

Summary of the White House's Housing Supply Action Plan

5/25/2022

On May 16, the White House announced a comprehensive, cross-agency [Housing Supply Action Plan](#) to help close the nation's housing supply shortfall in five years. The plan outlines multiple administrative and legislation actions for increasing the production and preservation of affordable homes, aligning closely with Habitat's advocacy to increase homeownership and rental affordability through the Cost of Home campaign.

The Housing Supply Action Plan builds on the administration's announcement last September of new regulatory measures and funding to build and rehabilitate 100,000 homes. The latest plan reflects the Biden Administration's growing focus on addressing the housing supply deficit, which is estimated to be as high as [3.8 million](#) to [5.5 million](#) homes, and is most pronounced at the lowest price points.

This memo details the plan's regulatory measures and legislative recommendations for addressing the housing supply shortage. These include various helpful actions for: improving zoning and other local regulations for housing; reducing the costs of construction and financing; and supporting mission-driven housing providers by increasing and improving subsidies, and increasing providers' access to properties.

Many of these action items have potential relevance for local Habitat organizations. But it is important to keep in mind that while the administration's plan offers real promise, it's not sufficient for closing the nation's enormous housing shortages without Congressional action to pass legislation mentioned in the plan, including the Neighborhood Homes Investment Act and the Unlocking Possibilities Program.

[Immediate administrative steps](#)

- **Broader incentives for local zoning reforms**

The administration identifies exclusionary land use and zoning policies as one of the most significant constraints to needed housing supply. To encourage more housing-supportive zoning reforms, the Department of Transportation and the U.S. Economic Development Administration will give jurisdictions higher scores in various competitive grant reviews if they have adopted land use policies that support housing supply. DOT will use its competitive grant programs created by the Bipartisan Infrastructure Law and other discretionary transportation grant programs to prioritize jurisdictions with land use policies that promote density, rural main street revitalization and transit-oriented development. Similarly, EDA will add language to its grant evaluation "investment priorities" to encourage economic development projects that enhance density in the vicinity of the development. As DOT and EDA's discretionary grants are highly competitive, higher scores for inclusive land use policies could provide meaningful incentives for more localities and regions to adopt these types of reforms.

- **New financing tools for accessory dwelling units and small-scale attached homes**

More states and localities are adopting zoning reforms to enable the development of accessory dwelling units and small-scale attached housing. These housing types can be an important strategy for boosting the supply of affordable rentals and homes for homeownership, and for

supporting existing low-income homeowners with a secondary source of income. But financing is often limited for building ADUs, presenting an ongoing barrier.

The Federal Housing Administration and the Federal Housing Finance Administration will explore ways to help private lenders pilot and scale renovation and construction financing for ADUs — particularly for low- and moderate-income homeowners — in addition to new financing options for other single-family renovations and for 2-4-unit rehabilitation. The administration is hopeful that simpler and more affordable financing options for ADUs will help lead to the creation of more than 1 million ADUs in the next five years.

- **Improving the HOME program**

The federal HOME Investment Partnerships Program is a versatile tool for producing and preserving affordable rental and homeownership housing utilized by many local Habitat organizations. To make the program's resources more accessible to housing providers, HUD will update guidance and provide robust technical assistance to improve and streamline the program.

- **Directing supply to homeowners and mission-driven entities instead of large investors**

Large investors now purchase a high share of single-family homes in many markets. The administration is concerned this is driving up prices for modest starter homes and making it harder for first-generation home buyers and others to access homeownership and build wealth. The plan lists various, previously announced initiatives to make federally-held or insured vacant or foreclosed homes more available for purchase by nonprofit organizations and owner-occupants. For example:

- In late 2021, HUD sold 50% of mortgage notes on HUD-held vacant properties to nonprofit organizations. Typically, this share is just 10%.
- FHA, Fannie Mae and Freddie Mac have extended from 15 days to 30 days the first look period for owner-occupants and nonprofits to purchase real-estate owned properties.
- FHA recently announced it is expanding its Claims Without Conveyance of Title Process to include an initial, exclusive Post-Foreclosure Sales Period for owner-occupant buyers, HUD-approved nonprofits and governmental entities.
- FHFA will prohibit Fannie Mae and Freddie Mac from purchasing institutional investor mortgages for single family homes.

Going forward, FHA, FHFA and agencies across government will accelerate efforts to target the sale of at least 50% of mortgage notes to owner-occupants and mission-driven entities.

- **Encouraging use of CDBG for acquisition and sales to owner-occupants and mission-driven entities**

To further address the challenge of investor purchases of single-family homes, HUD will encourage localities to use their Community Development Block Grant funds to help owner-occupants and mission-driven nonprofits acquire these properties. As part of this, HUD will provide technical assistance and update guidance on the "Use of CDBG Program Funds in Support of Housing" to promote acquisition, homeownership assistance, conversion of existing structures into affordable rental housing and starter homes for homeownership, housing counseling, and rehabilitation and reconstruction.

- **Promoting use of ARPA funds for affordable housing**

The American Rescue Plan Act of 2021 made \$350 billion available for State and Local Fiscal Recovery to help localities recover from the COVID-19 pandemic. These funds can be used for various activities, including producing and preserving affordable homes for lower-income

households, as clarified and endorsed by the Treasury Department in its [2022 Final Rule](#). To date, the administration reports that nearly 570 jurisdictions have committed over \$11.7 billion to housing-related activities, with \$3.2 billion committed to production and preservation. Treasury will continue to urge states and localities to dedicate more of their ARPA funds to building affordable homes in the coming year.

- **Addressing supply chain disruptions for building materials**

The Commerce Department recently announced that it had reduced duties on softwood lumber shipments from Canada. Next, HUD Sec. Fudge, Commerce Sec. Raimondo and other administration leaders will meet with representatives from the building industry to explore additional actions that the federal government and the private sector can take together to ensure that recently started homes are completed. This is an important next step given the significant impact that supply chain disruptions have had on Habitat affiliates.

