NATIONAL FAIR HOUSING ALLIANCE

Boom and Bust: The Need for Bold Investments in Fair and Affordable Housing to Combat Inflation

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I. Introduction

Good morning, Chairwoman Waters, Ranking Member McHenry, and other distinguished members of the Committee. Thank you for the opportunity to testify during today's hearing entitled, *Boom and Bust: The Need for Bold Investments in Fair and Affordable Housing to Combat Inflation.* I am Nikitra Bailey, Executive Vice President of the National Fair Housing Alliance.[1] Today, housing is a leading driver of inflation. The Federal Reserve Board's anti-inflationary policies must be met with action from Congress and the Biden Administration on housing to help keep the economy stable. Equitable housing investments are necessary to ensure an inclusive recovery and stimulate economic growth that benefits everyone. We thank the Committee, under Chairwoman Waters' leadership, and Speaker Pelosi for their tireless work to form and pass the housing provisions of the Build Back Better Act.

My testimony today:

- Briefly discusses the role of housing discrimination and residential segregation in today's housing and wealth disparities.
- Outlines how housing continues as a core driver of inflation.
- Explains how housing inequality and lack of fair housing enforcement are contributing to today's housing crisis.
- Demonstrates voters support for fair and equitable housing solutions.
- Advances equity-based housing provisions from the House-passed Build Back Better Act.

II. Housing Discrimination and Residential Segregation Created Today's Housing and Wealth Disparities

The roots of discrimination in housing are deep, pernicious, and persistent.[2] Thousands of race-conscious housing, banking, and other policies created systems and structures that were highly inequitable. Unfair laws and policies also produced a dual market—a separate and unequal housing system that rewarded White households while simultaneously debilitating Black, Latino, Asian American/Pacific Islander ("AAPI"), and Native American households.

Even laws that appeared to be racially neutral were implemented with racialized policies. For example, in the 1930s, the New Deal's federal Home Owners' Loan Corporation ("HOLC") developed one of the most harmful policy decisions in the housing and financial services markets by creating a system that included race as a fundamental factor in determining the desirability and value of neighborhoods.[2] The HOLC also created maps that were color-coded to indicate the desirability of neighborhoods. Communities of color were coded as "hazardous" as signified by red shading on the map and were assigned a lower value--even when the residents could afford mortgage loans. Areas that contained even small numbers of Black residents were coded as "hazardous" and shaded red. This approach led to the modern-day term "redlining," which refers to restricting access to credit in communities of color.

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[1] The National Fair Housing Alliance ("NFHA") leads the fair housing movement. NFHA works to eliminate housing discrimination and ensure equitable housing opportunities for all people and communities through its education and outreach, member services, public policy, advocacy, housing and community development, tech equity, enforcement, and consulting and compliance programs. NFHA represents over 170 local fair housing enforcement agencies across the U.S.

[2] A more robust explanation of housing discrimination and residential segregation can be found at https://docs.house.gov/meetings/EF/EF00/20220301/114459/HHRG-117-EF00-Wstate-BaileyN-20220301.pdf.

The federal government developed other explicitly discriminatory policies that perpetuated the unfounded association between race and risk into the nation's housing and financial markets. For example, the Federal Housing Administration ("FHA") encouraged the use of racially restrictive covenants and required them in exchange for supporting the new housing developments built throughout the nation's suburban communities. Even after the Supreme Court declared in 1948 that racially restrictive covenants were not enforceable,[3] the FHA gave preferential treatment to developers that adopted them. From 1934 to 1962, the federal government backed over $120 billion in mortgages, but the FHA's race-based policies meant that less than 2 percent of loans went to Black, Latino, AAPI, and Native American individuals. Similarly, the U.S. Department of Veterans Affairs ("VA") also instituted the use of discrimination in the administration of the GI Bill loan programs enacted by Congress in 1944.[3] In the state of Mississippi alone, just two out of 3,229 VA-insured mortgages went to Black servicemembers seeking to finance a home, business, or farm in the first three years of the program.[4]

Even after passage of the Fair Housing Act in 1968 and Equal Credit Opportunity Act in 1974, policies of the federal government and private actors continued to perpetuate segregation and discrimination. Explicitly race-based policies were replaced by subtler "race-neutral" methods of excluding people of color. For example, in the 1960s and 1970s, the federal government began the urban renewal program and transportation projects in which cities often used eminent domain to condemn and raze housing, businesses, and churches and displace residents of Black communities.[4] In addition, exclusionary zoning policies have made it difficult for low- and even moderate-income households to live in many well-resourced communities.[5] Finally, technology can often be used to perpetuate discrimination instead of preventing it, for example, by using tenant screening or lending algorithms with built-in biases.

