I say pretend because 50 percent of Americans don't have access to \$500 cash. Let's pretend that you can put \$50,000 down on this home. That's 20 percent. I told you I'd keep the math easy, 20 percent.

Now, you're going to look at a \$200,000 mortgage. Current interest rate, 6.16 percent fixed on a 30-year mortgage. That's going to cost you \$1,400 a month. That is \$16,800 per year. Now your 65.5 is down to \$48,700. Okay, let's say you're a young family of 4, you got 2 kids. Childcare. We all know what this looks like. In Louisville, Kentucky, the average cost, that's going to put you at \$380

per week, \$1,500 per month, \$18,000 per year. Now, that is down to \$30,700 that you are bringing home after you've got your mortgage, after you've got your childcare. Bear with me. We know what grocery prices are doing right now. Just walk through the grocery, walk through a Kroger in Louisville.

So I am going to go conservative. I am going to say for a family of 4, you're spending \$250 per week for all 4 of you. That's \$13,000 a year. Now you're down to \$17,700. But guess what? We haven't talked about taking care of these kids yet. Health care, especially with what Trump did to the Affordable Care Act, is now \$1,800 per month on average in Louisville, Kentucky. That's \$21,600 per year. Guess what? You are now minus \$3,900. That's your family of 4 in a \$250,000 home. You are \$3,900 underwater. And what have we not talked about? We haven't talked about your utilities. You haven't talked about your water, your cell phone bill, your car payments, your insurance, your gas, which you can just drive—is \$4.40 when I left Louisville on Bardstown Road this week. You're \$3,900.

And guess what? We haven't even talked about what the actual payment on the home is. In the above scenario, we had a 30-year mortgage. By the end of it, you will have paid \$250,000 in interest on that \$200,000 loan. So we got to get the affordability under control here. And one of the ideas has been floated, Ms. DiVito, is the idea of a 50-year mortgage. And I want to talk about what impact that has on affordability and what you think about what that would do for families.

Ms. DIVITO. Thank you for the question. Yeah, the 50-year mortgage, I think, is a misguided attempt to make it seem like it is providing relief for homebuyers without fixing the underlying problem. On a 50-year repayment plan, families would end up spending significantly more on interest over the lifetime of their loan and build equity much slower than other families. I don't think that Americans want their debt to last longer. They just want their housing to be more affordable.

Mr. MCGARVEY. Yeah, so you're going to pay significantly more over the cost of 50 years, and even if you're able to buy something a little bit cheaper up front, we're still looking at this math. You're still in a \$250,000 \$500,000 home, you're still in the red. And guess what? Even if you think you can buy it for a little bit cheaper up front, look at what the tariff policies are doing right now. You're looking at building and material prices up 3.5 percent year over year.

Mr. Owens, have you seen this in your business, that the cost of lumber and materials right now is rising?

Mr. OWENS. We have to a certain extent, but it is more in the metals, I think. As of recent, we've seen some stability in the lumber prices. Certainly from the, you know, the peak there during COVID Yeah.

Mr. MCGARVEY. And this, this rise in cost is making it harder to build homes. It is making it harder to find the American dream on every level. And I think we have to address the affordability crisis and start talking about this. Mr. Chairman, I yield back.

Chairman WILLIAMS. Yields back.

I now recognize Mr. Cisneros from the great state of California for 5 minutes. Thank you.

Mr. CISNEROS. Thank you, Mr. Chairman. I want to thank you, the Ranking Member, for bringing us together for this important hearing on housing. You know, I represent a district in Southern California in the San Gabriel Valley, and I don't even know where you can find a house for \$250,000 anywhere there. It is just not possible, right? And the rising cost just continues to add, right? And look, I look at it in a very simple way when kind of looking at economics, and it is supply and demand, right? We need a lot more supply in order to help bring down the cost of housing. And it is not just single-family homes people could afford, but also renting rentals, right?

And then even as my I think of my grandmother years ago as she started to age, she moved into senior citizen housing that provided opportunities for more people to kind of move in there as well. And look, my district is not that far away from where the Eden fires were last year, which only adds to the shortage of housing there. And so, and now those people are going to need to build, and it is going to cost them even more as insurance companies continue to make higher demands on the way that construction happens and what they can do. And look, there's been a lot of great innovations there, I think, to kind of help and prevent fires or to help the homes become more stable during those times. But it comes at a cost as well, right? Not only at a cost to the owners of these homes who are going to have to rebuild, but also it is going to be rising insurance costs as well. So we definitely need to help, I believe, our home builders kind of do more. As you say, free up capital so that they can build more.

So, Ms. DiVito, I am going to ask you something about that kind of intrigued me in your opening statement there, is Fannie Mae and Freddie Mac providing construction loans to companies. What do we need to do in order to make that happen?

Ms. DIVITO. Thank you for the question. That's right, I think the government-sponsored entities Fannie Mae and Freddie Mac should be expanded to allow the, the securitization of construction loans. This will functionally spread risk for investors and free up capital. I think that could be an important way to make sure that already existing private capital out there makes its way to small and emerging homebuilders.

Mr. CISNEROS. Okay. So would that take—I guess it would take legislation from us in order to make that happen?

Ms. DIVITO. Oh, yes. I apologize.

Mr. CISNEROS. Okay. No. All right. I would love to work with you on that and see how we can kind of move forward and really kind of find a way to make that happen.

Ms. DIVITO. Fantastic.

Mr. CISNEROS. Great.

Mr. Owens, you're from Ohio and you're from that area, and I don't really know what the workforce what it is like over there, but I know what it is in California around homebuilders. And it is an immigrant workforce, right? A lot of people immigrate here to the United States and they get into this industry and they've become a very valuable resource to our construction companies out there that are building homes. But unfortunately, the president has as-

served that these mass deportations are going to help free up jobs, actually, when I think it is actually done the opposite.

But what are you hearing from your home builders or the people in your association out west? What impact has these ICE raids and Border Patrol raids had on the workforce there out west, like in California and in other areas across the country?

Mr. OWENS. Thank you for the question. You know, the labor shortage existed way before we had the immigration crackdown. We lost, I think, about 1.5 million construction-related jobs during the great recession. So I think it is very localized, how you pointed it out. We see that a little bit. I build in Arizona as well, and we've seen this being a little bit more localized, but it has disrupted some of local operations, but we don't see that headwind, if you will, as a severe constraint right now in housing supply.

Mr. CISNEROS. Well, I feel like I am hearing different from some of the home builders I talked to out west, but it definitely is having an impact. Look, I am with you. I, again, I think we need to figure out ways so we can increase housing, whether it is modular housing. And I don't know how that would kind of really work. Like you said, there are a lot of restrictions, and California does have restrictions, especially around earthquakes and things like that. But would love to meet more with all of you to kind of find out you know, how we can make this work, right? How we can have more access to capital and how we can, you know, make things more available so that we can increase that supply number to help bring down the cost. But with that, I yield back. Thank you.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mr. Jack from the great state of Georgia for 5 minutes.

Mr. JACK. Thank you very much, Mr. Chairman. And if I could, I will start with Mr. Owens. Thank you for your testimony today. Could you walk this committee through the cumulative impact federal regulations, whether environmental, permitting, labor rules, energy codes, or financial reporting requirements, have had on the final cost of a home for an average American family trying to buy their first house?

Mr. OWENS. Thank you for the question. As I mentioned earlier, I think it is, it is, it is just, it is an aggregation of a lot of different cost impacts that come in. We could talk from the federal point of view, I think, about the wetlands permitting process. Perhaps when we look at permitting reform, that might be a possibility too that would give us some, some, some relief. When we looked at individual permits versus nationwide permitting, if we stayed on the Clean Water Act and the compensatory, pardon me, that's a mouthful, the compensatory mitigation reform that might be helpful for us.

I think again, when we go back in and we look at some of the OSHA regulations that are applied at the federal level, when we look at the heat compliance standard, the reporting, the electronic reporting requirement, again, we represent the smallest core of the, of the home builders. We don't represent the nation's largest home builders. That, you know, our builders are very much rooted in this small business environment. And that's where we look at some of these costs that might be able to be absorbed by the larger build-

ers, particularly in the land development end of things. These are things that are almost prohibitive for many of our smaller builders to do any land development at all right now.

Mr. JACK. Your testimony indicated that you estimate, I believe, is it 25 percent of the cost of a home is due to regulations? You want to comment on that a little further?

Mr. OWENS. Sure. I think if my numbers are correct, I think through the land development phase it is about 10 percent, and I think we're a little bit north or more than 13 percent of the cost actually during, during construction. That make up that, that 25 percent cost of regulation and fees above sticks and bricks essentially. And it is even more than that around 40 percent in the multifamily.

Mr. JACK. Thank you. Could you comment, this week the House took action on housing, as you saw, no doubt, a few days ago, actually just yesterday, if I am not mistaken. Could you comment on how that's going to help Americans achieve that American dream, buying their first home and helping their families grow?

Mr. OWENS. Yeah, I very much appreciate that question because that's something that the effort that Congress has made, I think, is going to go a long way to really supporting what we feel is, you know, completely underserved housing inventory right now. I think one thing, although a little bit controversial, but in the end, again, because we don't represent institutionalized investment, removing the 7-year forced requirement to sell build-to-rent properties was something that is very, very important to us because that's about 10 percent of the overall addition to the inventory on an annual basis at this point. I think also, too, that the Road to Housing, the House version, increased stronger land use reforms, enhances multifamily finance tools, creates some new, new renovation programs, and I think one of the most important things that really helps the small builder contingent out there is it provides some regulatory relief for the community banks to get a little bit more flexibility where we typically go for, for our money to build these homes.

Mr. JACK. We often talk in this committee about workforce development. I am honored to Chair the Subcommittee on Workforce Development, thanks to our Chairman's appointment of myself in that capacity, and would welcome in these closing 50 seconds you talking about what more Congress can do to help ensure we've got a pipeline of skilled employees and folks coming out of trade schools to help build these homes.

Mr. OWENS. I'll be brief. Maybe we can circle back to it. The CONSTRUCTS Act certainly supports career tech schools as a primary alternative to traditional 4-year. We absolutely need your help on a program that started back in the mid-'60s, the DOL Job Corps program that's administered through the Employment and DOL's Employment and Training Administration, and probably a couple other ideas.

Mr. JACK. Thank you.

Well, Mr. Chairman, I appreciate you convening this hearing today. It was timely given everything else that happened in the House this week. And with that, I yield back, sir.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Mr. Olszewski from the great state of Maryland, for 5 minutes.

Mr. OLSZEWSKI. Thanks so much, Chairman Williams. Thank you also to Ranking Member Velázquez, to my colleagues on the Small Business Committee, and to Thank you to our witnesses for being here today.

I believe that we all know that tackling the housing crisis in America is a top priority for Members of Congress across the aisle and across this committee. To be clear, America is facing an affordability crisis, and America's affordability crisis begins with housing. If you can't afford a roof over your head, little else matters. Unfortunately, this is a crisis that is exacerbated by President Trump's stunning ability to so easily turn his back on a promise that he made to lower costs for Americans on day one. President Trump said it himself, quote, "I don't want to drive pricing of—I don't want to drive housing prices down," and quote, "I don't think about Americans' financial situation," when referring to impacts from the still unauthorized war with Iran.

Trump's war of choice has also increased mortgage rates to unattainable levels for many Americans who are also grappling with gas prices of \$4.50 per gallon or more across the country while inflation surges to the highest level it is reached in nearly 3 years. As I've pointed out in this committee before, 99 percent of Americans are paying more out of pocket, in some cases much more than they were under Trump before Trump 2.0. I think my colleague Mr. McGarvey did a good job of going through some specifics. I don't know how anyone can call this a win for America.

Unlike the president, lowering costs for my constituents and the American people is my number one priority. When it comes to housing, more than half of Maryland families who rent their homes are cost burdened, which means they spend more than 30 percent or more of their income on rent and utilities. The share of Maryland households able to afford the median-priced home is also less than half. Alongside these unattainable realities to simply live in a home, the overall cost to build out our housing supply across the country has reached historic highs. The costs of material and labor have increased significantly. I want to thank the National Association of Home Builders for pointing out the impact of the tariffs, which have alone are projected to cost, raise the cost of imported construction materials by billions of dollars.

And before I turn to questions, I'll just conclude by saying this, we must view housing as a workforce issue. Without enough housing to accommodate job growth, housing prices increase, which pushes out current residents and deters prospective residents, only serving to slow economic growth. We must work to address attainability as a holistic problem, and I look forward to discussing what policies can help small homebuilders who need support from Congress at this time.

Ms. DiVito, I'll start with you. For much of our history, small builders were able to obtain loans from local financial institutions for homebuilding, but that access to capital has become more constrained in recent years. How can the U.S. government get more financing in the hands of small builders and contractors?

Ms. DIVITO. Thank you for the question. That's right. Getting more financing into the hands of small builders is vitally important to relieving the crisis. I think the federal government is well positioned to expedite that effort. We discussed, I think, allowing the government-sponsored entities to buy and sell construction loans. There are some existing programs within the Federal Home Loan Bank System that I think could be better utilized. And then finally, filling the gap in financing for needed projects that the private market is reluctant to fill or for which the private market would charge exorbitant, exorbitant returns are, I think, all required tools.

Mr. OLSZEWSKI. Thank you.

And Mr. Owens, I know that builders can occasionally gain a higher profit by building on a building with more square footage or adding more square footage, which can price out younger first-time homebuyers looking for a starter home. What do you think can be done to encourage the building of smaller, more affordable starter homes and multifamily units to help have a spread of a diversity of housing options?

Mr. OWENS. Again, being proud to represent the nation's small volume builders. I think that we follow the market. One thing that we have learned, and there's such little spec inventory, if at all, from our builder contingent. We've become a lot more custom builders, infill builders. We, you know, I think what we can do is to just simply say we're going to follow whatever makes sense for our buyers because we're basically building one at a time. And saying that, there is a sensitivity to these overall costs. The worst thing we can do is build something that people can't afford. We pay a lot of attention now, too, to the operating costs of a home. What is it once that house is built to your—I am sorry, an earlier point of how expensive it is to actually maintain that house and to have the monthly utility costs factored into that.

So I think it is incumbent upon us, again, we're, we're trying to be and always have been part of the fabric of these smaller communities. We're in every community in America versus the larger of the nation's builders that, that pretty much handpick and select their market. So we have to be very responsive to not only what the costs are but also to provide the proper product that people can afford.

Mr. OLSZEWSKI. Appreciate those responses.

Thank you, Mr. Chairman, for having this hearing. With that, I yield back.

Chairman WILLIAMS. The gentleman yields back.

I now recognize Ms. McIver from the great state of New Jersey for 5 minutes.

Ms. MCIVER. Thank you so much, Chairman, and thank you to our Ranking Member for holding this hearing today. And thank you to each one of our witnesses for being here today.

America's housing crisis is getting worse by the day. Thirty years ago, the average age of a first-time homebuyer was 28 years old. Today, that age is 40. Homeownership is quickly becoming a far-off dream for our younger generation. Reenters are being hit hard as well. Half of them are spending so much on rent that they have little left for anything else. Families across the country are being

pushed out of stable, affordable homes, all while the construction of new homes is dwindling. What the nation needs now are more initiatives like those taken in my district in New Jersey's 10th, where we had nearly 200 new affordable housing units built last year, helping families keep a roof over their heads.

The Trump administration's economic policies have only made these problems worse. Inflation has spiked to the highest level in 4 years, driving up costs all around the country. Today, gas is high, grocery prices are high, health insurance is high, prescription prices are high, utility bills are high. The list goes on and on. These price increases leave millions of hardworking Americans with nothing left over for savings after paying bills, ensuring the dream of homeownership remains even further out of reach. If we are serious about closing America's housing gap, we need policies that actually lower these insane costs and expand the supply of affordable homes.

Ms. DiVito, thank you for your testimony today. Very enlightening. And you talked a little bit about this today. Home buying is at its lowest level since the mid-1990s, while nearly half of the renters spend a third of their paycheck on rent. From your perspective, can you elaborate on what are the biggest drivers behind the worsening of the housing affordability crisis families face today?

Ms. DIVITO. Thank you. Yes, in addition to the acute pricing challenges that this committee has covered and is well aware of I think the trend of wealthier homebuyers purchasing larger and larger homes, and therefore especially large home builders being incentivized to build them is a big problem. Today it is increasingly challenging for young working-class families to find, but certainly to afford a home.

