

HFSC PANEL EXAMINES HOUSING MARKET CHALLENGES

EXECUTIVE SUMMARY

On March 20, the House Financial Services Subcommittee on Housing and Insurance held a [hearing](#) entitled “The Characteristics and Challenges of Today’s Homebuyers.” The panel discussed several factors contributing to high home prices, with witnesses citing high mortgage rates impacted by inflation and limited supply of housing units. Committee members and the witnesses each expressed support for policies to expand housing supply. Notably, lawmakers and panelists cited local zoning ordinances as a factor that impacts construction of new housing units.

However, lawmakers were at odds regarding solutions to high home prices. Republican lawmakers proposed reforms to federal regulations on financing for homes that they anticipated could reduce the cost of home purchases. Conversely, Democrats highlighted federal downpayment assistance and other demand-side policies to make existing housing units more affordable to first-time homebuyers, as well as efforts to address discrimination in the housing market against marginalized communities.

OPENING STATEMENTS

Chair Warren Davidson (R-OH) ([statement](#)) acknowledged that the 30-year mortgage rate has doubled since 2020, limiting the affordability of purchasing housing. He also noted that the median costs of homes has increased as supply remains stagnant and demand increases. Chair Davidson stated that these factors deter existing homeowners from selling their properties — further driving costs upward. Chair Davidson spoke against increasing funding for federal housing subsidies, which boost demand for housing without expanding supply.

Ranking Member Emanuel Cleaver (D-MO) highlighted the need for expanding supply to combat inflation in the housing market. He cited the Rural Housing Service Reform Act ([H.R.6785](#)), which would modernize the Department of Agriculture’s (USDA) programs for mortgages and home repair loans, as a strong proposal to address housing affordability for rural communities. Ranking Member Cleaver also urged his colleagues to support the Yes In My Backyard Act ([H.R.3507](#)), which intends to encourage local governments to reform land-use ordinances to expand high-density single-family and multifamily zoning.

Full Committee Ranking Member Maxine Waters (D-CA) ([statement](#)) emphasized the importance of developing housing policies that expand homeownership opportunities to lower-income and marginalized communities.

WITNESS TESTIMONY

Dr. Michael Fratantoni ([testimony](#)), Chief Economist and Senior Vice President of Research and Industry Technology at the Mortgage Bankers Association (MBA), noted that the majority of homeowners take out 30-year fixed-rate mortgages. He explained that inflation has contributed to “sharp” increases in mortgage rates, leading to homebuyers being “more willing to accept a higher payment burden” on mortgage payments and ultimately a higher rate of mortgage delinquencies.

Dr. Jessica Lautz ([testimony](#)), Deputy Chief Economist and Vice President of Research at National Association of Realtors (NAR), emphasized the impacts of the limited inventory of homes available for purchase, in particular noting an increasing proportion of homes being purchases in all cash transactions and a lower proportion of homes purchased by first-time buyers. Dr. Lautz acknowledged that current homeowners’ properties have increased in value due to inflation and shared that wealth generated by homeownership can expand household opportunities. However, she also cited a 28 percent difference in homeownership rates between white and Black households as a factor in a wide racial wealth gap.

Ms. Nikitra Bailey ([testimony](#)), Executive Vice President of the National Fair Housing Alliance, described ongoing housing market discrimination, including disproportionate appraisal values for white and Black homes. She provided several policy recommendations, including: (1) protecting the Affirmatively Furthering Fair Housing (AFFH) provisions of the Fair Housing Act; (2) increasing funding for the Fair Housing Initiatives Program (FHIP) and Fair Housing Assistance Program (FHAP); and (3) providing robust support for efforts to combat appraisal bias.

DISCUSSION AND QUESTIONS

Home Financing and Demand

- Chair Davidson and **Rep. Bill Posey (R-FL)** asked how potential homebuyers are responding to inflation in the housing market. Dr. Lautz noted that households were deterred from purchasing homes at the highest mortgage rates. However, she stated that as rates begin to decrease, more homeowners will be inclined to sell properties — expanding supply and possibly lowering housing costs. Dr. Fratantoni added that wage growth is being currently offset by higher monthly mortgage payments and warned that home prices will likely remain at the current levels when inflation decreases without expanding supply.
- Chair Davidson prompted Dr. Fratantoni to discuss “non-traditional” avenues for financing homeownership, including purchasing accessory dwelling units (ADU) on larger lots and securing loans through the government-sponsored enterprises (GSE). Dr. Fratantoni explained that these financing arrangements comprise a small portion of the total housing market, even with high mortgage rates.
- Chair Davidson and Dr. Fratantoni also discussed the potential for a secondary market allowing homeowners to transfer locked-in mortgage rates as a method of encouraging more home sales.

