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A timely, simple idea to boost affordable housing



(Elaine Thompson, File)

By

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Many low- and middle-income Americans are struggling to find an affordable place to live. Unemployment is low, and wages are up, but they aren't keeping pace with the rapid increases in rents and house prices in much of the country. There is a severe affordable housing crisis, and it is set to get much worse.

Given the facts we'll walk through in a moment, lawmakers need to address this crisis, which is why we wanted to highlight an idea that's a timely part of the solution: a [bill](#) (H.R. 5599) designed to channel significant resources into the Housing Trust [Fund](#), a program with a strong track record in supporting affordable rental

housing. The bill calls for no new funding relative to current policy: Its funding comes from preventing the scheduled sunset of a small, existing fee paid by homeowners getting mortgages insured by Fannie Mae and Freddie Mac.

Simply put, the legislation would significantly increase the number of affordable rental apartments by preventing a housing-related revenue source from expiring.

The scale of the affordable housing crisis is daunting. Since the supply of new rental units and homes has been consistently lagging the demand for new homes created by forming households, there is a housing shortfall of 1.6 million units. This is equal to more than one year of construction at the current pace of home building. And the shortage is intensifying as housing demand is outpacing supply by about 250,000 units each year.

Focusing on lower-income households, Diane Yentel, president of the National Low Income Housing Coalition, recently [testified](#): “Only 4 million affordable and available rental homes exist for over 11 million of the lowest-income households. In other words, for every 10 of the lowest-income seniors, people with disabilities, families with children, there are fewer than four homes affordable and available to them.” There are many reasons the affordability crisis is so acute. Geographically, economic opportunity has grown increasingly unequal, and that has pushed up rents and housing prices in places where people most want to live. At the same time, reflecting another dimension of inequality, incomes have stagnated among rental households: Nationally, real median income is essentially unchanged among rental households over the past nearly two decades, while rent is up 13 percent. According to the Center of Budget and Policy [Priorities](#) (where one of us works), the result is that “23 million people in 10.7 million low-income American households pay more than half their income for rent, often forgoing necessities, like food or medicine, to keep a roof over their heads.” No wonder [homelessness](#) is surging.

Home builders have had trouble constructing more affordable homes, unable to navigate around zoning restrictions and permitting roadblocks, especially in high-cost urban centers. The cost of building is also high due to shortages of construction workers (thank tighter restrictions on immigrant workers) and building materials (thank higher tariffs on imported goods). Smaller builders who have traditionally focused on new homes for working-class Americans have had difficulty getting land and development loans since the financial crisis.

But housing trust funds are well-established, long used by states and cities as a repository of dedicated funding to support the preservation and expansion of affordable, decent housing for low-income populations (about 750 such funds exist [today](#)). The federal HTF was first funded in 2016 and has since provided around a billion dollars to state housing agencies who, by statute, must use the resources to provide rental housing for their lowest-income residents, those with incomes below half the local median. States have targeted these funds to put a roof over the heads of, among others, veterans, the homeless and the formerly [incarcerated](#).

The funding mechanism for significantly expanding the federal HTF is straightforward. Fannie Mae and Freddie Mac charge homeowners with one of their mortgages a small fee — currently less than 0.6 percent — that enables the agencies to insure against the possibility the homeowner will default. Nearly a decade ago, to offset the cost of a temporary payroll [tax](#) cut, an additional 0.1 percent was added to the fee. Absent legislation to keep it in place, this fee will expire next year.

The proposed bill keeps the added 0.1 percent in place and channels the revenue it raises — approximately \$5 billion a year — to the federal HTF program. That's why we consider this proposal to be so timely. Once the extra fee expires, the political lift to getting it back will be insurmountable.

The federal HTF can be readily scaled up to effectively use the additional funding. Most state and local HTFs have already identified projects that are ready to go. All they need is the money.

To be clear, solving the affordable housing crisis won't be easy, and it will require a many-pronged approach. But lawmakers have an opportunity to begin at least partially addressing the crisis at no new cost to taxpayers. They should take it.



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