Ms. MCIVER. Yeah, especially when you're being beat out by cash prices. That is a big deal. Despite how dire the housing situation is today, the Trump administration is still finding new ways to make it worse, unfortunately. We have learned that the administration is preparing to privatize Fannie Mae and Freddie Mac, which are critical to keeping the mortgage rate stable, the mortgage market stable. How would this privatization affect first-time or low-income homebuyers?

Ms. DIVITO. So since the great financial crisis, Fannie and Freddie have been under government conservatorship. And their sort of operating model and overarching priorities have shifted from just serving shareholders or considering shareholder interests and returning profits to public interest. With the privatization, that could shift. And capital could be restricted, become more expensive, and shareholders would certainly benefit with some pretty sizable windfalls.

Ms. MCIVER. Yeah. Another thing too that I am hearing a lot of homeowners talk about is around insurance costs, right? That has been a big, you know, rising cost as well. How are increasing insurance premiums and climate-related risk affecting affordable housing projects and smaller home builders?

Ms. DIVITO. Yes, thank you. I mean, climate change is getting significantly worse by the year. I am from Florida and we have suffered many hurricanes that have wiped out entire communities, preventing them from moving back into their homes for months at

a time. All of these climate risks just add insurance costs onto the cost of a home as increasingly insurers grow concerned about potential payouts and then certainly actually have to pay out more and more as catastrophe hits U.S. communities.

Ms. MCIVER. Yeah. Well, thank you so much for that.

You know, I appreciate everybody's comment and, you know, expertise on this. I think we definitely have to look at this issue as something that is a multifaceted, and it needs multifaceted solutions. It is not a one-all fix-all. And lastly, I think it is crazy too when you speak to a lot of young people these days who are paying \$3,500 for studios but unable to get approved for a mortgage for a home. It is just incredibly crazy. And we need to really take a real strong look at this country and where we're headed and where we are currently at right now.

With that, I yield back, Mr. Chairman. Thank you.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Dr. Morrison from the great state of Minnesota for 5 minutes.

Ms. MORRISON. Thank you so much, Chairman Williams and Ranking Member Velázquez, for holding this important hearing. And thanks to our witnesses for being here and for your testimonies.

I think we all agree that the cost of housing is too high due to shortage of housing supply. We've seen housing prices skyrocket and families are being forced to spend more and more of their income paying for a place to live. Both renting and buying are increasingly unaffordable, and unfortunately, many of the administration's policies are only worsening this affordability crisis. The 21st Century Road for Housing Act is an important step toward addressing our affordable housing program, but the administration's policies continue to create serious headwinds. The Trump tariff policies and rising inflation are causing the cost of building materials to continue to increase, and of course, the terror of Trump's mass deportation policy is worsening the labor shortage in the construction industry.

Ms. DiVito, during your testimony, you mentioned that over half of builders reported rising inflation and the cost of building materials are significant problems they faced in 2025. You also highlighted that small builders are disproportionately impacted by the high price of building materials. Could you elaborate on why the tariffs imposed by the Trump administration hurt small builders more than large builders and put them at a greater disadvantage?

Ms. DIVITO. Thank you. Yeah, that's right. Even before the war in Iran and some of the tariffs went into effect, inflation was persistently above the Fed's 2 percent target. These broad pricing pressures make homebuilding significantly more expensive. Small builders often don't have the same kind of resources or margins to shift supply chains or stock supplies to defray these costs and end up either absorbing them or reducing production.

Ms. MORRISON. So how do small builders navigate the uncertainty around these tariff—these ever-changing tariff policies?

Ms. DIVITO. I think we're seeing that it is very challenging to. There is a lot of uncertainty in obviously the economic policy environment and especially the fiscal policy space. And so uncertainty

about interest rates is driving mortgage rates up and the cost of capital becomes more and more expensive. There have been many vacillations of tariff policies for particular goods, which just creates more disruption and more concern about being able to consistently plan for the future.

Ms. MORRISON. Thank you.

You know, I have the honor of representing Minnesota's 3rd District, and I've been hearing from small business owners from across my district and the greater Twin Cities metro area about the devastating impacts of Operation Metro Surge on their businesses, with businesses across the Twin Cities losing over \$610 million in revenue because of it. Foot traffic was down, staff were afraid to go to work, and some businesses were forced to close. We have an ongoing labor shortage that we've discussed some this morning in the construction industry, with contractors reporting that the shortage of skilled labor is one of their top issues and a leading cause of delays.

Ms. DiVito, I am returning to you on this one. How have ICE raids worsened our existing construction labor shortage, and what are the implications for housing affordability?

Ms. DIVITO. That's right. The ICE raids and mass deportation efforts that the president has made a priority for his administration create a huge shock to the construction labor market that had already been suffering from shortages. Immigrant workers comprise a large percentage of, of that workforce, especially of the construction trades. And ICE raids and threats of deportation are reducing their ability to show up. It is having a chilling effect. Many folks are scared to go to work. And then, of course, some are being specifically targeted for deportation. So builders, especially small builders, have reported many incidents of disrupted work, which just adds time delays and a, and a general inability to find and retain construction workers.

Ms. MORRISON. Thank you. And then lastly, you know, the housing insurance industry is facing substantial pressures. You're from Florida. From the escalating frequency and severity of extreme weather events, largely driven by climate change leading insurers to either increase premiums or exit high-risk regions altogether. How does the, this impact housing costs for Americans and the development of new housing?

Ms. DIVITO. Yeah, exactly. So, you know, insurers have every right to be concerned about the future of increasing costs, especially as climate change gets worse, in particular in specific states like Florida. So all of that just adds on to ultimate consumer costs as insurers obviously try to hedge against the potential for increased claims and consumers have a harder and harder time, I think, actually getting the help they need when a mass event like a fire in Hawaii or a hurricane in Florida damages their community.

Ms. MORRISON. Thank you for that context.

And I see that my time has elapsed, so I yield back. Thank you, Mr. Chair.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Ms. Goodlander from the great state of New Hampshire for 5 minutes.

Ms. GOODLANDER. Thank you, Mr. Chairman, and thank you to our witnesses for being here today for this really important hearing.

I am going to jump right into it because, Mr. Owens, I am very grateful for the five-L framework. I think this is very, very useful. My grandfather raised us with a six-P framework; prior planning prevents piss-poor performance. But I am a big fan of the five Ls. And I want to jump right in and on what you've designated your fifth L, the cost of laws and regulation. And I really look forward to reading the study from 2021. It was eye-opening for me. When you think about it right now, 65 percent of American households are priced out of a median-priced home in this country. And as you point out in your testimony, a \$1,000 increase in home prices would price out another 156,405 households. So this is a genuine crisis. We've got to lower costs by increasing supply and by lowering the cost of building. And what you've pointed to, you know, as of 2021, more than \$93,000 attributable to the cost of development and construction.

I want to ask you about something that I am not sure has come up in this hearing yet, but the Build America, Buy America provisions that were included in the Infrastructure Investment and Jobs Act, I am very supportive of the underlying goals. In practice, what I've seen on the ground in New Hampshire is that the way that they've been implemented, particularly as it relates to the construction of new residential housing, has created some really, I think, unintended effects and costs and made additional barriers to building quickly.

So I wanted to start with you, Mr. Ohms. Can you talk about some of the challenges that your Members have faced with respect to the Build America, Buy America, or BABA compliance?

Mr. OWENS. I wish I could. Yeah, I haven't seen any direct effects in, in my own business. We've seen delays being one of the bigger, you know, mainly on when we look at some of what happened with the lumber market, the domestic lumber market over the years where mills closed. We had less mills out there doing the OSB, and then when the when the reinvestment or the ask was, you know, the Build America, Buy America came back into play, it was one of those things. I lived that every day in Flagstaff, Arizona, where we've had our trees to be harvested marked for the whole 10 years I've been out there. And we just can't get enough workforce in quickly enough, let alone to get those logs to a mill versus even getting the mill back up to speed and producing OSB at maybe a more affordable rate than we're paying now. So that's really the only thing that I could comment on at this point.

Ms. GOODLANDER. Well, I'll submit questions for the record. I'd be interested to hear from all of our witnesses on that front. Just to go to the material cost, lumber, as you've put it. The costs of—the costs of material costs. You point out in your testimony that in April 2026, we've seen costs on the rise in 2026.

Ms. DiVito, you, you pointed to some pretty eye-popping numbers when, when we think about just the cost of tariffs on small home builders. Can you speak to that? Because this, of course, is directly in the lane of the United States Congress to end these unconstitutional and costly and chaotic tariffs.

Ms. DIVITO. Yes, thank you. Right, I think the president's policies are, are putting additional pressures on, certainly on families struggling with rising prices, but also on businesses, especially small businesses with tariffs on core construction materials. Recently 62 percent of small builders reported that building material prices are a significant problem that they face, and that's compared to just 25 percent of some of the largest builders. So small businesses are particularly prone, I think, to some of the suffering around tariffs on construction materials.

Ms. GOODLANDER. Mr. Schaefer, can you speak to this in your own experience?

Mr. SCHAEFER. Yes. For us, tariffs, the impact has been about 3 to 5 percent is what we've experienced. We're building 200 to 300 homes a year, so we're in the middle. We can buy in bulk. We're not a big builder, but we're not building one or two homes. So the impact has not been dramatic, but about 3 to 5 percent.

Ms. GOODLANDER. Well, on thin margins and in the midst of a crisis, every cost increase has a massive impact. I want to thank you all. This is such an important hearing. With that I yield back.

Chairman WILLIAMS. The gentlelady yields back.

I now recognize Ms. Scholten from the great state of Michigan for 5 minutes.

Ms. SCHOLTEN. Thank you so much, Mr. Chairman. Came up here a little bit sooner than I thought, so I am just pulling my remarks up here. I am grateful for the opportunity to connect with our witnesses today.

And Ms. DiVito, thank you so much for your work and your help in my office.

I apologize. Let me just pull these up one quick second. It is okay, they're not in here. Okay, perfect. Okay, there we go. Sorry about that.

There is clearly a need across the country for diversified supply of affordable housing, and our small businesses should have a larger role in addressing that challenge. Do we want to pause? Okay. All right. In addressing that challenge, we know that the industry consolidation is an increasing trend across the economy, which puts small businesses at a disadvantage. My bill, the Main Street Competes Act, just passed out of this committee yesterday. Thank you for the committee's support on that. And would prompt the federal government to examine our antitrust laws to find ways for our small to compete in every market.

Ms. DiVito, my first question is for you. How does increasing builder consolidation create an unfair playing field for small businesses?

Ms. DIVITO. Thank you. And that's right. I mean, of course, there are still many, many small builders in the U.S., but we have seen more industry consolidation over the last several years. Housing markets are highly localized, and these impacts can look different from area to area, but small builders already at a disadvantage against larger players and the underlying economic uncertainty and pricing pressures are putting a lot of them on the brink. Consolidation is bad for home builders trying to compete, but it's also bad for home buyers and communities. So I, I commend you for attempting to stop this trend.

Ms. SCHOLTEN. Absolutely. In West Michigan, I consistently hear from constituents not only about the cost of housing, but also the quality of existing housing supply. According to an analysis by Housing Next, there's approximately 1,454 renter households and 1,095 owner households in Ottawa County, in my district, that live in substandard housing conditions. This means that they are living in spaces with issues like overcrowding or lacking basic features like plumbing or kitchens.

Ms. DiVito, sticking with you here, your testimony highlights how some of the largest construction companies are facing legal troubles for building low-quality housing. Are there accountability measures that Congress should consider to discourage these companies from cutting corners?

Ms. DIVITO. Thank you. Yes. And just this week, there was reporting that some of the largest homebuilders are increasing their legal costs due to litigation against sub-quality building. Ensuring strong federal enforcement, I think, is crucial. But Congress can also just help promote competition in the homebuilding industry to prevent some of the bad practices that we tend to see when larger builders have a larger share of the market without any competition.

Ms. SCHOLTEN. And what do you think in terms of enforcement and follow-up? Where are some of the gaps that you see in making sure that those are consistently enforced?

Ms. DIVITO. That's a good question. I am not as familiar with what actually happens when the home comes online, but I think making sure that there is clear and consistent federal oversight, state and local requirements. We've talked a lot about streamlining some of those codes, which does not need to mean compromising on health and safety standards.

Ms. SCHOLTEN. Yeah. I invite you and any of our other panelists into the conversation too, just about where we could be helpful there. And you feel free to follow up and submit them for the record after as well. One last one in the last few seconds remaining. We know that the President's tariff policies have created real instability. We've been—this is a theme of the morning. We've talked about it a lot. For many small businesses, particularly those in the construction industry who rely on critically imported housing materials.

Ms. DiVito, again, you mentioned how small firms often do not have the resources to navigate these erratic tariff policies. Can confirm. How can the Small Business Administration do more to insulate small businesses from the worst of these impacts?

Ms. DIVITO. Thank you. We can certainly provide, I think, more small business resources by returning investment to the agency after it lost significant workforce last year. But ultimately, I believe we need to address the root cause of these acute pricing pressures, which is the tariffs.

Ms. SCHOLTEN. Thank you. I yield back.

Chairman WILLIAMS. The gentlelady yields back, and I now move as Chairman to—for one more final question from my side, and recognize myself for 5 minutes.

Mr. Schaefer as a leader at the Fading West Development you've been at the forefront of using modular construction to deliver hous-

ing in communities facing urgent need, including supporting recovery efforts for disaster-impacted residents in Lahaina, Hawaii, as well as providing workforce housing in mountain towns like Breckenridge. So my question is, from your experience deploying modular housing in these very different contexts, could you explain the key advantages of modular construction compared to traditional construction? More broadly, how do you see modular housing helping to address challenges today's relating to housing affordability, speed of delivery, and overall supply constraints in high-need communities?

Mr. SCHAEFER. Yes, thank you for the question. It's speed to market. It takes us 10 days to build a house in the factory. Specifically in Lahaina, we built 85 houses in 2 months. They were shipped, and 2 months later people were moving in after experiencing complete loss of their homes and community. All of the subcontractors are in a factory. We are built as a manufacturing group, so we see ourselves as 18 stations. It's more set up like a car factory, so very high standard of building, high quality, and architecturally interesting homes. And what this allows us to do then is build cheaper and faster. The repetitive motion of doing a 3-bedroom, 2-bath house over and over again, means you can speed it up. And that's really what the affordable housing market is lacking right now. What manufacturing does then is it makes them cheaper and faster, which allows us to move folks in very quickly.

Mr. OWENS. Good.

In my time remaining, Dr. Rupnik, in your testimony you wrote about the need to standardize terminology for industrialized housing and how it impacts small builders. So the question would be, could you elaborate on the benefits of standardized terminology and why it is important to tackle it first?

Mr. RUPNIK. We have found through analyzing all of the great work that all the federal agencies do in supporting housing, not just at HUD but at the Department of Transportation, U.S. Department of Agriculture, that even when we talk about Industrialized, factory-built, modular, manufactured. The agencies themselves do not use consistent terminology, which makes it very difficult for that very well-intended funding to reach small businesses. And that signals to finance and insurance that they don't know what the heck we're talking about. It is very difficult to understand many of the barriers that we're talking about finance and some of the opportunities where this is a less risky process for insurance. We are still not consistent in what they are.

And so the United Kingdom, for example, has been very cost-effective in the use of public funds by just saying we're going to pick a term and we're going to stick with it, both for their equivalent of subsidies and awards, but also their way of signaling to finance and insurance that we are talking about a particular process.

Chairman WILLIAMS. Okay. Mr. Schaefer, in the time I have left in your testimony, you mentioned that 41 percent of the construction workforce will retire over the next 5 years. In February, the committee heard the testimony from witnesses who spoke about the role career and technical education strengthen the pipeline for high-demand jobs. So quickly, would you agree that opportunities through CTE, like that of the Boulder Valley School Dis-

trict, could support the next generation of the construction workforce?

Mr. SCHAEFER. Absolutely. Thank you for the question. Yes, working with trade schools, working with high schools, working in all university settings is going to be a big part of this because there will not be enough workers. We are already in that position. The good thing about modular is it's a controlled environment. You can cross-train. You can be a part of our workforce with very little training so we can train you while you are working. And it, hopefully, will allow for many more jobs for our workforce.