America's long history of discriminatory housing policies has created distinct advantages for White families, leading to massive homeownership, credit, and wealth gaps that persist today. The homeownership rate for Black Americans is still where it was when the Fair Housing Act was passed in 1968: White homeownership is 73.4%; Latino homeownership is 47.8%; and Black homeownership is 42.7%. This translates to a homeownership rate gap between Blacks and Whites of about 30 percentage points, which is the largest gap since 1890.[15] Similarly, White wealth has soared while Black wealth has remained stagnant. In 2019, before the onset of COVID-19, White median family wealth was valued at $188,200 while Black families' median net worth was only $24,100.[16]

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[3] *See, e.g.,* Alex Horton, *Racial Discrimination by Veterans Affairs Spans Decades*, *Lawsuit Says,* Washington Post (Nov. 28, 2022), https://www.washingtonpost.com/national-security/2022/11/28/veterans-affairs-lawsuit-racial-discrimination/.

[4] *See* Troy McMullen, *More Cities Seek to Redress Widespread 20th-century Destruction of Black Neighborhoods,* Washington Post (Feb. 10, 2022), https://www.washingtonpost.com/business/2022/02/10/more-cities-seek-redress-widespread-20th-century-destruction-black-neighborhoods/.

[5] *See* Margery Austin Turner and Solomon Greene, *Causes and Consequences of Separate and Unequal Neighborhoods*, Urban Institute, https://www.urban.org/racial-equity-analytics-lab/structural-racism-explainer-collection/causes-and-consequences-separate-and-unequal-neighborhoods.

III. Housing is a Core Driver of Inflation

A. Housing is A Key Component of Inflation

Rising housing, gas, and food costs are the main drivers of inflation. But housing costs are the key driver. According to the S&P/CoreLogic Case-Shiller US National Home Price Index, home prices rose 10.4% in 2020 and another 18.8% in 2021.[6] Rental housing prices rose 17.6% in 2021, far out-pacing income increases. The Consumer Price Index ("CPI") rose 7.9% in the last year, the highest increase since 1982. Housing costs accounted for more than 40% of the increase in core inflation rate.

Recent trends continue to illustrate housing's outsized role in driving inflation. Housing continues to be the single largest expense for the average consumer with shelter accounting for 33% of the CPI.[7] In October 2022, the cost of shelter rose by .08 reflecting the largest increase since 1990.[8] During the same period, the CPI rose by 7.7% from a year ago with the shelter category increasing 6.9% in the last year.[9] While rental inflation is lessening, as of October 31, 2022, Americans paid an average $2,040 market rent.[10] Experts predict that consumers will not feel an easing in the housing market anytime soon, and it could take as long as 2023 for housing changes to be felt by consumers because of the lagging effect of leases.[11] Further, the President of the New York Federal Reserve predicts that it will take the Federal Reserve at least until 2024 to curb overall inflation.[12]

B. The Federal Reserve Lacks the Tools to Address Housing's Inflationary Impact

Low housing inventory, record competition from corporate investors, restrictive zoning ordinances, supply chain disruptions, rising lumber costs, and labor shortages are all driving prices higher. The Federal Reserve does not have the tools to address these challenges. The Board is grappling with carefully weighing its deflationary efforts to avoid sending the economy into a recession.

Despite the Board's caution, its actions did not prevent the housing market from entering into a recession, which started in June 2022.[13] According to the National Association of Realtors, as of September 2022, pending home sales were down 10.2% month-over-month with the decline the most acute in the Northeast.[14] Mortgage rates returned to well over 7%, which is more than double the rates at the start of the pandemic, and which has dampened home sales. The Federal Housing Finance Agency

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[6] S&P Dow Jones Indices, *S&P CoreLogic Case-Shiller Index Reports 18.8% Annual Home Price Gain for Calendar 2021* (Feb. 22, 2022) https://www.spglobal.com/spdji/en/documents/indexnews/announcements/20220222-1450062/1450062_cshomeprice-release-0222.pdf.

