MORTGAGE BANKERS ASSOCIATION

# Biden Administration's Fiscal Year 2025 Budget Proposal

On March 11, 2024, President Joseph R. Biden submitted his annual U.S. Government budget proposal to Congress for Fiscal Year (FY) 2025—beginning on October 1, 2024.[1] It is important to emphasize that, like any Presidential budget, this proposal[2] is a detailed statement of policy about the Administration's agenda, but Congress will consider it in parts and may accept, decline, or modify however it sees fit. Given the contentious atmosphere in Washington, we can expect a spirited debate on both the broad framework—lowering deficits by nearly $3 trillion over 10 years primarily through increased tax on corporations and the ultra-wealthy and high-income families—and the specific program spending levels.

Please see below for a high-level summary of areas of primary interest to the residential real estate finance industry within President Biden's FY 2025 budget proposal.

***U.S. Department of Housing and Urban Development (HUD), including the Federal Housing Administration (FHA) and Ginnie Mae:***

- The Budget requests $72.6 billion in gross discretionary funding for HUD, a $700 million or .95 percent decrease from FY 2024 proposed levels.

- Proposes $419 million for HUD information technology, a $44 million increase over the $375 million enacted level in 2023.

FHA-Residential

- Proposes a loan commitment authority of $400 billion for FHA in FY 2025, which is level with the current enacted level for FY 2024.

- Proposes $155 million for administrative expenses at FHA for FY 2025, a $5 million increase over the actual enacted level of $150 million in FY 2024. The Budget does not propose any loan-level fee to cover administrative costs.

[1] FY 2024 begins on October 1, 2024, and ends on September 30, 2025.
[2] *See* Budget of the U.S. Government, *available at* Budget of the United States Government, Fiscal Year 2025 (whitehouse.gov)

- Proposes $10 billion in mandatory funding for a new First-Generation Down Payment Assistance program to help address racial and ethnic homeownership and wealth gaps.

- Dedicates $50 million to the HOME Investment Partnerships Program (HOME) down payment assistance pilot to expand homeownership opportunities for first-generation and/or low wealth first-time homebuyers.

- Proposes over $1.1 billion to fund the expansion of affordable housing, improve housing conditions and infrastructure, and increase economic opportunities for low-income tribal families.

- Proposes $100 million for a competitive program to reward State, local, and regional jurisdictions that make progress in removing barriers to affordable housing developments, such as restrictive zoning, as well as $20 billion in mandatory funding to incentivize the next group of jurisdictions to make similar zoning and land use reforms.

FHA-Multifamily and HUD Grants

- Proposes $3 billion in mandatory funding for competitive grants to promote and solidify State and local efforts to reform eviction policies by providing access to legal counsel, emergency rental assistance, and other forms of rent relief.

- Proposes $10 million for the Eviction Protection Grant program, which provides legal assistance to low-income tenants at risk or subject to eviction.

- Proposes $32.8 billion for the Housing Choice Voucher program, a $2.5 billion increase over the 2023 level.

- Proposes $8 billion for a grant program to rapidly expand temporary and permanent housing strategies for people experiencing or at risk of homelessness.

- Proposes $4 billion in Homeless Assistance Grants, a $427 million increase over the 2023 level.

- Proposes $2.9 billion for Community Development Block Grants, a $400 million decrease from 2023 levels.

Ginnie Mae

- The proposed funding for administrative/personnel costs at Ginnie Mae is $67 million in FY 2025, to be offset by Commitment and Multiclass fees, an increase from the $61 million level requested in FY 2024. The actual enacted level was $40 million in FY 2024.

- The Budget estimates the Ginnie Mae staff will reach 260 employees in FY 2025.

- The cap on Ginnie Mae's loan commitment authority is requested at $550 billion in FY 2025. Ginnie Mae is able to carry over $900 billion in unused commitment authority from previous years.

Housing Counseling

- Calls for $86 million to support State and local fair housing enforcement organizations and to further education, outreach, and training on rights and responsibilities under federal fair housing laws.

- Includes $57.5 million for grants to HUD-approved Housing Counseling agencies for direct services and to develop training for HUD-approved housing counselors.

### ***Consumer Financial Protection Bureau (CFPB):***

Each year, the CFPB receives its annual operating funds through a transfer from the Federal Reserve rather than an appropriation by Congress. Note that the constitutionality of this arrangement is currently being considered by the Supreme Court.

The primary Budget document's only reference to the CFPB lies in the section, *Lowering Costs and Putting Money Back in American's Pockets*, where the President calls on the agencies to continue to target "junk fees". The document references a proposed rule to lower credit card late fees.

### ***U.S. Department of Agriculture (USDA) and Rural Housing Service (RHS):***

- For FY 2025, RHS Section 502 single-family housing guarantees are once again requested at a $30 billion annual volume level. The subsidy rate for FY 2025 continues to be negative with the combination of annual and upfront fees, meaning that the program is a net revenue generator for the federal government.