Chairman WILLIAMS. Okay, thank you very much. My time is up.

I now recognize Ranking Member Velázquez from the great state of New York for 5 minutes.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

You know, I am really struck by the fact that here we are discussing what can we do in Congress to facilitate increasing the housing supply. I really truly believe that immigration is part of the equation. I don't think that we will offend the administration by saying that a lot of the workers that are legally here do not show up to work because of the fear of being arrested and sent to a detention center and to any foreign country where they do not belong. Then there is a study that the New York Times wrote an article about in terms of who represents the workforce in the construction industry. A lot of Latinos, immigrants. A lot of them, and they are not showing up.

Mr. Schaefer, can you talk to us about the main barriers to financing for modular companies and how can the federal government fill the gaps?

Mr. SCHAEFER. Thank you for your question. The challenge with modular on the financing side is that you have to pay for the house before it is built. It only takes 10 days to build in the factory, but it is the opposite of how typical payments are done in construction. You're paying a large portion before the home is built. That is a challenge for many banks and, frankly, developers to understand. I think personally, that has been one of the problems why modular has not caught on more in our country. It's going to be education of banks, the federal government, and the state government, to allow for financing to happen, whether it is a bridge loan, whatever the case may be, to get the financing done so that we can build them. So that has been our biggest challenge.

Ms. VELAZQUEZ. Mr. Rupnik, in your testimony, you mentioned a dormant authority passed by Congress decades ago. What is preventing this authority from being used right now?

Mr. RUPNIK. The knowledge that it existed. So we very much thank HUD and the PD&R Department for funding us to look at what is out there and what we can use. And we discovered that National Institute of Building Sciences is really designed to help both local and state governments as well as industry to really streamline the regulations. Again, streamline compliance. I want to be specific about that. It is not the regulations themselves, it's how we meet those regulations. Those are very different things. We're working with mostly states, many of the states here, and we're working with industry right now. But going back to the question,

the work and the standardization of award criteria that's brought up, is that for the federal government, what we would love to see is helping states and industry by adopting a single certification process for housing products, not for factories.

And then what other countries have done is to point as many federal programs as possible, simplifying compliance by saying, if you're certified as a housing product, you qualify for X, Y, and Z, whatever that is. That will bring standardization. It will increase competency. It'll make your lives easier because we're not constantly looking for new ways to create compliance for new societal issues because we will have new societal issues. Right now we create new compliance for new issues, which is where the real cost comes from, not from the societal goals that we should have. Aging in place, you know, natural resilience. We want those things, but every time we add one of those, that's where it is a federal, state, local, and industry piece. And the National Institute of Building Sciences has been set up for that, and we're trying to resuscitate that. And it was really federally funded research that discovered that needle in a haystack that has allowed us to think through that.

Mr. OWENS. Thank you. I yield back.

Chairman WILLIAMS. The lady yields back. I now recognize Ms. Goodlander from the great state of New Hampshire for 5 minutes.

Ms. GOODLANDER. Thank you. I appreciate it.

I wanted to just come back to financing constraints and the cost of capital and just ask, you know, as I—before I came to Congress, I worked in the Antitrust Division at the Justice Department, and one of the things we see, and many of you pointed out in your testimony, the consolidation in the banking industry, the assault on community banks has been a huge barrier and cost driver for increasing the supply. The 21st Century Road to Housing Act had some good provisions to strengthen the hand and provide relief to our community banks, but I wanted to ask our witnesses if you have other ideas, anything that we left on the table that we could do to support our community banks. Did we get it all right? That would be a remarkable feat in the history of this Congress. Well, I'll I would—if Mr. Owens, unless you have something—

Mr. OWENS. If I may, please. A little bit out of my wheelhouse here, but we'll—staff will be happy to get back to you on that. I think we've consulted with you as well as the Senate, as much as probably any other entity to get this right. We truly appreciate all your efforts to carry this forward, but I think that's something that's more of a heavy lift for, for our staff to get back to you.

Ms. GOODLANDER. Great.

Ms. DiVito?

Ms. DIVITO. Thank you. Yes, I think there's a really good opportunity to work on follow-up legislation to maximize the effect of Road to Housing. Specifically, I think a bipartisan package that focuses on those financing constraints and leveraging all of the government's potential to resolve some of them.

Ms. GOODLANDER. Thank you.

I wanted to just come I want to go back for a moment to the homebuyer. And in New Hampshire, we have pioneered and seen

real success in resident-owned communities, which are overwhelmingly communities with manufactured homes. This is truly one of the last remaining affordable paths to homeownership, and really look forward to working with you all in making—building on the progress that we made in the bill passed yesterday. But what I am seeing on the ground in New Hampshire, resident-owned communities work really well because it gives people a stake in the decision-making and the stability of their communities. But what we are also seeing is a trend of big corporate investors who are buying up manufactured home communities. What they're doing is, they're raising the rents, they are adding junk fees, and they're often leaving residents with nowhere else to go because moving a manufactured home, as you know well, is practically impossible. So I wanted to ask about, you know, these—I think unfortunately a disturbing trend in rising abusive practices by corporate owners of these communities, and the ways in which they're jacking up costs.

So I wanted to begin with you, Ms. DiVito. Do you think that there are measures Congress could take, including prohibiting corporate ownership of these types of communities?

Ms. DIVITO. Thank you. Yes, I think Congress should very much build on, I think, some of the negotiations in the Road to Housing package to make sure that institutional investors in particular and some of the biggest large, large builders are not able to just extract from communities by hiking up rates and rents and tacking on unnecessary fees.

Ms. GOODLANDER. Mr. Schaefer, could you just speak to what you've seen in your own experience and what you think Congress might be able to do to support resident-owned communities that are stable and affordable?

Mr. SCHAEFER. Yeah, thank you. The things that I highlighted were the public-private philanthropic partnerships, and we have seen those be the most successful. When we talk about the word "affordable and housing," it really shouldn't even be used in the same sentence because there's no such thing as affordable housing. If you're already paying \$100,000 before you even start building, it's almost impossible. So most of the projects we're involved in include either state funding to bridge that gap or federal funding. Local communities are in such dire need that they're waiving tap fees, and they're making the entitlement process quicker so that the cost of the overall house is cheaper to hit that 80 to 120 AMI, which is the area we work in. Thank you.

Ms. GOODLANDER. Thank you.

Well, thank you all. And with that, I yield back.

Chairman WILLIAMS. The gentlelady yields back.

And I'd like to thank our witnesses today for their testimony, for being here and for appearing. Without objection, Members have five legislative days to submit additional materials and written questions from the witness to the Chair, which will be forwarded to the witnesses. I'd ask the witnesses to please prompt—or please respond promptly. And if there's no further business or objection, the committee is adjourned.

[Whereupon, at 11:51 a.m., the committee was adjourned.]

A P P E N D I X



Testimony of Bill Owens

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

**Before the
House Small Business Committee**

**Hearing on
"Building the Future: How Small Home Builders are Closing America's Housing Gap"**

May 21, 2026

INTRODUCTION

My name is Bill Owens, and I am a Worthington, Ohio-based, remodeler and home builder with more than 40 years of experience in the residential construction industry. Like many NAHB members, I operate a small business in an industry that is both central to the nation's economic well-being and deeply shaped by public policy. Building housing requires managing complex projects, coordinating specialized trades, navigating multiple layers of approvals and permitting, and securing financing long before a home is completed and sold. Those realities matter because they determine whether housing can be built at the scale—and at the price points—American families need.

NAHB represents more than 140,000 members engaged in building single-family and multifamily housing, remodeling, land development, property management, subcontracting, and light commercial construction. NAHB members construct approximately 80% of all new housing in the United States each year.

The vast majority of NAHB builder members are small businesses. Small builders are essential because we build in markets and at scales that are often underserved by large national firms. We deliver incremental supply in rural communities, small towns, and suburban neighborhoods. We build infill housing, smaller subdivisions, and modest multifamily projects, in addition to large scale subdivisions. Small builders are working to close America's housing gap. But we cannot build our way out of this shortage if costs and delays embedded in the current system continue to rise. My testimony today describes the scope of the housing affordability crisis, explains why the housing shortage persists, and offers practical solutions—many of which are within the oversight interests of the House Small Business Committee.

HOUSING AFFORDABILITY IS AT CRISIS LEVELS

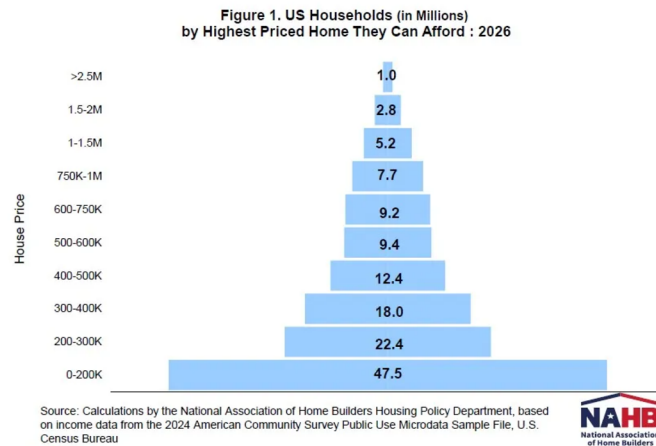
The United States is experiencing a housing affordability crisis that is both severe and structural. At its core, the problem is that the nation is not producing enough housing to meet demand. Over time, this mismatch has driven home prices and rents beyond the reach of a growing share of households.

NAHB estimates that approximately 1.2 million additional housing units are required to close the gap and restore vacancy rates to historical norms. This figure represents NAHB's updated estimate of the structural housing deficit, defined as the cumulative amount of above-equilibrium construction needed to rebalance the market.

Homeowner and rental vacancy rates are key indicators of housing market tightness and future price dynamics. In 2022, U.S. rental vacancy rates fell to 5.1%, the lowest level in decades, underscoring the severity of the post-pandemic housing shortage. By comparison, rental vacancy rates have averaged 6.6% since 2005, when the American Community Survey (ACS) began reporting these data. A surge in multifamily construction in

2024 led to improved rental availability across many metropolitan areas, with the national vacancy rate rising to 5.7% but remaining below the historic norm.

Affordability metrics show how this supply shortage is impacting American families. NAHB's Cost of Housing Index (CHI) provides a clear snapshot. In the fourth quarter of 2025, CHI results—based on a national median income of \$104,200 and a median new home price of \$405,300—show that a typical family needed to devote 34% of its income to the mortgage payment on a median-priced new home, while a low-income family (earning 50% of area median income) needed 67% of its earnings for the same new home. For existing homes, the burden was similarly severe (34% for typical families and 69% for low-income families). At the metro level, the same CHI report shows that in eight out of 175 markets, typical families were severely cost-burdened (paying more than 50% of income for a median-priced existing home), and in 69 other markets, families were cost-burdened (paying between 31% and 50%).



1

NAHB's priced-out analysis quantifies how sensitive affordability is to even small increases in construction costs or interest rates. NAHB's latest estimates show that 65% of U.S. households cannot afford a median-priced new home and that a \$1,000 increase in the median price would price out an additional 156,405 households.² These results

¹ <https://eyeonhousing.org/2026/02/affordability-pyramid-shows-over-half-of-u-s-households-cannot-buy-a-300000-home/>

² <https://www.nahb.org/news-and-economics/housing-economics/housings-economic-impact/households-priced-out-by-higher-house-prices-and-interest-rates>

underscore why cost drivers that may appear incremental in isolation—fees, delays, compliance obligations—can have enormous downstream impacts on housing access.

The conclusion is straightforward: affordability will not improve in a durable way without increasing the supply of attainable housing, and increasing supply requires reducing the cost of building.

WHY IT IS SO COSTLY TO BUILD HOUSING: NAHB’S 5 “L” FRAMEWORK

NAHB has long described the headwinds driving up the cost of building housing as the “5 L’s”: lending, lots, labor, lumber (materials), and laws (regulation). This framework captures both market conditions and policy-driven constraints. It is also important because it demonstrates why there is no single, simple solution. Housing affordability will not improve if policymakers address only one factor while ignoring the others.

For example, even when mortgage rates stabilize, builders can still be constrained by scarce lots, a shortage of skilled labor, rising input costs, or regulatory delays that extend project timelines and increase financing costs. Likewise, efforts to increase financing availability will not translate into supply if permitting barriers prevent lots from being developed or if compliance burdens raise costs beyond attainable price points.

In the sections below, I will address each of these supply constraints in turn—emphasizing how they uniquely affect small builders and what policy levers can help unlock housing supply.

LENDING: FINANCING CONSTRAINTS AND THE IMPORTANCE OF SBA AND COMMUNITY BANK ALIGNMENT

Access to capital is a fundamental prerequisite for housing production. Residential construction is capital-intensive and front-loaded: builders must finance land acquisition, site development, materials, labor, and subcontractors well before revenue is realized. For small builders with limited balance sheets, access to affordable, flexible credit often determines whether a project can proceed.

Small builders rely heavily on community banks to finance home building and land development activities. Yet credit conditions have remained tight. NAHB’s quarterly AD&C Financing Survey reported that credit conditions on loans for residential land acquisition, development, and construction were still tightening in the first quarter of 2026, marking the seventeenth consecutive quarter of negative readings for both NAHB and Federal Reserve measures.³ Even when contract rates move modestly, the effective cost of credit can remain extremely high because fees and points raise the true borrowing cost for construction loans that are typically short-duration. NAHB’s AD&C data show that

³ <https://eyeonhousing.org/2026/05/credit-for-builders-tightens-in-the-first-quarter-but-only-slightly/>

effective interest rates—accounting for points—can reach double-digit levels for key construction loan categories, including speculative and pre-sold single-family construction.

These conditions fall hardest on small builders. Larger firms may have diversified capital sources; small businesses typically do not. When credit is expensive or constrained, small builders reduce starts and inventory, and projects that might otherwise add attainable supply become infeasible.

This is why SBA programs matter. SBA's 7(a) program is SBA's primary business loan program and provides loan guarantees that can enable lenders to extend financing that might not otherwise be available, including for working capital, with a maximum loan amount of \$5 million.

NAHB is encouraged by recent SBA efforts to expand builder-relevant financing. In March 2026, SBA highlighted the 7(a) Working Capital Pilot (WCP) Program as a tool for homebuilders, describing project-based lines of credit up to \$5 million that can finance direct project costs such as labor, materials, and subcontractors.⁴ SBA described this as flexible project financing intended to help builders break ground sooner, build efficiently, and deliver new homes.

However, SBA loan programs do not always align with the unique realities of residential construction—particularly phased development, cyclical cash flows, and the need for project-based working capital. If SBA programs are to serve as meaningful supply tools, policymakers should continue to expand builder eligibility, increase flexibility in loan structures, reduce administrative burdens, and encourage broader lender participation. This Committee's focus on small business access to capital is directly relevant to increasing housing supply, because homes cannot be built without financing.

LOTS: BUILDABLE LAND CONSTRAINTS AND THE PERSISTENT LOT SHORTAGE

The availability and cost of buildable lots is one of the most significant constraints on housing production. Builders cannot construct homes without lots that are available, financeable, and economically feasible to develop. When lots are scarce, land prices rise, development becomes more difficult, and housing supply becomes less responsive to demand.

NAHB's research demonstrates that lot shortages remain persistent. In the May 2025 NAHB/Wells Fargo Housing Market Index survey, 64% of single-family builders reported that the supply of lots was low or very low.⁵ This level of lot shortage has remained stubbornly elevated over time and is unusually high relative to housing production levels.

⁴ <https://www.sba.gov/article/2026/03/03/sba-highlights-working-capital-loans-us-homebuilders>

⁵ <https://www.nahb.org/blog/2025/09/lot-shortage-continues>

The shortage is most acute for lots in the most desirable locations but remains substantial across other categories as well.

Lot shortages are driven by a combination of factors, including restrictive zoning, impact fees, infrastructure constraints, and local opposition to development. Federal permitting and environmental compliance can also reduce lot availability by adding cost and delay to land development. When approvals are uncertain or slow, carrying costs rise, financing risks increase, and builders—especially small builders—are more likely to step away from parcels.

For small projects, high fixed permitting costs can be especially damaging because those costs cannot be spread across large numbers of homes. Policies that impose disproportionate fixed costs on smaller developments effectively reduce the amount of buildable land and constrain the supply of attainable housing.

