Written Testimony before the House Financial Services Committee

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Priced Out of the American Dream: Understanding the Policies Behind Rising Costs of Housing and Borrowing

February 10, 2026

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Thank you, Mr. Chairman for the opportunity to testify today on the issue of housing affordability in America.

In compliance with the Truth in Testimony law, I hereby certify that I do not lobby and I do not receive funding from housing organizations, although our group Unleash Prosperity has several banks who are members of Unleash Prosperity.

American's anxieties around housing affordability have increased significantly in recent years. This is well known, but some specific numbers are worth hearing. Recent polling by the NAR and Hart Research shows 52% of Americans view affordable housing as a "very important" issue. Of that same sample, 85% called housing a "key" to the American dream, but only 17% say this is a "good time" to buy a house.

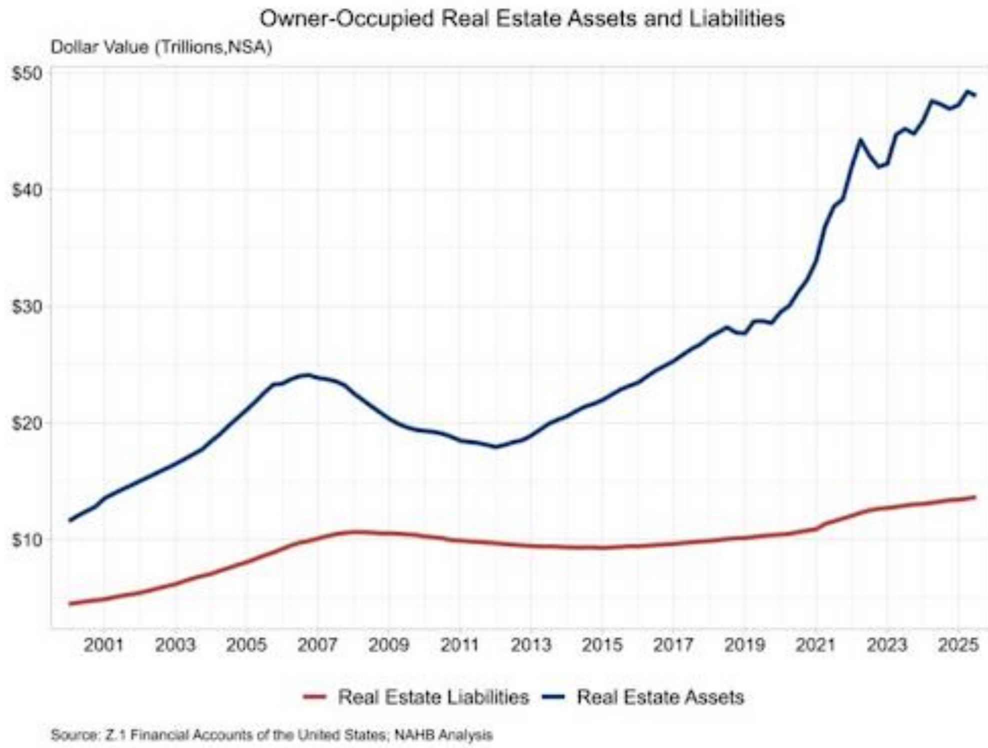
Similar sentiments appear in almost every poll centered on the housing topic. Last year, 47% of young adults in the US who do not currently own a home said they don't foresee home ownership as an option for them "in the near future."

This anxiety reflects several real trends. Since the 1980s, the home price-to-income ratio has nearly doubled, with much of that increase coming in the last decade. Home prices have roughly tripled over just the past 25 years, and the median home price is now close to $415,000. Today, young families may need to pay a whopping $75,000 on a down payment for their average home. The pandemic, and the supplementing work-from-home revolution, pushed many of these demand-side trends into overdrive after 2020. The increase in demand, however, was never met with a complimentary boom in new housing supply. It's basic economics, when demand increases but supply does not, prices will increase for everyone.