[7] Greg Iacurci, *Here's Why It May Take A While for Housing Inflation to Cool Off*, CNBC (Nov. 14 2022), https://www.cnbc.com/2022/11/14/heres-why-it-may-take-a-while-for-housing-inflation-to-cool-off.html.

[8] Ibid.

[9] Ibid.

[10] Ibid. There is no city in our nation where someone making the current minimum wage can afford to live in a two-bedroom apartment.

[11] Ibid.

[12] Nick Timiraos, *Fed's Williams Says Inflation Fight Could Last Into 2024*, The Wall Street Journal (Nov. 28, 2022), https://www.wsj.com/articles/fed-officials-discuss-outlook-for-inflation-interest-rates-11669654763.

[13] Logan Mohtashami, *Can We Still Avoid a Recession?*, Housing Wire (Nov. 28, 2022), https://www.housingwire.com/articles/can-we-still-avoid-a-recession/.

[14] National Association of Realtors*, Pending Home Sales Snapshot* (Sept. 2022), https://www.nar.realtor/infographics/pending-home-sales-snapshot.

("FHFA") House Price Index for Q3 2022 shows home prices rose by 12.4% from Q3 2021.[15] In September 2022, the S&P/CoreLogic Case-Shiller Index posted only a 10.6% year-over-year increase, which is down from a 13% gain just one month earlier in August 2022.[16] This is the sixth straight month of declines in annual home appreciation.[17] CoreLogic estimates annual growth will slow by 8%.[18] Moreover, there is a shortfall of 3.8 million housing units as of the 4th quarter of 2020.[19] Further, according to the National Low Income Housing Coalition, there is "a shortage of 7 million rental homes affordable and available to extremely low-income renters, whose household incomes are at or below the poverty guideline or 30% of their area median income."[20]

C. Congress and the Biden Administration Are Equipped to Mitigate Housing's Outsized Role in Inflation

Congress and the Biden Administration have the tools to help drive down housing's significant role in inflation and must act to prevent the economy from tumbling into a recession. A recession will further devastate the frontline workers who were essential to keeping the economy afloat during the pandemic, often risking their very lives to do so. Frontline workers, their families, and communities continue to experience an uneven recovery. Accordingly, more must be done to ensure a more equitable recovery from COVID-19.

IV. Housing Inequality and A Lack of Fair Housing Enforcement Are Exacerbating the Housing Crisis

A. NFHA's Trends Report Shows Housing Discrimination is on the Rise

Every year there are more than 4 million incidents of housing discrimination, with most going unreported. The National Fair Housing Alliance's ("NFHA") newly released Fair Housing Trends Report shows a record number of fair housing complaints reported, which is the highest since the data has been tracked and an 8.7% increase over the previous year.[21] Cases in the United States rose substantially in 2021, even though fewer agencies reported complaint data.[22] This is a sign that the agencies investigating housing discrimination cases need more resources to address these critical problems. NFHA began collecting data about fair housing complaints that consumers file with private fair housing groups, the Department of Housing and Urban Development (HUD), the Department of Justice (DOJ), and state and local government agencies 25 years ago. Although seven fewer agencies reported housing

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[15] FHFA, *House Price Index (HPI) Quarterly Report 2022Q3 & September 2022* (Nov. 29, 2022), https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/HPI_2022Q3.pdf.
[16] Selma Hepp, *US CoreLogic S&P Case-Shiller Index Growth Rate Approaches Single Digits, Up by 10.6% in September*, CoreLogic (Nov. 29, 2022), https://www.corelogic.com/intelligence/reports/us-corelogic-sp-case-shiller-index-growth-rate-approaches-single-digits-up-by-10-6-in-september/.
[17] Ibid.
[18] Ibid.
[19] Sam Khater, *One of the Most Important Challenges Our Industry Will Face: The Significant Shortage of Starter Homes*, Freddie Mac (April 15, 2021), https://www.freddiemac.com/perspectives/sam-khater/20210415-single-family-shortage.
[20] Andrew Aurand, Dan Emmanuel, Matthew Clark, et.al., *The Gap: A Shortage Of Affordable Homes*, The National Low Income Housing Coalition (April 2022), https://nlihc.org/gap.
[21] *2022 Fair Housing Trends Report,* National Fair Housing Alliance (Nov. 30, 2022), https://nationalfairhousing.org/resource/2022-fair-housing-trends-report/.
[22] Ibid.