LABOR: WORKFORCE SHORTAGES AND FEDERAL COMPLIANCE BURDENS THAT SLOW HOUSING PRODUCTION

A persistent shortage of skilled labor continues to be one of the most significant constraints on housing production. Residential construction depends on a wide range of specialized trades—carpenters, electricians, plumbers, equipment operators, and many others. When builders cannot find enough qualified workers, projects take longer to complete, costs rise at each stage of construction, and new housing supply is delayed or reduced. Congress can take several steps to curb the labor shortage in the home building workforce.

First, Congress must pass the CONSTRUCTS Act (H.R. 1055/S. 189). Americans need to extinguish the stigma that four-year, post-secondary educations are the only pathway to economic success. Trades education pursued through specialty schools and community colleges can and do lead to financially lucrative and rewarding careers. The CONSTRUCTS Act is bipartisan, bicameral legislation that ensures trade schools and community colleges who are training the next generation of workers for the home building industry have the resources they need to entice, train and deliver prepared and capable workers for the industry.

Second, Congress must invest in the Job Corps program and preserve workforce development grants within the Department of Labor's (DOL) Employment and Training Administration (ETA). Since 1964, Job Corps has provided vocational training and education for students 16-24 years old who would otherwise have few career prospects. Job Corps has been particularly successful in providing students with the expertise needed to succeed in several home building-related trades. Likewise, workforce development funding opportunities administered by the ETA, like YouthBuild and Strengthening Community Colleges Training Grants, provide grantees with exposure to career pathways

in the home building industry. Funding for both Job Corps and the ETA's workforce development grants has been threatened over several appropriations cycles and Congress must be prepared to preserve and defend the immense value they provide to our nation's economy and small businesses.

Third, Congress should ensure that lawful pathways to work in the U.S. are efficient and accessible to both those seeking to work in the U.S. from abroad and the domestic employers seeking that labor. Our existing nonimmigrant visa system is backlogged, under-resourced and unable to match industry demand. Solutions like the Essential Workers for Economic Advancement Act (H.R. 5494) create a market-based visa system that adequately reflects the workforce needs of small and medium-size businesses and eliminates the uneven advantage created by a cap-based system like the H-2B visa. Absent any advancement on visa reform, Congress must seriously consider taking up comprehensive immigration reform, like the DIGNITY Act (H.R. 4393), which ensures strong border security, employment verification measures, funds domestic workforce training and addresses the undocumented population in the U.S.

Congress can help address the labor shortage by supporting policies that expand the skilled workforce pipeline, improve training pathways into the trades, and encourage programs that connect workers with careers in residential construction. Housing cannot be imported; it must be built locally. The nation's ability to increase housing supply therefore depends on ensuring that builders can hire and retain a robust construction workforce.

At the same time, small builders face growing labor-related compliance burdens. A prominent example is OSHA's injury and illness recordkeeping and electronic submission regime.

OSHA requires employers to record and retain information on work-related injuries and illnesses using OSHA recordkeeping forms, and, for covered establishments, to electronically submit injury and illness data annually through OSHA's Injury Tracking Application (ITA). Employers must submit summary information from OSHA Form 300A under specified coverage thresholds, and certain establishments must also submit case-level information from OSHA Forms 300 and 301 annually.

This electronic submission framework has changed repeatedly over the last decade, producing confusion and uncertainty for regulated entities. OSHA finalized a rule in 2016 to require electronic submission and indicated an intention to make portions of the submitted data publicly available. In 2019, OSHA issued a final rule rescinding the requirement that certain large establishments submit Forms 300 and 301—explicitly citing worker privacy concerns and the risk of public disclosure—while continuing annual submission of Form 300A and addressing Employer Identification Number (EIN) submission.

In 2023, OSHA finalized a rule again expanding annual electronic submission requirements to require certain establishments with 100 or more employees in designated industries to submit information from Forms 300 and 301 annually, in addition to continuing Form 300A submissions.

These multiple iterations have created real compliance burdens for small entities and have heightened concerns about the collection and disclosure of sensitive information. OSHA's electronic reporting system collects establishment-level identifiers—including EIN—and establishment summary fields such as annual average employment and total hours worked, which OSHA requires employers to enter as part of completing the annual summary. OSHA's data dictionaries for ITA submissions reflect that ITA summary data include EIN, annual average employees, and total hours worked, among other establishment identifiers.

Beyond those establishment-level metrics, the case-level reporting regime necessarily includes detailed incident information, because the purpose of Forms 300 and 301 is to capture case-specific injury and illness data. OSHA's recordkeeping and electronic reporting framework therefore creates heightened risks that sensitive information could be subject to public disclosure or re-identification—risks that can be particularly acute for small employers and their employees. OSHA's 2019 final rule justified rescinding certain case-level submission requirements as a means “to protect worker privacy,” citing the sensitivity of information in these records and the risk of public disclosure.

NAHB supports worker safety and believes injury and illness data can play a role in identifying hazards. Repeated rule changes, the continuing expansion of electronic submission requirements, the compliance burden associated with annual electronic reporting, and the public-release posture for sensitive datasets have become a mess for small entities. At a minimum, OSHA should consolidate and stabilize its recordkeeping submission requirements in a single, clear framework that eases compliance and limits unnecessary collection or disclosure of sensitive information while still meeting statutory objectives.

In addition to OSHA recordkeeping, prevailing wage and related compliance rules can increase costs and administrative burdens that directly affect housing affordability—particularly for multifamily projects. The Davis-Bacon Act establishes wage rates for a given area for construction projects receiving public funds, among other requirements. In the home building industry, Davis-Bacon and its Related Acts (DBRA) primarily affect multifamily builders participating in certain U.S. Department of Housing and Urban Development (HUD) and Federal Housing Administration (FHA) multifamily mortgage insurance programs.

To administer Davis-Bacon, the Department of Labor computes trade-specific wage rates it determines to prevail in a certain area for a certain construction type. Concerns about

the Davis-Bacon wage determination process have been longstanding, and the Government Accountability Office has identified methodological issues in the Davis-Bacon wage survey process, including concerns regarding timeliness and representativeness.⁶ These methodological weaknesses can have inflationary effects and create uncertainty for project underwriting and financing.

NAHB is particularly concerned that current wage determination and classification practices can create unpredictable and burdensome administrative issues for HUD-backed multifamily development. When classification questions are resolved late in underwriting, borrowers and lenders may be forced to rework deals under tight timeframes or, in some cases, to walk away from transactions. These administrative uncertainties and compliance burdens reduce the usefulness of HUD and FHA multifamily tools for affordable housing production—undermining a central policy objective at a time when the nation needs more attainable rental housing.

Finally, OSHA's proposed Heat Injury and Illness Prevention standard underscores the same theme: small builders support worker safety, but one-size-fits-all federal standards that do not account for the unique and variable conditions on residential jobsites risk creating compliance burdens that ultimately slow housing development and reduce supply.

Taken together, workforce shortages and labor-related compliance burdens—particularly those that disproportionately impact small firms—are directly linked to housing affordability. Congress can help by supporting workforce training pipelines and by exercising oversight to ensure that federal labor and safety rules are stable, practical, and appropriately tailored, so that they advance worker protections without unnecessarily constraining the production of attainable housing.

LUMBER AND MATERIALS: ELEVATED INPUT COSTS CONTINUE TO PRESSURE HOUSING AFFORDABILITY

Material costs remain a major driver of housing affordability. Even modest increases in materials can have significant effects when combined with labor shortages, regulatory

⁶ U.S. Gen. Acct. Off., HRD-79-18, Report of the Comptroller General to the Congress of the United States, The Davis-Bacon Act Should be Repealed (1979).
 U.S. Gen. Acct. Off., GAO/HEHS-96-116, Davis-Bacon Act: Process Changes Could Address Vulnerability to Use of Inaccurate Data in Setting Prevailing Wage Rates (1996).
 U.S. Gen. Acct. Off., GAO/HEHS-96-130, Davis-Bacon Act: Process Changes Could Raise Confidence That Wage Rates Are Based on Accurate Data (1996).
 U.S. Gov't Accountability Off., GAO-11-152, Methodological Changes Needed to Improve Wage Survey (2011).
 U.S. Gov't Accountability Off., GAO-10-383, Recovery Act: Project Selection and Starts are Influenced by Certain Federal Requirements and Other Factors (2011).
 U.S. Gov't Accountability Off., GAO-11-486T, Davis Bacon Act: Methodological Expertise Critical for Improving Survey Quality (2011).

delays, and high financing costs. When material prices rise rapidly, the impact is immediate and often decisive for attainable projects.

NAHB's economic research shows that residential construction inputs have been rising in 2026. In April 2026, NAHB reported that the price index for inputs to new residential construction rose 1.3% in April and was up 5.9% from a year earlier.⁷ NAHB's analysis also found that energy input prices rose sharply and were substantially higher year-over-year, and that building material prices (excluding energy) rose at their highest yearly rate in three years.

LAWS (REGULATION): REGULATORY COSTS OPERATE AS A "HIDDEN TAX" ON HOUSING

Regulatory burdens are among the most significant—and most directly policy-addressable—drivers of housing costs. NAHB has consistently testified that residential construction is one of the most heavily regulated industries in the nation and that regulatory costs directly and negatively affect housing affordability.

NAHB's 2021 regulatory cost study provides a comprehensive estimate of how regulation contributes to the final price of a new home.⁸ The study found that regulations imposed at all levels of government account for \$93,870 of the final price of a new single-family home built for sale—23.8% of the average sales price used in the study. The study, which is scheduled to be updated in the coming weeks and likely to reflect a growing regulatory burden, also broke down regulatory costs between development and construction phases, estimating \$41,330 attributable to regulation during development and \$52,540 attributable to regulation during construction. This study does not argue that all regulation should be eliminated; rather, it provides a numerical estimate of the aggregate regulatory costs embedded in housing prices, which is essential when evaluating policies that may further increase costs.

For multifamily development, regulatory burdens are even larger. NAHB and the National Multifamily Housing Council found that regulations account for an average of 40.6% of multifamily development costs. That research also found that 74.5% of developers encountered NIMBY opposition, which added an average 5.6% to total development costs and delayed completion by an average of 7.4 months. These costs and delays reduce supply in precisely the markets that need it most.⁹

Regulations surrounding land development are among the most significant barriers to building that uniquely impact smaller builders. A key example is the Clean Water Act's

⁷ <https://www.nahb.org/blog/2026/05/building-material-price-inflation-april-2026>

⁸ <https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics-plus/special-studies/2021/special-study-government-regulation-in-the-price-of-a-new-home-may-2021.pdf?rev=29975254e5d5423791d6b3558881227b>

⁹ <https://www.nmhc.org/globalassets/research--insight/research-reports/cost-of-regulations/2022-nahb-nmhc-cost-of-regulations-report.pdf>

(CWA) Section 404 permitting process, which governs impacts to federally regulated wetlands. Under current practice, projects with more than a half-acre of impacts to jurisdictional wetlands typically must obtain an individual permit from the U.S. Army Corps of Engineers, rather than qualifying for a streamlined and less expensive nationwide permit.

Individual permits are extremely costly and time-consuming. On average, they cost approximately \$470,000 and take 788 days to obtain. For small builders and developers—particularly those working on modest projects intended to deliver attainable housing—these costs and timelines can be prohibitive.

Nationwide permits are significantly less burdensome, with average costs of approximately \$50,000 and timelines of roughly 313 days. Expanding access to this pathway would reduce costs and uncertainty for smaller projects, enabling more housing production.

The Army Corps is currently reviewing the half-acre permitting threshold, which would allow more projects to qualify for the nationwide permit. NAHB supports increasing the acreage limit for nationwide permits to one acre. This recommendation reflects both historical precedent and practical realities. When the nationwide permit program was first established in the late 1970s, there were no acreage limits. By the 1980s, the Corps had established a 10-acre limit for certain routine impacts, which was subsequently reduced over time—to one acre in the 1990s and then to one-half acre in 2007, where it remains today. For small builders, the difference between a \$50,000 permit and a \$470,000 permit is often the difference between a project moving forward or not. Current thresholds reduce the number of buildable lots nationwide and constrain housing supply.

Compensatory mitigation requirements for wetland impacts present an additional challenge. These requirements—intended to offset unavoidable impacts—often involve purchasing mitigation credits, which can exceed \$165,000 per acre depending on the market. For smaller builders, these costs can quickly render projects infeasible, further reducing the supply of buildable lots and limiting the production of new housing.

NAHB supports targeted reforms in this area, including increasing acreage thresholds for nationwide permits and improving the availability and affordability of mitigation options. This includes streamlining approval timelines for mitigation banks and in-lieu fee programs, which would help expand credit supply and reduce costs.

Finally, NAHB appreciates the leadership of the Small Business Administration's Office of Advocacy in this rulemaking. The Office of Advocacy's recommendations—to increase acreage eligibility thresholds and extend grandfathering provisions—closely align with NAHB's proposals and would help ensure that small builders can access workable permitting pathways under the Clean Water Act.

Regulatory burdens matter because housing demand is highly sensitive to price changes and delays. NAHB's priced-out analysis demonstrates that incremental price increases push large numbers of households out of the market. When regulations add tens of thousands of dollars to the cost of a home or represent large shares of development costs, the result is fewer homes and apartments built, higher prices, and less attainable housing.

BROADER MARKET INDICATORS CONFIRM THIS IS A SUPPLY-DRIVEN PROBLEM

NAHB's research consistently points to undersupply as the central driver of today's affordability crisis. Vacancy rates remain historically low, reflecting structural imbalance. Shelter costs continue to be a prominent contributor to inflation, which reinforces that housing is a persistent cost-of-living driver rather than a short-term fluctuation.

NAHB's 2026 housing outlook emphasizes that the best way to ease the affordability crisis is for policymakers to remove barriers that hinder builders from building more homes and apartments, and it highlights that persistent labor shortages and elevated material costs remain key headwinds. Builder sentiment data also reflect that affordability constraints remain binding—builders are relying on incentives and price reductions while the HMI remains below neutral.

NAHB appreciates recent congressional efforts to advance overwhelmingly popular supply-focused housing legislation. The House amendment to the 21st Century ROAD to Housing Act that was spearheaded by House Financial Services Chairman French Hill and Ranking Member Maxine Waters makes three key improvements.

First, it removes the forced sale of purpose-built single-family homes. This controversial forced-sale provision of single-family rental homes within seven years threatened to reduce the supply of rental housing anywhere from 40,000 to 72,000 units annually, according to estimates by NAHB and the Urban Institute. Mandating forced sales would have an overall negative impact on housing affordability.

Second, it increases and indexes multifamily loan limits. FHA-insured multifamily loan limits have remained static for 12 years and do not reflect market conditions. Increasing multifamily loan limits and indexing them for future gains aligns with real construction costs and helps stimulate new apartment development.

Finally, it provides meaningful relief to community banks. NAHB members rely on community banks for financing residential construction projects. Unfortunately, there are fewer community banks operating on Main Street, limiting options in the market for favorable financing. An amended provision to the bill offers constructive and meaningful relief for community banks, which will strengthen these institutions to provide more credit for housing.

The amended legislation also includes several additional measures to help increase housing production, including HOME program reforms, point-access buildings, publicly owned land database, and USDA environmental review exemption for certain infill projects.

These approaches align with NAHB's central message: increasing supply is essential, and supply increases when policymakers remove barriers and improve the cost structure of residential construction.

CONCLUSION

The housing affordability crisis is one of the most pressing economic challenges facing the nation. It is rooted in a structural supply shortage that NAHB estimates at approximately 1.2 million units. Affordability metrics show that typical families must devote more than one-third of income to mortgage payments, while low-income households face even more severe burdens. NAHB's priced-out analysis shows that even modest price or interest-rate increases price out large numbers of households. Builder sentiment remains weak because affordability constraints prevent demand from translating into sustainable production.

Small home builders are uniquely positioned to help close the housing gap. We deliver incremental supply in local markets and build attainable housing where feasible. But we cannot close the gap if costs and delays continue to rise across financing, lots, labor, materials, and regulations.

Congress can help by pursuing comprehensive, supply-focused reforms that improve access to capital (including through SBA program alignment), strengthen workforce pipelines, expand the availability of buildable lots, reduce material cost pressures where possible, and—most importantly—reduce unnecessary regulatory costs and permitting delays that act as a hidden tax on housing. NAHB stands ready to work with this Committee and Congress to advance these goals and help restore attainable housing and the American Dream for families across the country.

