

Biden's Plan To Fix Housing Supply Depends on Congress

The government will expand sweeteners and reduce regulatory hurdles to encourage more development

By Georgia Kromrei, HousingWire, May 16, 2022

The Biden administration today unveiled a plan that it says will “help close” the housing supply gap, which [one 2021 tally](#) put at 1.5 million homes, in five years.

The government would not build any houses. Instead, it will expand sweeteners and reduce regulatory hurdles so that the private sector will produce the needed homes. The plan is in addition to measures the federal government announced in September 2021 that the federal government said [would create 100,000 homes](#) in three years.

Portions of Biden's housing plan rely on provisions that are stalled in Congress, but could be resurrected through budget reconciliation. One measure would expand existing federal subsidies for multifamily housing development. Another would [hand out federal tax credits](#) for developing or rehabbing homes for owner-occupants instead of large investors, making available 125,000 homes for low- and middle-income homebuyers.

The plan also pushes for the housing items in Biden's proposed budget, like a \$10 billion grant program the **Department of Housing and Urban Development** (HUD) would use to reward localities that have eliminated barriers to development.

Another provision, originally floated in [Biden's 2023 budget](#), would give HUD \$25 billion to distribute to state and local housing finance agencies, their partners, tribes and territories, for developing housing of “modest density,” or less than 100 units. HUD would encourage grant recipients to build housing that meets local needs, especially when they are not met by the market.

Grant recipients would have discretion to create their own programs, but they could incentivize intergenerational housing, investments that make vacant properties productive again, or even “novel and non-traditional development techniques,” although it's not clear what those would be.

That could yield 500,000 units of housing supply over the next 10 years, according to the plan.

Whether those actions move forward, and their timing, depends on lawmakers. But the plan also includes immediate steps that the administration can take without them.

One measure would continue a novel policy at the **Department of Transportation** to give jurisdictions that promote density and rural main street revitalization higher scores in competitive federal grant processes.

The **Federal Housing Administration** (FHA) and the **Federal Housing Finance Agency** (FHFA) will also consider helping lenders pilot and scale renovation and construction financing for accessory dwelling units, especially for low- and moderate-income homeowners, and look for ways to finance renovation of single-family homes and dwellings with less than five units.

The FHFA will also consider whether **Fannie Mae** should purchase construction to permanent multifamily loans, which would streamline the development process and reduce costs for developers. The measure would stop short of financing land purchases, however.

In justifying the plan to boost affordable housing supply, the plan highlights the contribution of housing costs to inflation. About a third of the [Consumer Price Index](#), a chief measure of inflation, is composed of housing costs.

“On the nightly news you hear about gas and groceries, and while those things are critically important, when trying to buy a house, inflation is really daunting,” said Buzz Roberts, CEO of the **National Association of Affordable Housing Lenders**. “If you get a higher mortgage rate, there’s still some chance you can refinance out, but the price is baked in.”

The plan also highlighted the role that manufactured housing plays in affordable housing. Most people who purchase new manufactured homes use chattel loans instead of conventional mortgage financing, which have higher interest rates and fewer consumer protections, the **Consumer Financial Protection Bureau** [found](#).

The national plan also touted a [recent announcement](#) from **Freddie Mac** that it will look at whether to finance chattel loans for manufactured housing. To do so, it first needs FHFA’s approval.

Under Biden’s plan, HUD will also increase the “usability” of its lending for manufactured housing. Specifically, it will support greater securitization of those loans through **Ginnie Mae**’s platform, update its guidance allowing manufacturers to modernize and expand their production lines, and help manufacturers respond to supply chain issues.

HUD did not immediately respond to a request to comment on how it would accomplish those objectives.

In a statement, Bob Broeksmit, CEO of the **Mortgage Bankers Association**, was supportive of the plan, especially efforts to encourage manufactured housing and make more financing available for multifamily development and rehabilitation.

But the trade association also suggested that if the administration wants to improve financing for multifamily projects, it could start by correcting deficiencies in HUD’s multifamily accelerated processing program.

The MBA “strongly encourages HUD to focus on the issues that continue to lead to significant lending pipeline delays in its MAP program, which is a primary financing option for producing more affordable rental housing,” Broeksmit said.