discrimination data to NFHA in 2021 than the previous year, there were 2,504 more housing discrimination complaints filed by consumers.[23] The unprecedented number of 31,216 complaints represents an 8.7 percent increase as compared to 2020 when 28,712 fair housing complaints were filed.[24] The unprecedented number of housing discrimination complaints follows four years of unprecedented attacks on fair housing by the prior administration, despite fair housing always enjoying bipartisan support. There was also an increase in hate crimes against Black, Latino, Asian Americans, and other groups. Housing discrimination contributes to the racial homeownership and wealth gaps and can lead to homelessness, economic loss, physical harm and distress, trauma, deteriorated health, and other harms. In fact, housing discrimination and residential segregation are partly why so many people of color, including older Americans, lost their lives and suffered higher rates of COVID-19.[25]

B. COVID-19 Created a More Dangerous Housing Market and Exacerbated Racial Inequality

Because of the link between COVID-19 and residential segregation, today we face a new, more dangerous housing crisis. This one is not caused by unsafe mortgages and excess leverage in the capital markets. Rather, the COVID-19 pandemic is wreaking havoc on employment and quite literally killing hundreds of thousands of Americans, disproportionately those who are people of color. Yet, like the Great Recession, this crisis has a high potential to damage families and neighborhoods and diminish homeownership opportunities, both now and after the pandemic. Predictably, this crisis is impacting households and communities of color the hardest. This could lead to a widening of the racial wealth and homeownership gaps, further entrenching inequities that threaten our nation's prosperity.

Federal responses to the pandemic exacerbated racial wealth gaps and produced inequitable refinancing opportunities. Since the start of the COVID-19 pandemic, the Federal Reserve Board's $120 billion in monthly bond purchases, including $40 billion per month in agency mortgage-backed securities, has allowed current homeowners to see their home equity grow by more than $2.9 trillion since the second quarter of 2020.[26] Additionally, the Federal Reserve's actions to mitigate the economic impacts of COVID-19 resulted in lowering the federal funds rate, which helped mortgage interest rates remain at historic lows and stimulated home purchasing and refinancing. However, Federal Reserve researchers found that these benefits did not assist the whole housing market equally.[27] The analysis showed that the median Black and Latino mortgage borrowers accumulated significantly less equity. Moreover, only 6 percent of Black borrowers and 9 percent of Latino borrowers refinanced, as compared to 12 percent of White borrowers.

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[23] Ibid.
[24] Ibid.
[25] Julia Gordon, David Sanchez, Lindsay Augustine, Diane Cipollone, Debby Goldberg, and Lisa Rice, *Protecting Homeownership From the Impact of COVID-19*, NFHA and National Community Stabilization Trust (May 2021), https://nationalfairhousing.org/wp-content/uploads/2021/10/20210504_Protecting_Homeownership_from_the_Impact_of_COVID-19.pdf.
[26] See CoreLogic, *Homeowners Gained $2.9 Trillion in Equity in Q2 2021*, CoreLogic Reports (Sept. 23, 2021) https://www.corelogic.com/press-releases/homeowners-gained-2-9-trillion-in-equity-in-q2-2021-corelogicreports.
[27] Kristopher Gerardi, Lauren Lambie-Hanson, and Paul Willen, *Racial Differences in Mortgage Refinancing, Distress, and Housing Wealth Accumulation during COVID-19*, Federal Reserve Banks of Atlanta, Philadelphia, and Boston (June 2021), https://www.bostonfed.org/publications/current-policy-perspectives/2021/racial-differencesin-mortgage-refinancing-distress-and-housing-wealth-accumulation-during-covid-19.aspx.

The COVID-19 infused housing boom led to a widening of racial wealth gaps. White homeowners were able to net a savings of $3.8 billion dollars from loan refinances compared to just $198 million for Black homeowners since 2020, which was less than 4% of overall savings.[28] As a result of this disparity, Federal Reserve data showed the Black/White wealth gap widened by $20 trillion by the end of September 2021.[29]

The Federal Reserve's policies have staved off a foreclosure-fueled recession but exacerbated wealth disparities for Black households and other communities of color. The same Federal Reserve study found the typical refinance reduced a borrowers' monthly payment by $279, resulting in $5.3 billion in savings each year for households that refinanced.[30] When the authors of the report controlled for lower credit scores and higher Loan-to-Value ("LTV") ratios, they found that before the pandemic Black and White borrowers were equally likely to refinance, but after the pandemic Black homeowners were 40% less likely than White homeowners to refinance at the new historically low rates.[31] The report also noted that because Black homeowners on average have less home equity than White borrowers, they are at higher risk of foreclosure when forbearance plans expire and foreclosure proceedings begin.[32]