Thank you for the opportunity to testify. I look forward to your questions.

Dr. Ivan Rupnik, PhD
Founding Partner, MOD X
Professor of Architecture, Northeastern University

Written Testimony before the

House Select Committee on Small Business

Hearing on “Building the Future: How Small Home Builders are Closing America’s Housing Gap”

May 21, 2026

Chairman Williams, members of the Committee — thank you for the opportunity to testify.

I'm an architect, researcher, and co-founder of MOD X Advisory — a firm that has directly supported HUD's offsite construction research since 2022 and advises industry and government on topics related to accelerating industrialized housing delivery in the United States. With Ryan E. Smith and Tyler Schmetterer, I co-authored a report for HUD, published this March, that examines why the United States has persistently struggled to industrialize housing delivery while our peer economies have not. As someone who has spent decades working on this topic, I wish I could say our conclusions were new. They were not. What we found, repeatedly, was that much of what has worked abroad was first proposed in the United States, debated, tested, but never fully implemented. Our contribution was modest: we updated those ideas for a new time and context. My central recommendation is concrete: this Committee should support the National Institute of Building Sciences — NIBS — in initiating development of a housing system certification framework, initiatable without new appropriations or new authority. Our report recommends three actions to achieve this: standardize federal terminology and award criteria; direct NIBS to develop the certification framework Congress already authorized; and use that framework as the bridge toward performance-based code reform.[1]

The Unfinished Breakthrough

The industrialization of housing delivery is the integration of design, production, supply chains, quality control, and continuous improvement into a coordinated system — organizational as much as technological innovation. Most other complex American industries operate within regulatory frameworks that support this kind of integration. Housing does not. In 1968, HUD documented exactly that, and concluded that the federal role is to create the enabling conditions within which states, localities, firms, and teams can innovate. Half a century ago, Congress listened — across administrations of both parties. The research findings were affirmed; an implementing institution was established. What was left undone was the operationalization of what Congress had already authorized. What was that institution, and that framework?

The 1968 Housing Act authorized HUD to pilot a national housing system certification program.[2] That pilot, Operation Breakthrough, validated the institutional architecture, the performance-based system certification approach, even where commercial scale was not achieved.[3] The gap was not in the demonstrated framework. It was in sustained

implementation. The 1974 Housing and Community Development Act produced two performance-based regulatory reform actions in response. The first was the HUD Code, which replaced the mobile home industry's self-regulated standard with a federal performance-based one — one of the earliest national performance-based housing standards of its kind.[4] The second was the establishment of the National Institute of Building Sciences, mandated to continue the work Operation Breakthrough had started: developing a performance-based fast track for scaling innovative housing systems.[5]

Our focus on housing system certification should be clear given its massive transformative potential. Our research pointed to it as the most promising path forward for three concrete reasons: it was proven at a pilot level in the United States through Operation Breakthrough; it has been operating successfully for more than fifty years in Japan; and it is essentially the same framework that already governs every other consequential American manufactured product. This framework isn't speculative. It is already validated, internationally and in our own economy.

The current proposals for reforming the HUD Code have exciting potential. But the already-approved framework for housing system certification deserves even more focus. The 1974 Act explicitly mandated NIBS to continue the housing system certification work that Operation Breakthrough had piloted. That mandate has never been exercised, but it has also never been rescinded. If Congress is looking for powerful housing legislation already on the books, the NIBS mandate is one of the most powerful unused levers available. That is the implementation pathway now before us.

In 1968, preparing the legislative foundation for Operation Breakthrough, HUD found that "large-scale application of industrialized building systems is not limited by technological, design or cost factors, but only by institutional constraints." [6] That same year, Congress tasked HUD with evaluating "the effect which local housing codes and zoning regulations have, or would have if applicable, on the cost per dwelling unit." [6] It did. Six years later, with Operation Breakthrough completed and its findings in hand, the 1974 Act stated the conclusion plainly: "the lack of uniform housing and building regulatory provisions increases the costs of construction and thereby reduces the amount of housing and other community facilities which can be provided." [7] The problem had been identified and measured, a solution demonstrated, and an institution established to support reform. What was never completed was the implementation. [8]

What Is Housing System Certification?

Before explaining what certifying a housing system means, it is worth being precise about what a housing system is — because the term is doing real work here.

A housing system is essentially a product definition — the design logic, the structural and material systems, the offsite manufacturing and onsite assembly process, the supply chain, the quality controls, and the performance characteristics of a defined, repeatable housing offering — treated as a unified whole rather than a collection of discrete decisions made project by project. A housing system may involve significant factory production, but it can also be primarily site-built. What defines it as a system is the integration — design for manufacturing and assembly,

coordinated supply chains, serial production, continuous improvement — rather than where production physically occurs. A factory helps. The organizational method matters more.

No housing system certification framework currently exists in the United States. Congress authorized NIBS to develop one in 1974, but that work was never carried out. NIBS, with industry participation, is now beginning that development work. What follows is what such a framework would do once developed and implemented.

The target market is not speculative. MOD X Advisory is currently working with partners in Washington State on the first statewide initiative specifically designed to apply housing system certification to starter homes — the attainable housing that working families at moderate income levels need most and that the current project-by-project regulatory burden makes hardest to deliver at scale.

Today, nearly every residential project is treated as a unique event. The design is reviewed against the prescriptive building code project by project. The construction is inspected project by project. The financing is underwritten project by project. The insurance is priced project by project. Every approval is relitigated every time, even when the underlying system is the same one a company has used a hundred times before.

Housing system certification would work differently. Under such a framework, a company's integrated delivery system — the design logic, the offsite manufacturing and onsite assembly process, the quality controls, the performance characteristics — would be reviewed once, against performance criteria, by an independent expert body. Once the system was certified, individual projects using the system would inherit that approval. As in aerospace, a configuration space would be created, allowing for variations within the preapproved framework. Permitting would be streamlined. Lenders and insurers could rely on the certification as a basis for underwriting. Code officials would retain their authority but exercise it against a known and tested baseline. This is not a proposal to preempt local code officials — it is a proposal to give them a tested performance baseline against which to exercise their authority.

The savings would come from not redoing the same approvals on every project. The quality gains would come from concentrating expert review at the system level rather than diffusing it across thousands of individual project reviews. This is what most other manufactured products in the American economy already do — automobiles, aircraft, medical devices, consumer electronics, agricultural equipment. Housing remains an outlier among major American sectors that produce complex, safety-critical products, even though Congress identified the solution in 1968, demonstrated it between 1969 and 1973, and authorized its implementation in 1974.[9]

Certification is also inherently evolutionary — and that is perhaps its most important feature. A certified system would not be a frozen specification but a living baseline that the responsible company refines as evidence accumulates. More than a century ago, American industrial management pioneers described exactly this kind of continuous, evidence-based evolution of standards — driven by the firms doing the actual work, refined through use — as the ideal toward which industrial regulation should evolve. Japan adopted a similar framework in 1973, based in part on a close dialogue with the Operation Breakthrough team.[10] Housing system

certification is the framework that would finally make that vision operational in American housing. The design principle: think sector wide, experiment at the company and team level.

The 1974 authority granted to NIBS to develop and implement this framework has never been exercised. Congress passed the law. The framework was sound. The implementing institution was established. What ran out was political continuity, not policy validity.[11] The authority is still on the books today.

The Evidence

Other countries built what we authorized but did not implement. Today, more than twenty-eight percent of Japanese housing units pass through their housing system certification program.[12] Certified buildings are significantly more resistant to natural disasters — certified housing is nearly three times less likely to suffer severe earthquake damage,[13] two-thirds achieves net-zero energy performance,[14] and sixty-four percent meets barrier-free accessibility standards for an aging population.[15] Insurance discounts of between ten and fifty percent are tied to certification,[16] and mortgage rate reductions are also commonly available.[17]

In the U.S., the strongest endorsement of housing system certification in our research has come not from the largest players but from small, vertically integrated companies and integrated project teams working in long-term relationships — firms already committed to industrialized housing delivery, absorbing the project-by-project approval burden on every job, unable to amortize their system-level investments across a pipeline the current regulatory environment makes unpredictable. Fading West Development, the Colorado-based factory-built modular homebuilder testifying alongside me today, is exactly this kind of firm — building starter homes, operating across multiple jurisdictions, and navigating a different permitting, inspection, and financing landscape in every one of them. Certification is not a policy preference for firms like Fading West. It is the reform that would make their business model viable at scale. And it benefits factory, site, and hybrid delivery equally — because what it certifies is the integrated system, not the venue.

What struck us was a different and in some ways more significant endorsement. JPI is one of the largest multifamily developers in the United States — and also happens to be owned by Sumitomo Forestry, a Japanese company deeply involved in housing system certification there. MOD X Advisory currently advises JPI, which gives us direct access to the operational data cited in this section. The degree to which JPI's leadership has internalized the logic of housing system certification, and the sophistication with which they articulate what it would do for their operations, is not what you would expect from a company with no direct investment in factory production.

JPI invests at least six percent of its annual return in research and development.[18] By any measure, that commitment is an order of magnitude higher than the American construction industry average. This level of private investment is precisely what housing system certification would encourage sector wide — and it requires no federal funding. The framework would simply remove the institutional barrier that makes the investment irrational for most firms operating in

the current regulatory environment. Certification is the institutional reform that would unlock private capital that is otherwise sitting on the sidelines waiting for regulatory clarity.

JPI has invested in industrialized delivery at every level of their organization, and the results are measurable. On large multifamily projects, they have compressed timelines from twenty-six months to eighteen — a thirty percent reduction, achieved through technology-enabled rigorous organization across design, procurement, scheduling, and onsite assembly.[19] Every month of that compression eliminates financing costs, carrying costs, and risk premiums that currently flow to the end user. Interior finishes illustrate the framework with particular clarity: JPI cut completion time from one hundred eighty days to one hundred twenty days through industrialized organization alone, then from one hundred twenty days to seventy days by using qualified third-party inspectors rather than waiting on local jurisdictional inspection cycles. The first step is industrialization itself. The second step is what third-party inspection can deliver even within the current regulatory environment. Housing system certification would generalize the second step across all sub-tasks and all projects, with qualified inspectors working to a certified process specification.

To preserve their project-wide gains under current conditions, JPI works with third-party inspectors that run alongside their construction schedule rather than gating it. This process remains an analog approach with many of the archaic challenges of normal AHJ inspection. Under housing system certification, with qualified inspectors working to a systems- and technology-enabled certified process specification rather than to default jurisdictional standards, JPI estimates — based on their own operational data — they could make another significant step toward the technical limit of fifty-eight percent project-wide time savings, substantially higher than their current thirty percent.[20] JPI also believes certification would help local code authorities do their job with more certainty in less time, by giving them a tested baseline against which to apply their continuing oversight authority. AHJs would retain authority; the framework would give them better tools to exercise it.

Housing system certification would serve firms as different as JPI — which is site-built — and Fading West Development, the Colorado-based factory-built modular homebuilder that testified before the House Financial Services Committee last summer, with the same instrument. Both firms are already participating alongside other industry partners in the NIBS Steering and Technical Committee that is currently doing the development work — different industrialization strategies converging on the same institutional reform, and doing so actively. And both represent something the small innovators who first endorsed this framework already understood: the regulatory barrier is not a barrier to any particular method of construction. It is a barrier to the organizational commitment that industrialization requires.

The implementation challenges are real — inspector certification, AHJ capacity, liability allocation — and NIBS's development work would address each of them. That is exactly what the framework development process is designed to produce.

Three Recommended Actions

The HUD report we co-authored proposes a path toward a clear long-term goal: a performance-based regulatory framework for housing, harmonized across jurisdictions where harmonization serves shared public purposes, and rationally accommodating local difference where local conditions actually require it.

The path has three sequenced actions.

First, immediately: conduct an agency-wide review of federal award criteria across all programs that affect housing delivery — a preliminary version of which we delivered to HUD.[21] Like every country we studied, the United States first needs to clarify and standardize the terminology used to describe industrialized housing delivery before coordinated criteria can do their work. Consider what a small innovative builder faces today: terminology for industrialized housing delivery is inconsistent across federal agencies; financing and underwriting criteria treat factory-built and site-built systems differently depending on the program; and resilience and performance standards vary by agency and sometimes conflict. A large national builder has the compliance capacity to navigate this fragmentation. A small firm building starter homes does not. Consistent language and criteria across HUD, the Federal Housing Finance Agency, USDA Rural Development, the Department of Veterans Affairs, FEMA, and others would generate the demand aggregation that early-adopter manufacturers and small builders need — without new federal spending, without new authority, and without picking winners among construction methods.

Second, as the early adopters establish themselves: direct NIBS to initiate development of a housing system certification framework under the authority Congress granted in 1974[22] — a framework that would allow lenders, insurers, and code officials to rely on a single performance-based approval rather than the project-by-project review that drives much of the current cost burden on small builders. This can be initiated through committee report language. It does not require new appropriations or new authority. It requires direction to exercise authority that has been on the books for fifty-two years. NIBS already exists. Industry partners are already engaged. What's needed is congressional support for this work to proceed.

Third, as a certification framework matures: support performance-based building code reform, building on the precedent of the HUD Code and the existing work of the International Code Council. Performance-based regulation, where it has been adopted, has consistently produced four results: increased competitiveness, faster innovation, lower costs, and improved quality. This is not a theoretical claim. It is the empirical record of Japan, the United Kingdom, and the entire European Union,[23] and it is also the operational reality of every other consequential sector of the American economy that produces complex manufactured products. These sectors are regulated against what the product must achieve, not against how it must be built. Housing is the outlier. The 1976 HUD Code is the only sector of American housing that operates on this principle, and it has delivered nine million units of affordable manufactured homes at roughly half the cost of comparable site-built housing on a per-square-foot basis.[24]

These three actions follow the same organizing principle: federal action creates the enabling conditions; innovation happens at the local, company, and team level.

They also compound through network effects. Standard award criteria would give early-adopter manufacturers and builders a viable demand pipeline. Housing system certification, once developed, would give lenders, insurers, and code officials a basis for relying on certified systems across multiple projects. Performance-based code reform would create the long-term regulatory environment in which the framework becomes self-sustaining. The path begins modestly — a few manufacturers, a few jurisdictions — and grows exponentially as each successful certification makes the framework more valuable to the next potential adopter. None of these actions requires new federal authority. All of them use authorities Congress has already granted.

In closing: Congress addressed this institutional problem twice, in 1968 and again in 1974, across administrations of both parties. The opportunity before this Committee is not to start something new. It is to finally enable the implementation of what was authorized fifty-two years ago. Congress passed the law. The authority has not been used. We are not asking for new authority — we are asking for support to exercise what is already on the books.

What this Committee can enable is straightforward. Innovative American firms get the regulatory environment they need to invest in industrialized housing delivery without the institutional barriers that currently strand their capital. Local code authorities get a tested baseline that helps them exercise their authority with more certainty in less time. And American families — the people this Committee exists to serve — get housing that costs less, performs better, and reaches them faster, because the institutional gap that drives so much of the current cost is finally closed.

Fifty-eight years ago, HUD wrote that "large-scale application of industrialized building systems is not limited by technological, design or cost factors, but only by institutional constraints." [6] That assessment was accurate then. It is accurate now. We have the opportunity to finally act on it.

Thank you. I welcome the Committee's questions.

ENDNOTES

[1] The primary sources for this testimony are: Smith, R.E., Rupnik, I., and Schmetterer, T. (2026). *HUD's Past, Present, and Future Role in Accelerating U.S. Offsite Construction for Housing: A Comparative Study and Action Plan*. Washington, DC: U.S. Department of Housing and Urban Development, Office of Policy Development and Research [hereafter "HUD Action Plan"]; and Smith, R.E., Rupnik, I., Schmetterer, T., and Barry, K. (2023). *Offsite Construction for Housing: Research Roadmap*. Washington, DC: U.S. Department of Housing and Urban Development, Office of Policy Development and Research [hereafter "Research Roadmap"]. Available at <https://www.huduser.gov/portal/publications/Offsite-Construction-for-Housing-Research-Roadmap.html>. The Research Roadmap's industry consensus process identified regulatory framework as the highest-priority research topic across six areas, directly informing the three-action sequence recommended in this testimony. Research Roadmap, pp. i–ii.

