

Uncertainty Clouds Build Back Better Prospects

By Monica Hogan, Inside Mortgage Finance, January 13, 2022

The housing community is looking for signs of negotiations on the Build Back Better agenda, but it's too early to tell if there's reason to believe the legislation will pass or how much money for housing will remain in the final version of the bill.

Senate talks on the legislation stalled last month when Sen. Joe Manchin, D-WV, told a cable television news audience he could not support the Build Back Better bill as passed in the House.

The Senate is expected to return its focus to the bill after it takes up voting rights legislation. Without a change to the filibuster rules, voting rights passage would require a 60-vote majority. But because Build Back Better could be passed through reconciliation, it needs only a simple majority vote to pass, though it must receive every Democratic senator's support if Republicans continue to oppose it.

Rep. James Clyburn, D-SC, said he doesn't think President Biden has stepped away from negotiations on Build Back Better just yet.

During an event this week with the National Low Income Housing Coalition, Clyburn said Democrats shouldn't cut off discussions with Manchin just because they're not getting everything they want.

He also signaled his support for keeping funding for housing in any future frameworks for the bill.

Ed Pinto, senior fellow at the American Enterprise Institute Housing Center, said he's not a fan of the Build Back Better bill because he doesn't think the money is well targeted "and it's a lot of money." The bill includes a provision, which Pinto authored in 2013, that he said would bring down interest rates for certain 20-year home loans to help accelerate homeowner equity, "but it's a small piece of Build Back Better."

Pinto said most federal housing programs "end up making thing worse" for low-income homebuyers. Downpayment assistance programs would increase demand, he said, and demand would lead to more increases in home prices, and that's "the last thing we need right now."

He also expressed concern that federal funding for housing rehabilitation could lead to corruption because it's difficult to scale such programs successfully at the national level. Manchin, along with other moderates and conservatives, has expressed concerns that passing Build Back Better could exacerbate inflation, which has spiked over the past year. But others say the legislation should alleviate a top cause of inflation.

“Expanding the supply of affordable housing can actually dampen some inflationary pressure,” said Buzz Roberts, CEO of the National Association of Affordable Housing Lenders.

“There’s been a big increase in demand without a parallel increase in supply” for affordable housing, said Roberts. Unless there’s an increase in supply, housing prices will continue to rise, he said, and the current rise in home prices and shortage of housing stock points to the urgent need to pass Build Back Better.

Roberts said the housing community doesn’t know how confident it should be about the chances that housing funding will remain after Build Back Better goes through more negotiations.

“Ultimately, that has to be worked out between Manchin and the Democratic leadership in the White House,” he said. “Build Back Better still holds the best opportunity for a breakthrough commitment to affordable housing,” Roberts added.

Sara Rodriguez, president of the National Association of Hispanic Real Estate Professionals, said that because prices in today’s housing market are so high, first-time homebuyers must bring a lot of cash with any offer. That’s why the downpayment assistance programs in the legislation are so important to Latinos, other minorities and anyone without generational wealth, she said.

Going forward, Latinos are expected to account for an overwhelming percentage of growth in the housing market, Rodriguez said, but that growth could be stymied if the housing support in Build Back Better goes away.

NAHREP also supports including immigration reform in BBB as one way to address labor shortages in the home-building industry, she said.

Rodriguez worries the closer the BBB vote gets to the midterm elections, the less likely anything will get passed.

Such delays also increase Manchin’s leverage in the negotiations, said Sarah Saadian, vice president of public policy for NLIHC.

Lisa Rice, CEO of the National Fair Housing Alliance, said the media has been hyper-focused on talks with Manchin but doesn’t pay enough attention to the 50 GOP senators who haven’t shown support. She said the bill’s housing agenda has received strong bipartisan support from constituents, as well as support from lenders, real estate agents, builders and civil rights and fair housing advocates.

“Build Back Better continues the work that housing industry professionals have been doing for years,” Rice said.

She holds out hope that Sen. Mitch Romney, R-UT, will support the bill and its housing policies given that his father, George Romney, was a “vehement” proponent of fair housing as secretary of the Department of Housing and Urban Development under President Nixon.