C. The GSEs Continue to Fail Their Mission Mandates

Further, discrimination in the mortgage market is by no means a relic of the past and continues to manifest in multiple ways. Data from the Home Mortgage Disclosure Act and the Government-Sponsored Enterprises ("GSEs") themselves continue to demonstrate low levels of conventional mortgage loans to Black and Latino families. For example, in 2020, only 4 percent of Fannie Mae and 3.4 percent of Freddie Mac home purchase loans were from Black borrowers. Moreover, only 2.6 percent and 2.5 percent of Fannie Mae and Freddie Mac's purchases of refinance loans, respectively, were from Black borrowers.[33] Similarly, only 10.9 percent of Fannie Mae and 8.4 percent of Freddie Mac home purchase loans, and only 8 percent and 7 percent of refinance loans, respectively were from Latino borrowers.[34]

NFHA is pleased the FHFA released the GSEs' Equitable Housing Finance Plans[35], which can help return the GSEs to former periods when their purchases were much stronger. A key priority for the GSEs, including the Federal Home Loan Banks, must be to help build toward more racial equity in homeownership. The GSEs should focus explicitly on addressing racial homeownership gaps; marginal improvements are insufficient given the GSEs' obligation to affirmatively further fair housing and support affordable housing efforts. Fannie Mae's and Freddie Mac's charters expressly mandate they provide support for mortgage loans and access to credit for low- and moderate-income households as well as consumers living in central cities, rural, and underserved areas even if they reap a lower rate of

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[28] Shawn Donnan, Ann Choi, Hannah Levitt, and Christopher Cannon, *Wells Fargo Rejected Half Its Black Applicants in Mortgage Refinancing Boom*, Bloomberg, (March 11, 2022), https://www.bloomberg.com/graphics/2022-wellsfargo-black-home-loan-refinancing/.
[29] Ibid.
[30] Ibid.
[31] Ibid.
[32] Ibid.
[33] FHFA, *Annual Housing Report 2021 at 68*, Appendix E (October 2021), https://www.fhfa.gov/AboutUs/Reports/ReportDocuments/Annual-Housing-Report-2021.pdf.
[34] Ibid.
[35] FHFA, *FHFA Announces Equitable Housing Finance Plans for Fannie Mae and Freddie Mac* (June 8, 2022), https://nationalfairhousing.org/resource/2022-fair-housing-trends-report/.

return on their investments.[36] The GSEs' Equitable Housing Finance Plans must address barriers such as Loan Level Pricing Adjustments ("LLPAs"), credit scoring, lack of collateral and appraisal issues, and discrimination which can all restrict access to credit for underserved groups.[37] The GSEs should also be required to insert fair housing protections into the eligibility guidelines of all their affordable housing programs including the Low-Income Housing Tax Credit, State Housing Finance Agency, and other programs. This would include an affirmative obligation to build housing in accordance with the accessibility requirements mandated by fair housing laws as well as an affirmative obligation to further fair housing. Both Fannie Mae's and Freddie Mac's plans state intentions related to the use of Special Purpose Credit Programs.[38] These are positive developments that must be supported with more robust action.

D. Investors Outbid Owner Occupants Locking Out First Time Homebuyers

In today's COVID-19 mortgage market, investors are pricing out first-time homebuyers, especially in Black neighborhoods. In 2021, 1 in 7 homes sold in 40 major metropolitan areas[39] were bought by investors, driving up purchase prices by record highs of up to 32% in some cities.[40] These investor purchases put homeownership further out of reach for new households and prevented families from generating wealth that could be invested in education, small businesses, or passed on to the next generation. Most of the homes were in Black neighborhoods ravaged by the previous foreclosure crisis in southern and post-industrial Midwest cities.