[2] Public Law 90-448-AUG. 1, 1968: Housing and Urban Development Act of 1968, Section 108 (New Technologies in the Development of Housing for Lower-Income Households). See HUD Action Plan, pp. 28–29. Congress tasked HUD to "encourage large-scale experimentation in the use of such technologies," "provide a basis for comparison of such technologies with existing housing technologies," and evaluate "the effect which local housing codes and zoning regulations have, or would have if applicable, on the cost per dwelling unit." Public Law 90-448, p. 495. Congress funded construction of 5,000 units over five years for the pilot program.

[3] U.S. Government Accountability Office (1976). *Operation Breakthrough: Lessons Learned About Demonstrating New Technology*. PSAD-76-173: B-114860. Washington, DC: GAO. See also HUD Action Plan, pp. 29–32. The GAO report documented HUD's findings on which systems demonstrated the most potential and which regulatory reforms were most effective. The HUD Action Plan notes that Operation Breakthrough "produced the evidence that the framework worked" in terms of validating the performance-based certification approach, even as commercial scaling was interrupted by the 1973 federal housing subsidy moratorium. HUD Action Plan, pp. 31–32.

[4] Public Law 93-383; 88 Stat. 633 (1974), Title VI (Manufactured Home Construction and Safety Standards). The HUD Action Plan describes Congress's use of the Interstate Commerce Clause to create "the first preemptive U.S. national building code and the first performance-based national code in the world." HUD Action Plan, p. 33.

[5] Public Law 93-383; 88 Stat. 633; 42 U.S.C. 5301 et seq., Section 809 (National Institute of Building Sciences). The 1974 Act granted NIBS "functions and responsibilities in four general areas, relating to building regulations," including: development of nationally recognized performance criteria and standards; evaluation and prequalification of building technology; investigative research; and data assembly and dissemination. HUD Action Plan, pp. 35–36. Congress also mandated the creation of an Advanced Building Technology Council and Advanced Building Technology Program — a direct continuation of the New Technologies Program that funded Operation Breakthrough. HUD Action Plan, p. 35.

[6] Patman, P.F., Howenstine, E.J., Szczepanski, C.Z., and Warner, J.R. (1968). *Industrialized Building: A Comparative Analysis of European Experience*. Washington, DC: U.S. Department of Housing and Urban Development, Division of International Affairs, p. 121. Cited in HUD Action Plan, p. 67. The 1968 tasking language directing HUD to evaluate the effect of local codes on per-unit cost is from Public Law 90-448, p. 495, cited in HUD Action Plan, p. 29. The closing use of this quote in the testimony is cited to the same source.

[7] Public Law 93-383; 88 Stat. 633 (1974), p. 97. Full passage: "the lack of uniform housing and building regulatory provisions increases the costs of construction and thereby reduces the amount of housing and other community facilities which can be provided." Cited in HUD Action Plan, p. 35. The 1974 Act also found that "the lack of an authoritative national source to make findings and to advise both the public and private sectors of the economy with respect to the use of building science and technology... is an obstacle to efforts by and imposes severe burdens upon all those who procure, design, construct, use, operate, maintain, and retire physical facilities." Ibid.

[8] HUD Action Plan, p. 36: "This authority remains to this day but is not being currently exercised. The need for a national institution is more acute than ever to streamline regulations to achieve the rapid supply of affordable

housing through offsite construction." The NIBS mandate has neither been exercised nor rescinded since its authorization in 1974.

[9] HUD Action Plan, pp. 9–12 (Section 1.2: Effective Government Action for Accelerating Offsite Construction for Housing); Research Roadmap, Research Topic 1: Regulatory Framework. The Research Roadmap's consensus process identified regulatory framework as the single highest-priority research need, reflecting industry-wide recognition that current prescriptive regulatory frameworks assume design-bid-build delivery and present structural barriers to industrialized housing delivery. Research Roadmap, p. i.

[10] HUD Action Plan, pp. 41–42. A HUD-led delegation visited Japan in December 1970, and Japan's Ministry of International Trade and Industry organized a reciprocal "Uchida Delegation" to Operation Breakthrough sites in October 1971. The Uchida Delegation was "presented with a comprehensive overview of the U.S. housing system certification that HUD and NBS were developing." HUD Action Plan, p. 41. Japan's Certification Program for the Performance of Prefabricated Houses was established in 1973, directly following this exchange. HUD Action Plan, p. 42. See also: U.S. Department of Housing and Urban Development (1972). "The Uchida Mission." *HUD Challenge* 3 (3): 16–18.

[11] HUD Action Plan, pp. 31–33. The Nixon Administration placed a moratorium on all federal housing subsidies in early 1973, eliminating the demand pipeline before the housing system certification framework could demonstrate commercial viability. Most firms that had invested in Operation Breakthrough capacity went bankrupt by the end of the decade. HUD Action Plan, p. 32. The Advanced Building Technology Council and Program were never constituted, leaving the NIBS mandate unexercised.

[12] Building Center Japan (BCJ) (2023). *Overview of the Business of Type Approval/Certification of Specific Type Products Manufacturers*. Technical Appraisal Department, Building Center of Japan. Japan Housing Finance Agency (JHF) (2023). *Overview of Japan Housing Finance Agency*. International Affairs Group. Both cited in HUD Action Plan, p. 44. Specific figure: "In 2021, the housing system certification program, which had been in place since 2000, was utilized by 28.2 percent of housing units, approximately 50 percent detached and 50 percent multi-unit." HUD Action Plan, p. 44.

[13] HUD Action Plan, p. 44: "Housing system-certified housing is nearly three times less likely to experience 'severe damage' during earthquakes." Source: Sekisui House and Sekisui Heim (2023), as cited in HUD Action Plan, p. 38 (footnote 67).

[14] HUD Action Plan, p. 45: "Sixty-seven percent of housing system-certified housing is Net Zero Energy Buildings (ZEB), with many of the leading 'prefab house' companies producing 90 percent or more ZEB units. Japan plans to reach 100 percent ZEB for new construction by 2030."

[15] HUD Action Plan, pp. 44–45: "Sixty-four percent of housing system-certified housing is barrier-free, a key metric for Japan's aging population."

[16] HUD Action Plan, p. 44: "10- to 50-percent discount on earthquake insurance is determined based on performance criteria met during the housing system certification process." Source: JHF (2023). Earthquake insurance discounts are assessed across performance criteria including seismic resistance, energy efficiency, barrier-free design, and structural durability.

[17] JHF Flat 35S Program provides mortgage rate reductions for certified housing meeting one or more of the following criteria: highly energy-efficient housing, superior seismic resistance, superior barrier-free housing, and superior durability and flexibility of the housing structure. HUD Action Plan, p. 44. See also JHF (2023).

[18] Information provided directly by JPI to MOD X Advisory in the course of an ongoing advisory engagement. JPI defines this figure as a percentage of annual return on investment. The American construction industry comparison ("fraction of one percent of revenue on R&D") is drawn from industry data documented in the HUD

Action Plan's discussion of the construction sector's historically low R&D investment. See HUD Action Plan, pp. 8–9; Research Roadmap, Research Topic 6: Business Models and Economic Performance.

[19] Information provided directly by JPI to MOD X Advisory in the course of an ongoing advisory engagement, 2025. The timeline compression from twenty-six months to eighteen months reflects JPI's large multifamily project data as reported to the research team. The interior finishes compression (180 → 120 → 70 days) reflects the same dataset, illustrating the two-step gains from industrialized organization and qualified third-party inspection respectively.

[20] JPI estimate based on the company's operational data and analysis of their current construction process, provided to MOD X Advisory in the course of an ongoing advisory engagement. This figure represents JPI's projection of the technical limit achievable through housing system certification, substantially higher than their current thirty percent schedule reduction. The estimate has not been independently verified and is presented as company analysis.

[21] HUD Action Plan, pp. 13–16 (Section 2.1: Immediate Timescale Strategy: Standard Award Criteria). A preliminary agency-wide review of federal award criteria was delivered to HUD by the research team in connection with the Action Plan project. The HUD Action Plan recommends that "HUD lead the development of standard award criteria through the review and coordination of all current federal programs that currently affect offsite construction." HUD Action Plan, p. 14. See also Research Roadmap, Strategy A (demand aggregation via coordinated federal criteria).

[22] Public Law 93-383; 88 Stat. 633; 42 U.S.C. 5301 et seq., Section 809. The 1974 mandate grants NIBS authority to develop and maintain "nationally recognized performance criteria, standards, and other technical provisions for maintenance of life, safety, health, and public welfare suitable for adoption by building regulations jurisdictions," including evaluation and prequalification of building technology. HUD Action Plan, pp. 35–36. The HUD Action Plan concludes: "Congress granted HUD and NIBS the authority and responsibility for developing, disseminating, facilitating, and maintaining a building systems standards and certification program based on performance criteria... This authority remains to this day but is not being currently exercised." HUD Action Plan, p. 36. See also HUD Action Plan, pp. 16–19 (Section 2.2: Intermediate Timescale Strategy: Housing System Certification).

[23] HUD Action Plan, Part B, pp. 37–68 (country case studies for Japan, Sweden, and the United Kingdom). For the European Union specifically: European Commission (n.d.a). "Harmonised Standards." The Eurocode — a set of ten performance-based European standards regulating building construction — was mandated across all EU member states in 2010, completing a regulatory reform process the European Community began in 1975. Construction Products Regulation (CPR) providing a common performance-based product registration system was mandated in 2011. HUD Action Plan, pp. 49–51. See also HUD Action Plan, p. 21 (footnote 40): "In 2010, all members of the EU adopted performance-based building codes and building product standards, completing a regulatory reform project that the European Community first defined around the same time the HUD Code was launched. Today, the United States and Canada are the only G7 countries that have not adopted this form of regulatory environment."

[24] U.S. Census Bureau data; HUD Action Plan, p. 33: "more than 9 million housing units have been produced and delivered with this method since 1976, providing housing that would likely only be available with government-led acceleration." The cost comparison — roughly half the cost of comparable site-built housing on a per-square-foot basis — reflects the HUD Action Plan's characterization of manufactured housing's cost advantage and is consistent with HUD's Manufactured Housing Program documentation. The "per-square-foot basis" qualifier acknowledges that manufactured homes are on average smaller than comparable site-built homes and that direct cost comparisons should control for unit size. See HUD Action Plan, pp. 33, 65; Research Roadmap, Research Topic 3: Capital, Finance, and Insurance.



Testimony of
Mr. Eric Schaefer
Chief Business Development Officer
Fading West Development
Buena Vista, Colorado

Before the
U.S. House Committee on Small Business
Hearing entitled, "Building the Future: How Small Home Builders are Closing America's
Housing Gap"
May 21, 2026

Members of:



Thank you, Chairman Williams, Ranking Member Velazquez, and Members of the Committee for the opportunity to testify today for your hearing on “Building the Future: How Small Home Builders are Closing America’s Housing Gap.”

The work of this Committee comes at a critical juncture. While the United States continues to face a crushing housing deficit, the burden of this crisis falls disproportionately on local, main-street small home builders who are continually squeezed out by structural labor shortages, escalating supply chain volatility, and high capital risk.

I am Eric Schaefer, Chief Business Development Officer for Fading West in Buena Vista, Colorado. Fading West began in 2016 with what we thought would be a one-off development project called The Farm at Buena Vista. Notably, we incorporated modular manufacturing directly into the design process with a clear goal: ensuring that the prospect of attainable homeownership does not fade away for the people living and working in our communities.

Fading West has since evolved into a fully integrated design, development, modular manufacturing, and construction company rooted in LEAN processes and a culture of continuous innovation. I am here today because Fading West and the modular manufacturing industry firmly believe that the U.S. Congress, and specifically this Committee, has a vital role to play in helping small home builders innovate, scale, and actively participate in resolving our national housing shortage.

The Innovation Gap: U.S. vs. Global Home Building

To understand why small home builders are struggling to keep pace, we must look at how far behind the United States lags in manufacturing adoption:

- **The Domestic Reality:** Modular construction currently accounts for a mere 5 percent of all construction in the United States and represents less than 4 percent of all housing.
- **The Global Benchmark:** By comparison, modular manufacturing commands 15 percent of the market in Japan, and a staggering 45 percent in Scandinavian countries.
- **The Shift to Multi-Family:** Over the past decade, market demand has shifted heavily toward multi-family modular structures. Multi-family housing has risen to become the single largest segment of new modular construction, now comprising just over 8 percent of all modular projects in the United States.

Systemic Challenges Disproportionately Impacting Small Builders

As of 2026, the United States remains millions of housing units short, with the gap increasing each year because we have failed to address the root systemic causes of the crisis. From our perspective, there are four structural issues holding back the construction sector, which hit small businesses the hardest:

1. **A Fractured Labor Pipeline:** The National Center for Construction Education and Research (NCCER) estimates that 41 percent of the current construction workforce will retire by 2031. For a large national public builder, this is a corporate challenge; for a main-street small builder, losing even one or two master tradespeople can completely stall a project, driving up costs and causing long delays.
2. **Escalating Building Costs:** The price of goods used in residential construction has surged by over 40 percent since January 2020. Small builders face higher interest rates and stricter lending criteria from local banks, making traditional stick-built timelines incredibly risky and making affordable housing impossible to build without heavy subsidies.

3. **The Local Regulatory Burden:** According to studies by the National Association of Home Builders (NAHB), regulations across all levels of government account for 23.8 percent of the average sales price of a new home. Navigating this requires immense administrative overhead, straining the thin margins of a small business, and raising capital costs.
4. **The "Authority Having Jurisdiction" (AHJ) Bottleneck:** There are 43,096 separate authorities having jurisdiction across the United States. Because each individual agency can modify and amend building codes for their specific local area, home builders face a complete inability to standardize products or processes. Every home requires its own design and approval process, forcing small builders to face multiple plan submittals, erratic inspections, and massive waste. In fact, 30 percent of all building material is entirely wasted at a traditional, stick-built construction site.

The Building Code Paradox

Modular manufacturing offers speed, efficiency, and cost-predictability of off-site construction, combined with the distinct advantage and assurance that every unit is built to strict state and local codes. However, our current regulatory apparatus was designed strictly for traditional, on-site stick-built construction, which creates severe structural roadblocks when going with modular:

- **All states are different:** Home builders do not face a single, unified national market. They face 50 different states with 50 entirely different building codes, further complicated by thousands of localized municipal amendments.
- **The Structural Friction:** Traditional code frameworks assume work happens sequentially on-site, which leads to operational friction when components are fabricated off-site. When local jurisdictions refuse to recognize factory assembly methods, it forces redundant inspections, delays timelines, and restricts the entry of innovative products into local housing markets.
- **The Imperative for Reform:** If states are truly serious about expanding housing supply, they must immediately examine their existing building codes to understand what they need to address to remove these antiquated barriers. Under the leadership of Governor Jared Polis, Colorado has tackled this paradox head-on by codifying statewide frameworks that treat off-site manufacturing as a critical infrastructure solution rather than an administrative afterthought.

Standards, Plan Review, and the Reciprocity Crisis

For a small builder or modular manufacturer, time is liquidity. The current administrative overhead required to certify factories and approve floor plans is highly redundant and actively discourages small business growth:

- **Duplicative Factory Certification:** Every single state maintains its own separate, independent process for factory certification and plan review. While individual states might have minor, idiosyncratic variations in their checklists, the core evaluation is mostly identical.
- **Zero Reciprocity:** There is currently no regulatory reciprocity between states regarding factory certification. A state-of-the-art facility certified to build high-performance homes in one state must entirely reinvent the wheel and clear separate bureaucratic hurdles to ship an identical home across a state line.
- **The Review Bottleneck:** The administrative plan review process frequently takes longer than the manufacturing of the modules themselves.

- **Inconsistency:** While some states handle reviews more efficiently than others, the requirements are deeply fragmented. States routinely demand the exact same engineering data but require it to be formatted and presented in wildly different ways. Ultimately, approvals are too often dependent on the subjective whim or interpretation of the individual bureaucrat reviewing the stack of paperwork.