- The FY 2025 Budget requests:

- $1.25 billion for Section 502 single family housing direct loans
- $70 million for Section 515 multi-family housing direct loans
- $28 million for Section 504 very low-income housing repair loans
- $400 million for Section 538 guaranteed multi-family housing loans

**US Department of Veterans Affairs**

- The FY 2025 Budget proposes $153.7 billion in discretionary budget authority for the Department of Veterans Affairs, a 10 percent increase over the 2023 enacted level.

- Of this, $319.6 million would be provided for administrative expenses to carry out the VA Home Loan program. This represents a $72 million increase over the $248 million enacted level in 2023. This proposed increase could be intended, at least in part, to help facilitate the rollout of the Veterans Assistance Servicing Purchase (VASP) program, though this program is not specifically mentioned.

- Proposes an additional $590 million above the 2023 enacted level, for a total of $6.5 billion, for VA's Office of Information Technology to continue upgrades to the VA IT systems.

- Estimates default claim payments of $1.771 billion in FY 2025, which is $713 million less than the $2.484 billion it had estimated for FY 2024, but $947 million more than the $824 million in actual claim payments made by VA in 2023.

***Federal Housing Finance Agency (FHFA) and the Government-Sponsored Enterprises (GSEs):***

- The Budget Appendix estimates a $13 million increase in Budget authority for FHFA from FY 2024 to FY 2025.

- The Budget proposes legislation to double the statutory Affordable Housing Program (AHP) contribution requirement applicable to the Federal Home Loan Banks (FHLBs) from 10 percent of annual net income to 20 percent. The Budget estimates this change could enable the support of approximately 38,000 additional low- or moderate-income households per year and would put total contributions to the program at an estimated $37.9 billion.

- The Analytical Perspectives portion of the Budget contains a section on the "Future of the Housing Finance System" which touches on the status of the GSE's conservatorship and the lack of action by Congress to enact legislation to define the GSEs' long-term role in the housing finance system. The Administration acknowledges it "has a key role in shaping, and a key interest in the outcome of, housing finance reform, and stands ready to work with the Congress in support of these goals".

- The Budget continues to reflect the GSEs as non-budgetary entities, though their status will continue to be reviewed. All of the current federal assistance being provided to the GSEs, including the Senior Preferred Stock Purchase Agreement, is shown on-budget.

***Tax Policy:***

- The Budget highlights over a $1 trillion dollar deficit reduction since Biden's inauguration and praises the multi-year funding for IRS under the Inflation Reduction Act (IRA), which has empowered the IRS to collect more than $500 million in unpaid taxes from wealthy Americans and big businesses.

- Proposes to further reduce the deficit in the coming years by imposing a "billionaire minimum tax", requiring Americans with a net worth exceeding $100 million to pay a 25 percent minimum tax. It also proposes increasing taxes assessed on corporate stock buybacks to 4 percent, from 1 percent.

- Proposes denial of deduction for all compensation exceeding $1 million paid to any employee of a C corporation.

- Proposes to increase the top marginal rate for individuals to 39.6 percent for income in excess of $450,000 ($400,000 for single filers); tax capital gains at the same rate as ordinary income for households making over $1 million; and tax carried interest as ordinary income.

- Proposes to raise the corporate tax rate to 28%, raise the Inflation Reduction Act's corporate alternative minimum tax rate from 15% to 21% for the biggest corporations.

- Proposes to make permanent the excess business loss limitation and treat excess business losses carried forward from the prior year as current-year business losses instead of as NOL deductions.

- Proposes to expand the Net Investment Income Tax (NIIT) base to ensure that all pass-through income in excess of the applicable threshold ($400,000;

$200,000 for married taxpayers filing separately)) is subject to either the NIIT or SECA tax.

- Proposes to increase the NIIT from 3.8 percent to 5 percent for taxpayers with income above $400,000. The additional 1.2 percentage point would apply to income in excess of the threshold.

- Provides two refundable tax credits for first time home buyers and for home sellers. The homebuyer tax credit generally starts to phase out as income reaches $100,000. The home seller tax credit would be up to a maximum of $10,000.

- Proposes to repeal deferral of gain in excess of $500,000 ($1 million for married individuals filing jointly) for Section 1031 like-kind exchanges of real property. Any gain exceeding the threshold amount would be recognized by the taxpayer.

- Extends the mandatory funding provided to the IRS under the Inflation Reduction Act through 2034

- Makes several changes to the Low-Income Housing Tax Credit (LIHTC) provisions in order to boost the supply of affordable housing. The Budget also reduces the private activity bond financing requirement from 50 percent to 25 percent and repeals the qualified contract provision and right of first refusal provision for LIHTC properties.

- Creates a new Neighborhood Homes Tax Credit to cover the financing gap between the cost of construction and the sale price for rehabilitated or newly constructed affordable single-family homes that are occupied by low-or-middle income homeowners.

***U.S. Department of the Treasury:***

- The Budget includes $340 million in gross discretionary budget authority for the Department of the Treasury, a $38 million dollar increase from the FY 2024 estimated level.

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