Not only do investor purchases of single-family homes extract wealth-building opportunity in communities of color, but they also perpetuate our nation's history of relegating people of color to subpar housing conditions in rental units across the nation. By March 2021, nearly 40% of rental units throughout the nation were owned by anonymous shell entities.[41] The experiences of renters in rental properties in the Twin Cities, Minnesota – which has the nation's largest racial homeownership gap[42] --

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[36] *See, e.g.,* the Federal National Mortgage Association Charter Act, Title III of National Housing Act, 12 U.S.C. 1716 et seq. https://www.fhfa.gov/SupervisionRegulation/FannieMaeandFreddieMac/Documents/Fannie_Mae_charter_Act_N508.pdf

[37] A fuller discussion of NFHA's priorities for the GSEs' Equitable Housing Finance Plans can be found here: https://nationalfairhousing.org/wp-content/uploads/2021/10/FHFA-Equitable-Housing-Finance-Plans_NFHA-etal_FINAL2_2021-10-25.pdf.

[38] For more information on the importance of Special Purpose Credit Programs, *see* NFHA, *Using Special Purpose Credit Programs to Expand Equality*, https://nationalfairhousing.org/using-special-purpose-credit-programs-to-expand-equality/.

[39] Kevin Schaul and Jonathan O'Connell*, Investors Bought a Record Share of Homes in 2021, See Where*, Washington Post, (Feb. 16, 2022), https://www.washingtonpost.com/business/interactive/2022/housing-marketinvestors/?itid=hp-top-table-main.

[40] Chris Arnold, Ari Shapiro*, U.S. Home Prices Went through the Roof in 2021*, All Things Considered, National Public Radio WAMU 88.5, (Dec. 28, 2021), available at https://www.npr.org/2021/12/28/1068587824/u-s-homeprices-went-through-the-roof-in-2021.

[41] D. Victoria Baranetsky, *You Should Have the Right to Know Your Landlord's Name*, Star Tribune, (March 2, 2021), available at https://www.startribune.com/you-should-have-the-right-to-know-your-landlordsname/600029330/?refresh=true.

[42] Jung Hyun Choi, et al., *Explaining the Black-White Homeownership Gap: A Closer Look at Disparities across Local Markets*, Urban Institute, (Oct. 2019), https://www.urban.org/sites/default/files/publication/101160/explaining_the_blackwhite_homeownership_gap_2.pdf.

offer a glimpse into the failures of investors as landlords. The Urban Institute conducted an analysis of the increases in investor-owned single-family rental properties in the Twin Cities and noted that many renters living in investor-owned properties have reported subpar housing conditions, unexpected fees, and unresponsive management staff.[43]

E. Equitable Solutions Are Needed to Root Out Housing Discrimination

Research has shown that homeownership overall is likely to drop in the next two decades. This drop will be more pronounced for Black Americans unless actions are taken to ensure that they have equitable access. In other words, future housing demand will be driven by people of color. A robust housing market, both for new homebuyers seeking to purchase homes and for existing homeowners seeking to refinance or sell their homes, cannot exist in the absence of access to homeownership and mortgage credit on fair and equal terms for all creditworthy borrowers.

The safety and soundness of the future mortgage market depends on there being consumers who can access safe and responsible loans. Acting now to increase homeownership among underserved communities is a cost-effective solution to strengthen the middle class and grow the economy.[44] Increasing homeownership opportunities helps strengthen family wealth, spurs economic growth, improves health and educational opportunities for children, and promotes racial justice.

While we have passed civil rights statutes designed to stop discrimination, we have not designed laws to dismantle the systems of inequality that are still producing biased impacts. Laws like the Fair Housing Act of 1968 or the Equal Credit Opportunity Act of 1974 prohibit housing and financial services providers from considering race, national origin, or gender when making a housing-related decision, and can be effective, when enforced. But we have done little to nothing to remedy or rectify the discriminatory structures that were created from centuries of discriminatory laws. For example, although the Fair Housing Act does contain a provision for dismantling systemic inequality — the Affirmatively Furthering Fair Housing mandate — it has never been enforced.

V. Americans Across the Political Spectrum Demand Help with Skyrocketing Housing Costs

Polling conducted in 2021 and 2022 shows that voters expect Congress to take bold action to address the nation's fair and affordable housing crisis. Polling conducted by the National Low Income Housing Coalition and Opportunity Starts at Home campaign in 2021 found that the public supports major investments to provide safe and affordable housing, even if it would grow the national debt. Moreover, 59% of respondents believed that investing in federal housing programs warranted consideration of

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[43] Urban Institute, *How We Used Open Data to Identify Investor-Owned Single-Family Rental Properties*, (July 1, 2021), https://urban-institute.medium.com/how-we-used-open-data-to-identify-investor-owned-single-family-rental-properties-lessons-learned-6b452a950ad3.