Transportation and Logistical Roadblocks

The physical movement of completed modules from a factory floor to a local permanent foundation is one of the most critical—yet routinely overlooked—components of the modular value stream:

- **Fuel and Predictability:** Current macroeconomic volatility and fluctuating gas prices make it incredibly difficult for small developers to accurately budget for long-distance shipping costs months in advance.
- **The Patchwork of Transit Laws:** A modular transit route is an administrative nightmare of conflicting state and city mandates, adding immense cost and complexity to completing a modular project.
- **Inconsistent Load Sizes and Curfews:** Allowable load sizes change erratically from state to state and city to city. Furthermore, certain states restrict modular shipping to narrow, specific windows during the day, forcing transport fleets to idle and rack up costs.
- **Escort Delays:** Escort mandates are entirely uncoordinated. One municipality may permit transit with standard pilot cars, while an adjacent jurisdiction requires a full police escort. Waiting for localized police or road escorts to arrive at borders remains a primary source of costly project delays.
- **The Hidden Cost Trap:** The true, final cost of shipping a home is nearly impossible to calculate prior to a trip. Because states and cities calculate final invoices based on unpredictable variables—such as real-time travel delays or whether police escorts are getting overtime pay—small business builders often do not know their exact logistics costs until the trip is finished.

Case Studies and Proof of Concept:

By combining real estate development, modular manufacturing, and general contracting, Fading West has integrated the construction value stream. We have proven that moving construction into a climate-controlled factory reduces material waste from 30 percent to less than 6 percent, enabling homes to be built 10 to 20 percent less expensive. Furthermore, we complete homes 50 to 80 percent quicker. A typical Fading West home is built in less than 10 working days in our factory and then completed at the site in less than 30 days. From start to finish, a new home can be completed in less than 40 days, compared to greater than nine months for traditional, stick-built construction.

To demonstrate that this is an active, hyper-efficient solution currently scaling capacity for small developers, tribal authorities, and non-profit housing providers, we point to four distinct proofs of concept:

1. Rural Homes/Fading West Partnership: The Colorado Blueprint to Affordable Housing

- **The Milestone:** We have successfully scaled a unique public-private-philanthropic partnership (P3) toolkit—pioneered in collaboration with Rural Homes (a nonprofit housing developer) and the state of Colorado to deliver affordable homeownership opportunities in mountain towns. We have expanded these successful initiatives into Telluride, Ouray, Grand Junction, Longmont, Ridgway, and numerous other towns across the state.
- **The Catalyst Policy Framework:** Operating in highly isolated mountain communities and rapidly growing rural hubs present massive logistical and labor challenges. Colorado has systematically

removed these roadblocks through deliberate legislative action and executive leadership aimed at making the state "modular friendly":

- **Proposition 123:** Passed by voters to dedicate a portion of state income tax revenue toward affordable housing, Proposition 123 has poured essential equity into the ecosystem, offering flexible financing options that allow small developers and non-profit entities to fund the faster cash-flow demands of off-site manufacturing.
 - **Senate Bill 24-009:** Signed into law by Governor Polis, this landmark legislation specifically streamlined the state-level permitting, inspection, and certification processes for manufactured and modular structures. By aligning state rules with modern off-site methods, it eliminated redundant local inspection loops and significantly cut the bureaucratic timeline down for factories.
 - **Department of Local Affairs (DOLA) Help:** Colorado's DOLA has been instrumental in bridging the gap for rural municipalities. DOLA provides targeted infrastructure grants, technical assistance, and funding to small local communities, enabling them to buy down the cost of utility connections and site work so that factory-built modules can hit the ground running without hitting local financial gridlock.
 - **The Collaborative Impact:** By integrating donated land from municipalities or school districts, low-cost philanthropic financing (such as program-related investments from foundations), and our off-site factory construction, this ecosystem builds for-sale workforce housing at roughly half the price of the regional market.
2. **Non-Profit Innovation: The BoulderMOD Model**
- **The Milestone:** Innovation in off-site manufacturing is not restricted to commercial entities; it is actively transforming the nonprofit sector. A premier example is BoulderMOD, a first-of-its-kind municipal-nonprofit modular housing factory operating in Boulder, Colorado.
 - **The Partnership Model:** This facility represents a powerful partnership between the City of Boulder (which funded the construction of the facility), Flatirons Habitat for Humanity (which serves as the certified manufacturer and manages operations), and the Boulder Valley School District (BVSD).
 - **The Double-Bottom-Line Success:** BVSD Career and Technical Education (CTE) students build energy-efficient, net-zero modular homes inside this solar-powered facility alongside subcontractors and Habitat for Humanity sweat-equity volunteers. In doing so, the facility lowers labor costs to the absolute minimum to build permanently affordable housing (including urgent initiatives like Marshall Fire burn area recovery), while simultaneously training the next generation of skilled tradespeople in modern, assembly-line construction methods. This proves that nonprofit-driven modular factories can dramatically scale localized affordable housing delivery.
3. **Rapid Emergency Recovery: The Lahaina, Maui FEMA Initiative**
- **The Milestone:** Following the devastating wildfires in Hawaii, the traditional construction industry faced severe systemic delays, an acute lack of local manpower, and immense transit hurdles. Utilizing our factory ecosystem, Fading West built 85 modular homes in just two months.
 - **The Speed-to-Foundation Velocity:** Merely two months later, site-work was complete, modules were permanently placed, and displaced families were actively moving in. These homes architecturally fit the Maui style and will last 50-75 years. They bring dignity to families who had been displaced for well over a year.

- **The Impact:** This initiative serves as the ultimate proof of concept for disaster recovery. It underscores why updating federal frameworks to utilize permanent modular housing options is an absolute operational necessity. Traditional timelines cannot match a crisis; modular manufacturing can.
- 4. **Scaling Indigenous Housing: The Department of Hawaiian Home Lands (DHHL) Pilot**
 - **The Milestone:** We are currently executing an innovative pilot housing project in partnership with the Department of Hawaiian Home Lands (DHHL) to deliver 24 high-performance modular homes built directly in our factory environment.
 - **The Efficiency Metrics:** By deploying optimized, pre-approved and standardized floor plans engineered for quick deployment, this project is on track to be completed significantly quicker than traditional construction methods while reducing total capital development expenditures by 20 percent.
 - **The Impact:** For small builders trying to work with state, local, or tribal agencies, the combination of a 20 percent cost reduction and compressed delivery times removes the crushing interest-carry risks that normally kill small business participation in public housing projects.

Unlocking Modular Innovation for Federal Disaster Relief

Beyond day-to-day housing supply, the federal government is missing a massive opportunity to deploy modular construction to address humanitarian recovery following domestic natural disasters:

- **The Immediate and Long-Term Solution:** Modular technology offers huge potential to address disaster relief and is perfectly suited to provide rapid, high-quality mobile offices and workforce housing in the immediate aftermath of a disaster.
- **The Transitional Housing Model:** Instead of trapping disaster victims in temporary, low-quality trailers for years, communities can deploy permanent, compact modular homes for recovery. Displaced families can safely occupy these high-quality structures while their primary residences are rebuilt. Once the permanent homes are restored, these temporary modular homes can be easily sold or repurposed by local governments to help address permanent affordable housing needs.
- **The Stafford Act Bottleneck:** The primary barrier preventing this innovation is an outdated federal statute. Currently, the Stafford Disaster Relief and Emergency Assistance Act only allow for permanent or semi-permanent housing assistance outside the continental United States.
- **The Recommendation:** Changing this part of the Stafford Act would allow modular manufacturing to assist in recovery efforts throughout the country, allowing federal recovery funds to build lasting equity and resilient infrastructure in disaster-struck American communities.

Recommendations for Addressing the U.S. Housing Crisis

From our perspective, we offer three recommendations to federal lawmakers to address the fundamental root causes of the affordable housing crisis and empower small business builders:

1. **Provide Direct Capital Incentives for Off-Site Facilities:** Provide federal grants and 0% interest loans directly to modular manufacturing facilities to increase housing supply, rather than throwing taxpayer money at a patchwork of specific, demand-side projects. Similar to the U.S. Government's recent investments in semiconductor companies to re-shore that industry, federal funding should expand factory capacity. A typical single-line modular manufacturing factory costs roughly \$25-30M to

set up. One facility can produce 400 homes to 800 homes per year—totaling 4,000 plus homes over ten years. Over ten years, this federal subsidy breaks down to just \$8,750 per home, vastly outperforming typical project-specific subsidies which routinely cost tens, if not hundreds, of thousands of taxpayer dollars per unit.

2. **Tie Federally Funded Projects to a Standard Construction Code:** While Congress cannot directly mandate local AHJs to change their general municipal codes, you can pass legislation requiring that any affordable housing project utilizing federal funding or SBA-backed financing be allowed to use a streamlined, standardized code and entitlement process. This removes administrative redundancy and allows small developers to use standard, pre-approved factory designs across multiple jurisdictions without changing local codes for non-federally funded projects.
3. **Mandate the Harmonization of Regional Building Codes:** For a long-term solution, Congress should direct via legislation the creation of 10 to 20 climate-zone (or regional) federal building code standards. If an automobile—which is vastly more complex than a home—can be engineered to safely drive in both Alaska and New Mexico, we can surely design a limited amount of standard building codes by regions facing similar climate challenges (e.g., earthquakes, hurricanes, high snow loads). This regional harmonization would invite massive R&D investments, protect small business investments, and dramatically accelerate innovation.
4. **Incentivize Vertically Integrated Public/Private Partnerships:** Instead of throwing taxpayer money at traditional, fragmented demand-side subsidies, the federal government should intentionally prioritize and incentivize vertically integrated Public-Private-Philanthropic Partnerships. As our data in Colorado demonstrates, the true bottleneck for small builders is execution risk and compressed cash flow. When a single entity vertically integrates architecture, factory manufacturing, and site development—and partners directly with municipalities providing land and foundations providing low-cost capital—the entire risk profile changes. Federal housing programs and grant criteria should be updated to favor these integrated P3 pipelines, matching local public land with factory-speed delivery to maximize the impact of every federal dollar spent.

Testimony of Emily DiVito

Senior Advisor for Economic Policy, Groundwork Collaborative

House Committee on Small Businesses

“Building the Future: How Small Home Builders are Closing America's Housing Gap”

May 21, 2026

Chairman Williams, Ranking Member Velázquez, and Members of the Committee,

Thank you for the opportunity to testify on increasing the supply of affordable housing. My name is Emily DiVito. I am the Senior Advisor for Economic Policy at Groundwork Collaborative, an economic policy think tank in Washington, DC.¹ I previously served as a policy advisor at the Treasury Department.

The Housing Affordability Crisis is Severe and Worsening

Housing is one of our most basic needs. The type of housing accessible to you can dictate the job you take, the city you live in, the school or other public services you can access, and the choice of whether to start a family.

But in the United States, housing costs are at all-time highs, and housing availability is at all-time lows. For the last 20 years, housing prices have risen far faster than the general cost of living² – making homeownership a virtual impossibility for millions of families, especially first-time homebuyers. In the first quarter of 2026, the median home price was \$403,200 – roughly five times median household income.³ The average 30-year fixed rate mortgage remains near 6.5%,⁴ driving up average total monthly payments to over \$2,300 and as high as \$5,700 in some areas.⁵

Rents have also risen faster than household incomes over the past two decades, forcing half of all renters – over 22 million households – to have no choice but to spend more than 30% of their income on rent. As of May 2026, average monthly rent was \$2,000, while in some metro areas, average monthly rents are as high as \$3,300.⁶

The housing affordability crisis we face is worsened by existing housing shortages and a failure to build more homes of all types. Home construction in the U.S. fell sharply after the Great

¹ Special thanks to Agatha Pinheiro for research support.

² Longtermrents. "Home Price vs. Inflation." Accessed May 18, 2026. <https://www.longtermrents.com/home-price-vs-inflation/>.

³ Federal Reserve Bank of St. Louis. "Median Sales Price of Houses Sold for the United States [MSPUS]." FRED. Accessed May 18, 2026. <https://fred.stlouisfed.org/series/MSPUS>.

⁴ Freddie Mac. "Primary Mortgage Market Survey." Accessed May 18, 2026. <https://www.freddiemac.com/pmms/>.

⁵ Zillow. "What Is the Average Mortgage Payment?" Accessed May 18, 2026. <https://www.zillow.com/learn/what-is-the-average-mortgage-payment/>.

⁶ Zillow. "Rental Market Trends: United States." Accessed May 18, 2026. <https://www.zillow.com/rental-manager/market-trends/united-states/>.

Recession and still has not returned to pre-2008 levels.⁷ The U.S. needs to build an additional 4 million to 5 million homes to fix the supply shortage relative to demand, according to some estimates.⁸

Small Builders, the Backbone of Residential Construction, Are Under Serious Strain

Small and medium-sized homebuilders play a hugely important role in housing construction. According to the Small Business Administration, there are over 3.6 million small business construction firms in the U.S., employing nearly 6 million workers.⁹ In residential construction, nearly 80% of home builders and specialty trade contractors are small, self-employed independent contractors, according to the National Association of Home Builders (NAHB). Even so, the industry is rapidly consolidating: In 2024, the top 10 builders captured a record 45% of all new single-family home closings – up from just 19% in 2000.¹⁰

The largest builders by volume, including D.R. Horton and Lennar, are experiencing large surges in legal costs stemming from cost-cutting compromises and shoddy construction, according to recent reporting from the *Wall Street Journal*.¹¹ In Florida, litigation alleges that Lennar built more than 450 defective homes with improperly installed roofs.¹² In Louisiana, thousands of homeowners allege that their D.R. Horton-built homes failed to keep out moisture, leading to mold infestations and health problems.¹³

Additionally, the small businesses that power the U.S.'s residential construction markets have been severely hampered by the Trump Administration's mismanagement of the economy, tariffs imposed on core homebuilding materials, including the components that make up everything from electrical wiring to wood flooring to air conditioning units, persistent and rising inflation,

⁷ Meghan Miller, "Trump Administration Tariffs Could Result in 450,000 Fewer New Homes through 2030," Center for American Progress, December 16, 2025, <https://www.americanprogress.org/article/trump-administration-tariffs-could-result-in-450000-fewer-new-homes-through-2030/>.

⁸ Katie Jones and Lida R. Weinstock, "Estimates of a 'Housing Shortage,'" Congress.gov, December 15, 2026, <https://www.congress.gov/crs-product/IN12628>.

⁹ Small Business Association, "2025 Small Business Profile Share of Employees Working at Small Businesses by State Employer and Employment Dynamics," 2025, https://advocacy.sba.gov/wp-content/uploads/2025/06/United_States_2025-State-Profile.pdf.

¹⁰ Sarah Caldwell, "Top Ten Builder Share Rises Again in 2024," Eye on Housing (National Association of Home Builders), July 8, 2025, <https://eyeonhousing.org/2025/07/top-ten-builder-share-rises-again-in-2024/>.

¹¹ Nicholas G. Miller "Home Builders Are Getting Buried in Claims of Shoddy Construction," Wall Street Journal, May 18, 2026.

<https://www.wsj.com/real-estate/home-builders-are-getting-buried-in-claims-of-shoddy-construction-346e4a05>.

¹² Nicholas G. Miller "Home Builders Are Getting Buried in Claims of Shoddy Construction," Wall Street Journal, May 18, 2026.

<https://www.wsj.com/real-estate/home-builders-are-getting-buried-in-claims-of-shoddy-construction-346e4a05>.

¹³ Nicholas G. Miller "Home Builders Are Getting Buried in Claims of Shoddy Construction," Wall Street Journal, May 18, 2026.

<https://www.wsj.com/real-estate/home-builders-are-getting-buried-in-claims-of-shoddy-construction-346e4a05>.

recent spikes in energy prices, and broad economic uncertainty.¹⁴ These conditions are especially challenging for small firms, which often do not have the same resources or scale as large developers to adjust supply chains to mitigate tariff costs or pass through rising transportation costs to customers.

Recent data indicate just how much damage is being done to the residential construction sector: In May, the Home Builder Confidence Index marked 37 points, significantly below the 50-point threshold that indicates the majority of builders feel confident about the current and near-term outlook for housing.¹⁵ This figure reflects an industry fighting headwinds from multiple angles. To help reinvigorate the construction and homebuilding sector and reverse years of underbuilding, Congress must address the high costs to build head on. I would like to highlight several proposals in that aim.