- Ranking Member Waters asked the witnesses if they support the Downpayment Toward Equity Act ([H.R.4231](#)), which would provide downpayment assistance to first-time homebuyers. All of the witnesses expressed support for the proposed legislation, however, Dr. Lautz and Dr. Fratantoni urged Congress to consider policies to expand housing supply as well.
- **Rep. Andrew Garbarino (R-NY)** raised concerns with the Biden administration's [proposal](#) to limit title insurance requirements for refinancing. Dr. Fratantoni stated that title insurance is critical to mitigating risk in the real estate market and echoed Rep. Garbarino's concerns.
- **Rep. Ralph Norman (R-SC)** asked the witnesses if they would recommend any regulatory changes to expand housing access. Dr. Fratantoni proposed modifying lending regulations to reduce the cost of lending transactions. Dr. Lautz expressed support for more apprenticeship programs to expand the home construction workforce. Ms. Bailey urged the Department of Housing and Urban Development (HUD) to enforce housing discrimination policies to promote more diversity across communities.
- **Reps. Nikema Williams (D-GA)** and **Steven Horsford (D-NV)** raised concerns with institutional investors making all cash purchases of homes to convert to single-family rentals (SFR). Ms. Bailey stated that all cash purchases and converting units to SFR lead to increased housing costs. Dr. Lautz also noted that households purchasing second homes are more likely to make all cash purchases, but data is unavailable on institutional investors' purchases.
- **Rep. Monica De La Cruz (R-TX)** inquired about the accessibility of homeownership for veterans. Dr. Lautz noted that existing Department of Veterans Affairs (VA) home loan programs are being used in home purchases. Rep. De La Cruz also shared her proposed Disabled Veterans Housing Support Act ([H.R.7480](#)), which would mandate the exclusion of service-connected disability compensation when determining eligibility for Community Development Block Grant ([CDBG](#)) assistance.

Housing Supply Issues

- **Rep. Scott Fitzgerald (R-WI)** expressed concerns with the housing supply shortfall. Dr. Fratantoni acknowledged that the supply of housing must be increased to address affordability, noting that many mortgage bankers share reports of clients that are qualified to take out mortgages but are unable to find available properties.
- **Rep. Ritchie Torres (D-NY)** highlighted local zoning laws and the rising costs of building new homes as factors in increasing home prices and asked the witnesses for strategies to reduce costs. The witnesses all discussed the importance of reforming local zoning to encourage the development of higher-density housing.
- **Rep. Sylvia Garcia (D-TX)** inquired about the types of housing that should be constructed to address limited affordable housing supply. Ms. Bailey expressed support for developing more high-density housing units in addition to demand-side policies — including downpayment assistance to help households afford existing housing.
- **Rep. Mike Flood (R-NE)** questioned whether new homes costing between \$200,000-\$250,000 are being constructed, to which Dr. Lautz responded that most new homes being built cost more than that and are unaffordable to first-time homebuyers.

- **Rep. Brittany Pettersen (D-CO)** expressed support for the Low-Income Housing Tax Credit ([LIHTC](#)) as an incentive for constructing of affordable housing units and asked the witnesses for additional policy solutions to expand the supply of affordable housing. Dr. Fratantoni discussed the rising costs of homeowner’s insurance due to wildfire risks and other natural disasters as an issue for mortgage lenders. Ms. Bailey highlighted the importance of providing LIHTCs to communities with strong education and infrastructure resources to expand access to these affluent areas.

Addressing Housing Market Discrimination

- In response to a question from Ranking Member Cleaver, Ms. Bailey urged the Interagency Task Force on Property Appraisal and Valuation Equity ([PAVE](#)) to continue its efforts to address appraisal bias.
- Ranking Member Waters and Dr. Fratantoni discussed the practice of banks declining to offer mortgages to low-price homes in lower-income communities. Ranking Member Waters expressed her desire for banks to extend mortgages to all homes.
- **Rep. Rashida Tlaib (D-MI)** and Ms. Bailey agreed on the necessity of enforcing existing housing discrimination laws. Ms. Bailey added that allowing alternative data for mortgage underwriting has increased access to homeownership for minority communities.