[44] Nick Noel, Duwain Pinder, Shelley Stewart, and Jason Wright, *The Economic Impact of Closing the Racial Wealth Gap*, McKinsey & Company (Aug. 13, 2020), https://www.mckinsey.com/industries/public-and-social-sector/ourinsights/the-economic-impact-of-closing-the-racial-wealth-gap; Dana M. Peterson and Catherin L. Mann, *Closing The Racial Inequality Gaps: The Economic Cost of Black Inequality in the U.S.*, Citi Global Perspectives & Solutions (Sept. 20, 2020), https://www.citivelocity.com/citigps/closing-the-racial-inequality-gaps/; Jeff Cox, *Morgan Stanley Says Housing Discrimination Has Taken a Huge Toll on The Economy*, CNBC (Nov. 13, 2020), https://www.cnbc.com/2020/11/13/morgan-stanley-says-housing-discrimination-has-taken-a-huge-toll-on-the-economy.html.

raising taxes on corporations and the wealthy or cutting spending in other areas to pay for it.[45] Also, in October 2022, a Bipartisan Policy Center/Morning Consult poll on housing issues revealed that 88% of Democrats and 77% of Republicans agreed it is important that the federal government address high housing costs that are contributing to inflation.[46] The same poll showed that most respondents across the political spectrum support bipartisan legislative initiatives that grow the supply of homes, improve housing affordability, and provide rental and downpayment assistance.

Indeed, voters were heard loud and clear during the 2022 midterm elections that elected officials must do more to make housing more affordable. Voters approved capping rent increases in Portland, Maine; and Richmond, Santa Monica, and Pasadena, California.[47] These measures, combined with dozens of ballot proposals to fund and authorize affordable housing construction across the country make clear that the public demands action.

VI. Making Key, Impactful Housing Investments Will Help Drive Down Housing Costs and Grow the Economy

A. The Build Back Better Act's Housing Provisions Are Needed to Create Equitable Housing Opportunities

Despite voters' demand for political leaders to advance equitable housing opportunities, passage of the Inflation Reduction Act[48] without fair and affordable housing provisions was a missed opportunity to tackle inflation and ensure all communities participate in the recovery from the health pandemic. Congress and the Biden Administration must act now to advance on key policies. While there is so much more work we must do, demand-side solutions must be prioritized along with supply-side subsidies to help advance equity. Critically, fair housing must be embedded in all aspects of future legislation to ensure that underserved communities are not further marginalized.

The House-passed Build Back Better Act offers a perfect compromise of civil rights and affordable housing advocates and industry. The legislation provides critical resources for housing that can aid more families in achieving their housing goals while also stimulating the economy. It includes critical equity-based provisions that served as an antidote to discriminatory practices, housing unaffordability, displacement, and existing racial homeownership and wealth gaps that continue to persist today. Among those investments are:

<u>$800 Million for Local Fair Housing Enforcement</u>: including $700 million for the Fair Housing Initiatives Program ("FHIP") to ensure that grassroots private fair housing enforcement organizations can better address ongoing and increasing housing and lending discrimination in the housing market; and $100

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[45] National Low Income Housing Coalition, *Fact Sheet: Public Opinion Polling on Housing Affordability and Policy in June/July 2021* (2021), https://www.opportunityhome.org/wp-content/uploads/2021/09/Tarrance-NLIHC-Poll-Fact-Sheet.pdf.

[46] Andrea Lau, *BPC/Morning Consult Poll on Recent Housing Issues- 2022*, Bipartisan Policy Center, Morning Consult (Oct. 3, 2022) https://bipartisanpolicy.org/blog/bpc-morning-consult-poll-housing-issues/.

[47] Janie Har, *Rent Stabilization Measures Win in US Midterm Election*, AP News (Nov. 16, 2022) https://apnews.com/article/2022-midterm-elections-inflation-florida-california-ef325d98687bbc08f2900b230a155852.

[48] Inflation Reduction Act, Public Law 117-169, August 16, 2022.

million for the Fair Housing Assistance Program ("FHAP") to ensure local and state civil and human rights government agencies can better assist HUD in handling filed complaints of housing and lending discrimination.