Zoning Reform Is Necessary But Not Sufficient

In order to reduce some of the barriers to building and unleash more construction, policymakers, industry, and advocates have proffered various zoning, land-use, and administrative reforms. These regulations – including things like height and lot restrictions, minimum parking requirements, and fragmented permitting processes – can delay construction timelines and increase project costs for developers, which in turn can drive up the prices charged to tenants and families. Ensuring that these regulations are streamlined such that they do not create unnecessary time delays or impose burdensome red tape, while still ensuring that the highest health and safety standards are met is very important. The bipartisan *21st Century ROAD to Housing Act* pending before Congress currently includes many provisions to mitigate some of these regulatory barriers and is a critical first step toward increasing the supply of housing.¹⁶

Restrictive zoning is a real problem. However, relaxing zoning and cutting red tape alone will not fully resolve the constraints to building enough housing at prices families can afford. Even in many dense metropolitan areas, more new housing is already allowable under existing zoning regulations: In New York City, for example, one recent study found that even existing zoning restrictions would allow an additional 390,000 housing units to be built as of right now, suggesting that in much of the New York City metro area land-use rules are not the binding constraint on new development.¹⁷ In some rural areas with cheap land and few zoning

¹⁴ National Association of Home Builders. "How Tariffs Impact the Home Building Industry." April 4, 2026. <https://www.nahb.org/advocacy/top-priorities/building-materials-trade-policy/how-tariffs-impact-home-building>. National Association of Hispanic Real Estate Professionals. "Building Barriers: How Rising Construction Costs Impact the Housing Affordability Crisis." October 21, 2025. <https://nahrep.org/housinghub/2025/10/21/building-barriers-how-rising-construction-costs-impact-the-housing-affordability-crisis/>.

¹⁵ National Association of Home Builders. "NAHB/Wells Fargo Housing Market Index (HMI)." Accessed May 18, 2026. <https://www.nahb.org/news-and-economics/housing-economics/indices/housing-market-index>.

¹⁶ U.S. House of Representatives. *21st Century ROAD to Housing Act*, H.R. 6644. May 18, 2026. https://docs.house.gov/billshtisweek/20260518/HR6644_RES4_xml.pdf.

¹⁷ Thomas DiNapoli and Rahul Jain, Housing Production in New York City (Office of the New York State Comptroller), <https://www.osc.ny.gov/files/reports/pdf/report-24-2025.pdf>.

regulations, lack of enough new demand keeps builders away, driving up prices on existing homes.

Cost of capital is one of the biggest constraints to new construction. Building the “capital stack,” or the specific blend of debt and equity required for a given project, can be costly for firms raising capital from investors seeking returns. Because the U.S. depends on thousands of private construction and development companies that need to turn profits to stay in business, a project’s expected returns are a key determinant to overall costs – and therefore, what price is ultimately charged to homebuyers or renters.

Small developers operating on thin margins are even more likely to be constrained by challenges with raising sufficient capital. For small businesses, securing construction loans is harder because lenders will prioritize loaning to developers with strong balance sheets, while they also lack the investors’ networks and relationships in finance that make larger firms more suited to find capital for a project. And even when small developers find an investor, they often impose strict repayment schedules and high return expectations, which ultimately will result in higher costs for consumers.¹⁸

One small developer reported his own experience trying to secure a loan:

Lenders don't lend 100 percent. They want you to have some skin in the game, so depending on the project type, you're responsible for bringing 20 to 30 to 40 percent to the table. That's the thing. We just don't have that access. We can get it. It's going to take us a while, but by the time we get it, we missed an opportunity.¹⁹

Not surprisingly, high interest rates were the most often cited problem faced by homebuilders in 2025, according to the NAHB/Wells Fargo Housing Market Index, chosen by 84% of survey respondents.²⁰ High interest rates affect both demand for housing – as home buyers are unable to afford mortgage payments – but also increase costs for builders to secure loans. As a comparison, environmental regulations and zoning restrictions ranked 10th and 11th respectively, cited by nearly 55% of builders in the same survey. These already challenging market conditions are being made worse by the Trump Administration’s mishandling of the economy.

¹⁸ Brett Theodos, Jorge González-Hermoso, and Noah McDaniel, “The Challenges Facing Small or Emerging Multifamily Housing Developers and Strategies to Overcome Them,” Urban Institute, September 2025, https://www.urban.org/sites/default/files/2025-09/The_Challenges_Facing_Small_or_Emerging_Multifamily_Housing_Developers_and_Strategies_to_Overcome_Them.pdf.

¹⁹ Brett Theodos, Jorge González-Hermoso, and Noah McDaniel, “The Challenges Facing Small or Emerging Multifamily Housing Developers and Strategies to Overcome Them,” Urban Institute, September 2025, https://www.urban.org/sites/default/files/2025-09/The_Challenges_Facing_Small_or_Emerging_Multifamily_Housing_Developers_and_Strategies_to_Overcome_Them.pdf.

²⁰ National Association of Home Builders, “Housing Market Index (HMI): Special Questions on Builders Challenges/ Problems Faced in 2025 and Expect to Face in 2026,” January 2026, <https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics/hmi/special-survey-reports/hmi-january-2026-special-survey-report.pdf?rev=4b8b9edc26494413b38dee103ac8b706&hash=B2812B2ADD8958CB7A15EB2D2BBF3953>.

The Trump Administration's Policies Are Compounding the Housing Affordability Crisis

Instead of alleviating the economic burdens of families and businesses, the Trump Administration is exacerbating them by instituting chaotic tariffs and gutting federal government and housing agency capacity and funding. One of the most evident policies from the Trump Administration that has harmed small builders is tariffs. Nearly 59% of builders reported rising inflation in the U.S. economy as a significant problem faced in 2025, while 51% of builders reported building material prices as a significant problem.²¹ There is a clear divide in this issue among small and large builders, with small builders being the most harmed by higher material prices. Among builders who started 5 units or less in 2025, 62% reported building material prices as a significant problem faced in 2025, versus only 25% of builders who started 100+ units.²²

These tariffs have created steep and sustained increases in prices for building materials, from copper and electrical wiring to lumber and flooring. In the latest Producer Price Index (PPI), the price of goods used in new residential construction was up 1.2% over the last month and up 6.1% from last year.²³ While energy prices due to the war in Iran were a main driver of price increases in April's PPI report, building material prices, excluding energy, rose at their highest yearly rate in three years, up 3.7% from a year ago.²⁴

A recent analysis from the Center for American Progress estimates tariff-induced higher building costs will lead to 450,000 fewer homes being built over the next five years.²⁵ At current homebuilding rates, an extra \$27 billion in tariffs adds \$17,500 in costs per new home. These higher construction costs get passed on to home buyers in the form of higher prices, making it even more difficult for Americans who are already struggling with challenging economic conditions to afford new homes.

At the same time, a lethargic labor market and the Trump Administration's immigration crackdown is making it more difficult for firms to find and retain construction workers, adding

²¹ National Association of Home Builders. "HMI January 2026 Special Survey Report." January 2026. <https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics/hmi/special-survey-reports/hmi-january-2026-special-survey-report.pdf>.

²² National Association of Home Builders, "Housing Market Index (HMI): Special Questions on Builders Challenges/ Problems Faced in 2025 and Expect to Face in 2026," January 2026, <https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics/hmi/special-survey-reports/hmi-january-2026-special-survey-report.pdf?rev=4b8b9edc26494413b38dee103ac8b706&hash=B2812B2ADD8958CB7A15EBCD2BBF3953>.

²³ U.S. Bureau of Labor Statistics. "Producer Price Indexes." Last modified May 13, 2026. <https://www.bls.gov/news.release/ppi.nr0.htm>.

²⁴ Jesse Wade, "Residential Construction Input Prices Move Higher in April – Eye on Housing," Eyeonhousing.org, May 13, 2026, https://eyeonhousing.org/2026/05/residential-construction-input-prices-move-higher-in-april/?_ga=2.165556795.565804951.1779131516-356729759.1778778396.

²⁵ Meghan Miller, "Trump Administration Tariffs Could Result in 450,000 Fewer New Homes through 2030," Center for American Progress, December 16, 2025, <https://www.americanprogress.org/article/trump-administration-tariffs-could-result-in-450000-fewer-new-homes-through-2030/>.

further time delays and costs to the homebuilding process. The first year of President Trump's second term produced the weakest job growth outside of a recession since 2003, with only 181,000 jobs added in 2025 – down from almost 1.5 million in 2024.²⁶ Since the start of 2026, job gains have averaged just 76,000 per month and the unemployment rate is at 4.3%, near its highest level in four years.²⁷ Average wages grew by just 0.2% last month, while prices rose at 0.6%.²⁸

Workers in residential building construction have been particularly affected, with nearly 7,600 jobs lost since Trump took office.²⁹ Immigrants make up a disproportionate share of the residential construction workforce: In 2024, foreign-born workers accounted for a record-high 26% of the entire construction workforce, and are disproportionately represented in the construction trades vital to homebuilding, like roofing, painting, and floor and tile installation.³⁰ It's estimated that over half are undocumented, and many are avoiding job sites out of fear of the Trump Administration's draconian ICE raids and mass deportation efforts, worsening existing construction labor shortages and further constraining the ability to build and remodel housing.³¹ Importantly, recent research shows that the Trump Administration's deportation efforts do not have positive spill-overs for native-born workers and in fact have resulted in a 1.3% drop in employment for male American-born workers without a college degree.³²

And due to the President's war in Iran, the 10-year U.S. Treasury note yield hit 4.6% last Monday, its highest level in 15 months, putting additional upward pressure on interest and

²⁶ Kennedy Andara et al., "A Year in Review: How the Trump Administration's Economic Policies Made Life Less Affordable for Americans," Center for American Progress, January 20, 2026, <https://www.americanprogress.org/article/a-year-in-review-how-the-trump-administrations-economic-policies-made-life-less-affordable-for-americans/>; "U.S. Bureau of Labor Statistics," "Employment, Hours, and Earnings from the Current Employment Statistics Survey (National), April 2026," <https://data.bls.gov/dataViewer/view/timeseries/CES0000000001>.

²⁷ Groundwork Collaborative, "April Jobs Report Shows Uneven Labor Market Growth as Inflation Outpaces Wages," Groundwork Collaborative, May 8, 2026, <https://groundworkcollaborative.org/news/april-jobs-report-shows-uneven-labor-market-growth-as-inflation-outpaces-wages/>.

²⁸ U.S. Bureau of Labor Statistics. "Consumer Price Index Summary." Last modified May 12, 2026. <https://www.bls.gov/news.release/cpi.nr0.htm>.

²⁹ U.S. Bureau of Labor Statistics. "All Employees, Residential Building Construction [CES2023610001]." Retrieved from FRED, Federal Reserve Bank of St. Louis. Accessed May 18, 2026. <https://fred.stlouisfed.org/series/CES2023610001>.

³⁰ National Association of Home Builders. "The States and Construction Trades Most Reliant on Immigrant Workers." April 2026. <https://www.nahb.org/blog/2026/04/Which-States-and-Construction-Trades-Depend-the-Most-on-Immigrant-Workers>.

³¹ Isabel Brizuela et al. "Immigration Crackdown Likely Contributing to Weak Texas Job Growth." *Southwest Economy*, Federal Reserve Bank of Dallas, 2025. <https://www.dallasfed.org/research/swe/2025/swe2515>.

³² Elizabeth Cox and Chloe N. East. "Labor Market Impacts of ICE Activity in Trump 2.0." NBER Working Paper No. 35129. National Bureau of Economic Research, May 4, 2026. <https://www.nber.org/papers/w35129>.

mortgage rates.³³ The severe economic unease that the Trump Administration has caused has pushed consumers' sentiment about the economy to the lowest level in the survey's 74-year history.

Additionally, the President's budget request for Fiscal Year 2027 would end funding for several programs that help finance the construction of affordable homes, including the HOME Investment Partnership program (HOME) and the Community Development Block Grant (CDBG) program.³⁴ The HOME Program, in particular, provides low-interest loans to developers to construct affordable housing to low income families.³⁵ The program has contributed to the construction, rehabilitation, or acquisition of more than 1.3 million units of affordable housing, and could be ended if Congress accepts those cuts.³⁶ At the same time, the federal housing agencies are still contending with less workforce capacity after the so-called Department of Government Efficiency (DOGE) terminated tens of thousands of staff over the course of last year.³⁷

Congress Should Act to Lower the Cost of Capital and Make It Easier for Firms to Build

In order to address the affordable housing crisis head on and make it easier and cheaper for small builders and construction firms to build, I encourage Congress to target interventions that lower the cost of capital and make it easier for homebuilders to build to affordability.

First, Congress could expand the role of entities like Fannie Mae and Freddie Mac and allow them to securitize construction loans, especially junior or mezzanine loans, which are currently more costly for developers. Existing programs in the Federal Home Loan Bank System should also be expanded. The Community Investment Program, for example, could be authorized to

³³ Valentina Romei et al., "Mortgage Costs Rise Sharply on Middle East Conflict," Financial Times, May 18, 2026, <https://www.ft.com/content/5e7f4da1-6cb4-44d8-9bce-4ddad53c7fd1?syn-25a6b1a6=1>; CNBC, "U.S. 10 Year Treasury," CNBC, May 18, 2026, <https://www.cnbc.com/quotes/US10Y/>.

³⁴ National Low Income Housing Coalition. "President Trump Releases FY27 Budget Request Proposing Significant Cuts to HUD Programs and Housing Assistance." April 6, 2026. <https://nlihc.org/resource/president-trump-releases-fy27-budget-request-proposing-significant-cuts-hud-programs-and-housing-assistance/>.

³⁵ Florida Housing Finance Corporation. Florida Housing Finance Corporation. "HOME Investment Partnerships." Accessed May 18, 2026.

³⁶ Henry G. Watson, "An Overview of the HOME Investment Partnerships Program," Congress.gov, April 25, 2025, <https://www.congress.gov/crs-product/R40118>.

³⁷ Ben Metcalf, "Implications of Further HUD Staffing Cuts on the Housing Sector - Turner Center," Turner Center, March 13, 2025,

<https://turnercenter.berkeley.edu/blog/implications-of-further-hud-staffing-cuts-on-the-housing-sector/>; Rebecca Schneid, "How the Department of Housing and Urban Development Is Faring under the Trump Administration," TIME (Time, March 20, 2025), <https://time.com/7270242/departments-of-housing-and-urban-development-funding-cuts-trump-administration/>; Kate Nalepinski, "Federal Government Layoffs Tracker 2025: Latest DOGE Cuts so Far," Newsweek, March 10, 2025, <https://www.newsweek.com/doge-layoffs-federal-government-tracker-2025-dod-cuts-2042525>.

issue loans that take a junior repayment position instead of the superlien position they currently take. Both of these proposals would significantly reduce the amount of equity developers need to raise before they start construction, which is typically the most costly and hardest form of capital to raise.

Second, governments can leverage their borrowing power to establish revolving loan funds that can extend financing with low interest rates at long maturities to facilitate new construction. In one proven model, Montgomery County, Maryland, issues long-term municipal bonds to seed short-term construction loans, which are then replenished as developments lease up and redeployed to new projects.³⁸

Third, Congress should play a bigger role in ensuring mortgages are affordable to home buyers. This could be achieved by providing low-rate direct federal mortgages, reducing mortgage insurance premium rates in government-backed mortgages, and allowing families to keep their mortgage rate when they buy another home, helping alleviate the lock-in effect that grinds the market to a halt. These policies are extremely popular with voters, with 83% of voters supporting lowering mortgage insurance rates, 75% supporting access to portable mortgages and 66% in favor of direct lending by the federal government.³⁹

We face a housing crisis, which is being made worse by the price increases and funding cuts under this Administration. But even if economic headwinds are reduced and zoning restrictions eased, homebuyers and small builders will still struggle with financing. If Congress focuses on improving access to financing for new housing construction and reducing the costs of homebuying for Americans, we can meaningfully expand housing supply, benefiting both consumers and small businesses alike.

Thank you, and I look forward to your questions.

³⁸ Paul E. Williams, "The Basic Logistics of Public Development," Analysis, Center for Public Enterprise, May 31, 2023, <https://publicenterprise.org/the-basic-logistics-of-public-development/>.

³⁹ Data for Progress and Groundwork Collaborative. "Housing Poll Crosstabs." January 2026. http://www.filesforprogress.org/datasets/2026/1/dfp_gwc_housing_crosstabs.pdf.