- **Increasing rural homeownership development**

Participating lenders and builders utilizing USDA's Section 502 Guaranteed Loan program can close on both construction and permanent financing at the same time and receive a loan note guarantee before construction begins with the Construction to Permanent program. The administration will educate lenders on the program to increase utilization and therefore new construction in rural areas, as well as address obstacles limiting program use.

- **Improving alignment of federal funds**

Building affordable homes often requires securing multiple sources of public subsidy from various government entities, each with their own applications, timetables and requirements. To reduce transaction costs and speed up the timeline of affordable housing development, the White House, HUD, Treasury, and USDA will convene state housing agencies to discuss best practices for aligning applications, reviews and funding.

- **Increased financial support for manufactured housing**

Freddie Mac is exploring purchasing chattel loans to lower the costs of this commonly used lending product for homebuyers buying manufactured homes. Fannie Mae and Freddie Mac also recently released revised purchase targets for manufactured housing loans. The goal is to foster greater liquidity in the loan market for manufactured housing. Lastly, HUD is taking various steps to make it easier to finance new units and to help manufacturers update their designs, including updating the HUD Code to allow manufacturers to modernize and expand their production lines, among other measures.

- **Promoting modular, panelized, and manufactured housing, and new technologies**

HUD will hold an Innovative Housing Showcase on the National Mall in June 2022 to highlight various technologies that can reduce the cost of affordable housing construction. HUD is also working to assess hurdles to modular and panelized housing posed by inconsistent state and local inspection requirements and standards.

- **Supporting more financing for mission-driven providers of multifamily development**

To encourage more affordable lending for affordable housing and underserved markets, FHFA is requiring that at least 50% of the Enterprises' 2022 financing for multifamily housing be targeted to mission-driven affordable housing.

- **Other administrative actions**

Other immediate steps by the administration include: finalizing the LIHTC “Income Averaging” proposed rule, which would allow a developer to meet affordability targets by achieving an average income rather than specific income targets; expanding the Federal Financing Bank’s Risk Sharing program, which provides lower-cost loans to state and local housing finance agencies to expand their support of affordable rental housing; supporting construction of more than 8,000 rural multifamily housing units by lowering guarantee fees for lenders under USDA’s Section 538 program; improving the process of disposing federal property for homes for people experiencing homelessness; and supporting new and existing affordable housing in Indian Country.

Legislative recommendations for Congress

- **Neighborhood Homes Investment Act**

The administration calls on Congress to pass the Neighborhood Homes Investment Act (S.98 and H.R. 2143)— one of Habitat’s top federal priorities over the past three years and an important tool for increasing affordable homeownership supply. The bipartisan NHIA would provide tax credits for building and rehabilitating homes for low- to middle-income homebuyers in communities that struggle to attract private capital. The legislation would create an estimated 125,000 affordable, starter homes, and would help spark inclusive revitalization in neighborhoods where property values are normally too low to support home rehabilitation or repair. As the plan mentions, NHIA will also be a key tool for building homes for owner-occupants rather than large investors.

- **Unlocking Possibilities Program**

The administration calls on Congress to pass the Unlocking Possibilities Program—a top federal priority of Habitat’s over the past year. This program would establish a \$1.75 billion competitive grant program, administered by HUD, to help states and localities eliminate regulatory barriers to affordable housing production. The program would incentivize and enable jurisdictions to undertake zoning and land use reforms, while also incentivizing planning that considers the needs of all members of the community and addresses historical patterns of segregation that impede neighborhood choice.

- **\$35 billion for a new Housing Supply Fund**

The plan includes the President’s Fiscal Year 2023 Budget request proposal for a new Housing Supply Fund. This proposal has not been introduced as legislation in Congress. The Fund would have two components:

1. Grants for production of modest-scale affordable housing (\$25 billion)
This program would offer resources to state and local housing finance agencies to create streamlined, one-stop financing tools that reduce transaction costs and increase affordable homeownership and rental supply through single-family or modest-density multifamily housing (up to 100 units per site). States and localities would have flexibility to design their programs as loan products, grants or other financial tools to meet local needs.
2. Grants to reward the removal of affordable housing barriers (\$10 billion)
These grants would support states and localities that have already adopted reforms that remove barriers to development of affordable housing. This would incentivize follow-through on plans such as those developed with support from the Unlocking Possibilities Program, and would provide resources to maximize the affordability of new homes

enabled through regulatory reform. Funding could also be used to finance housing-related infrastructure investments, such as street improvements or higher capacity water and sewer lines.

- **Other legislative recommendations**

The plan also calls on Congress to: increase federal subsidies for the construction or rehabilitation of affordable rental homes, for instance through the HOME program and the National Housing Trust Fund; expand and enhance the Low Income Housing Tax Credit; preserve affordable rental housing, including in rural areas; address longstanding public housing capital needs; and support measures to recruit more workers into construction jobs, including funding for increasing the number of Registered Apprenticeships for career technical education, increasing resources for pre-apprenticeship programs like JobCorps and YouthBuild, and passing comprehensive immigration reform.

Overall Assessment

The administration's Housing Supply Action Plan presents a much-needed, comprehensive plan for addressing the nation's critical shortage of affordable homes. But while the plan's immediate administrative measures will be helpful, they will not be enough on their own. Congress needs to do its part. It must act swiftly to enact highlighted legislative solutions like the Neighborhood Homes Investment Act and the Unlocking Possibilities Program, which represent core priorities of Habitat's Cost of Home campaign and offer perhaps the greatest potential for bringing down home prices and meeting critical housing needs in the years ahead.