$10 Billion for Targeted First-Generation Downpayment Assistance (DPA): $10 billion for first generation downpayment assistance to homebuyers modeled after a proposal[49] from NFHA and the Center for Responsible Lending, which aims to take initial steps to close the racial homeownership and wealth gaps, and Chairwoman Waters' Downpayment Toward Equity Act (H.R. 4495). This provision would enable over 96,000 Black, nearly 75,000 Latino, and 29,000 Asian American, Pacific Islander, or Native American consumers to become new homebuyers and build wealth. This is because the lack of access to home equity is the most significant driver of wealth inequality. For example, in 2019, Latino homeowners had an average net worth 40 times higher than Latino renters.[50] Many Black and Brown consumers have sufficient income to pay a monthly mortgage obligation, but exclusionary federal housing policies denied their families the intergenerational wealth to buy a home or gift a down payment to successive generations. Because of the lack of intergenerational wealth, Black and Latino families are far less likely to receive down payment assistance from their family,[51] delaying transitions into homeownership. In fact, more than one-third of Latinos indicated in 2020 that the biggest hurdle to buying a home was insufficient funds for a down payment.

$5 billion for the Neighborhood Homes Investment Act: This provision of the House version of the Build Back Better Act would create a tax credit to close the gap between development costs and sale prices for properties in need of rehabilitation in distressed neighborhoods and make affordable homes available to owner-occupants resulting in the building or renovating of 125,000 affordable homes.[52] By providing this important provision, the House bill aims to ensure that distressed homes sitting vacant in neighborhoods across the nation have a chance to be returned to owner-occupants who can plant roots and invest in their communities.

$24 billion for Housing Choice Vouchers: The House bill includes significant increases to voucher availability, bringing the program closer to serving the full eligible pool of households in need. This provision also includes important set-asides for people at heightened risk of or experiencing homelessness, including survivors of domestic violence, sexual assault, and human trafficking.

$500 million for Section 811 Project-Based Rental Assistance for people with disabilities: $500 million for the Section 811 program would help create 5,000 rental housing units with supportive services for people with disabilities. This critical investment would take an important step in filling the gap of affordable housing units accessible to people with disabilities.

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[49] NFHA and Center for Responsible Lending, *First Generation: Criteria for a Targeted Down Payment Assistance Program* (May 21, 2021) https://www.responsiblelending.org/research-publication/first-generation-criteria-targeted-down-payment-assistance-program.

[50] NAHREP, *2020: State of Hispanic Homeownership Report* (2020) https://nahrep.org/downloads/2020-state-of-hispanic-homeownership-report.pdf.

[51] Kerwin Kofi Charles and Erik Hurst, *The Transition to Home Ownership and the Black-White Wealth Gap*, The Review of Economics and Statistics (2002) https://direct.mit.edu/rest/article-abstract/84/2/281/57324/The-Transition-to-Home-Ownership-and-the-Black?redirectedFrom=fulltext.

[52] *See* Neighborhood Homes Investment Act: Investing in America's Neighborhoods, at https://neighborhoodhomesinvestmentact.org/.

$3 billion for a Community Restoration and Revitalization Fund: This would establish a competitive grant program at HUD to support the creation of affordable housing and community redevelopment for neighborhoods experiencing blight and abandonment.

VII. Conclusion

Race-conscious affordable housing policies created and cemented today's housing inequities and are now needed to rectify the problem. Housing discrimination and residential segregation are underlying factors in today's housing crisis and inflaming inflation. The inability to stop discrimination and overhaul unfair systems is stifling this nation. Creating a fair, just, and equitable society is critical for the millions of people who lack access to viable financial services and opportunities to lead successful lives. But it is also imperative for our collective progress as a nation. Groundbreaking research has revealed that if we eliminated racial inequality, the U.S. GDP would increase by $5 trillion over a 5-year period. Thanks to inclusive policies like the American Rescue Plan Act's Homeowner Assistance Fund and Emergency Rental Assistance Program,[53] millions of families remained housed during the global pandemic and homeownership rates for Black, Latino, and Asian Americans are on an upward trend. Equity-based policies like these helped to prevent the same level of catastrophic losses of the Great Recession, but we need Congress and the Biden Administration to join the Federal Reserve in taming inflation through critical equitable investments in housing opportunity. Since housing accounts for nearly 20% of the U.S. GDP, failing to act puts the economy and American's economic stability at risk.

[53] Pub. L. No. 117-2 (2021).