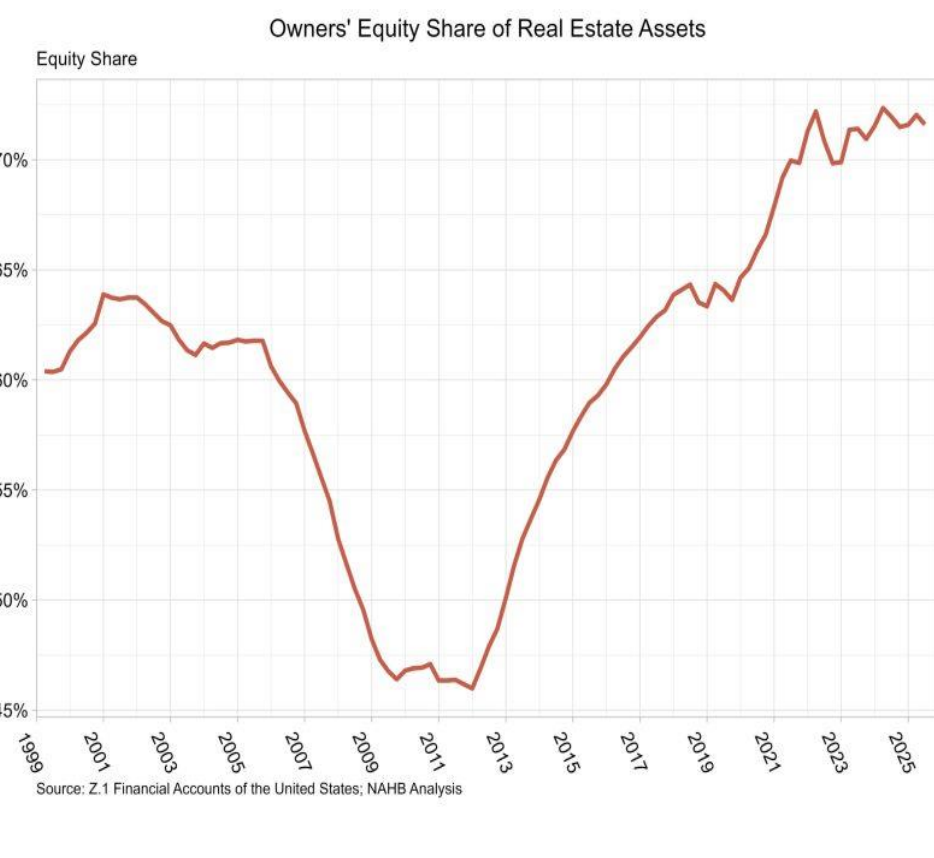
But let's understand that the rise in housing values is a good news/bad news story.

It's important to remember that for tens of millions of Americans, the principal asset that they own is their home. Therefore, many Americans have no interest in seeing that asset fall in value.

The market value of owner-occupied housing in America is now just over $50 trillion. That number has quadrupled since 2000 and doubled since 2015 (not adjusted for inflation).



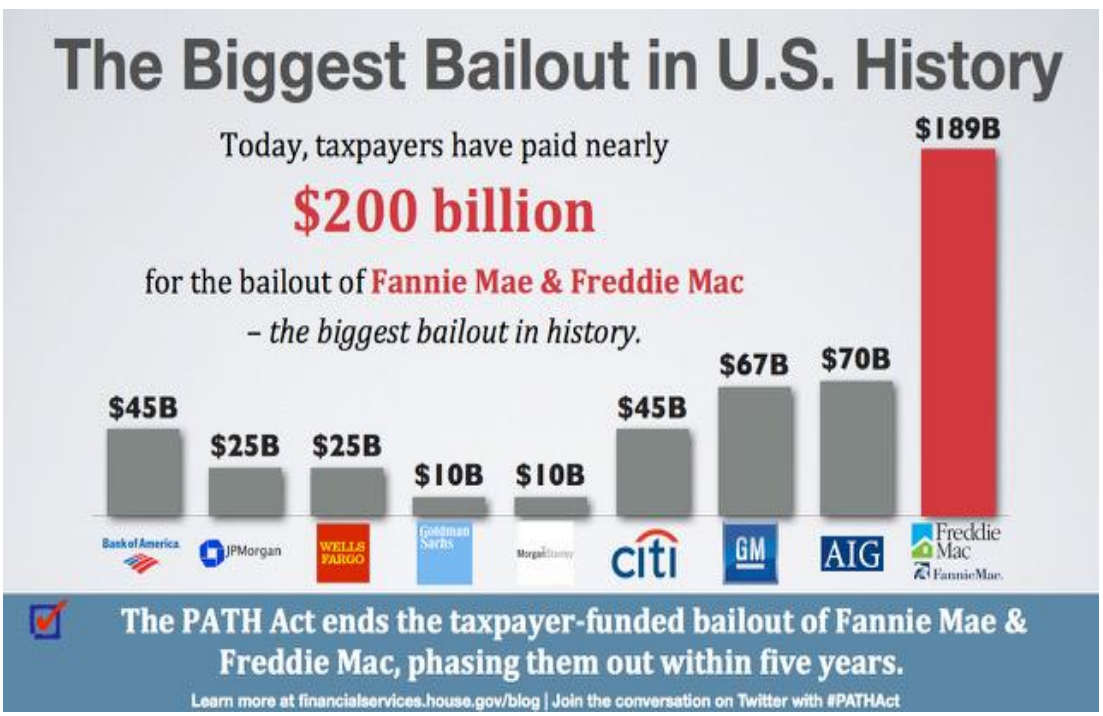
Even better news: The owner equity share of that $50 trillion has steadily risen to 72% (up from 48% just 10 years ago). The remaining 28% is owned by lenders and investors. This means that Americans directly own is above $35 trillion. Rising home values have made America a VERY rich nation. Rising home values create affordability issues for sure, but what is worse than rising home values is falling home values. Look at what happened in Detroit when some housing values fell to below $5,000 in certain neighborhoods.



In the rest of this testimony, I provide some policy advice to expand home ownership.

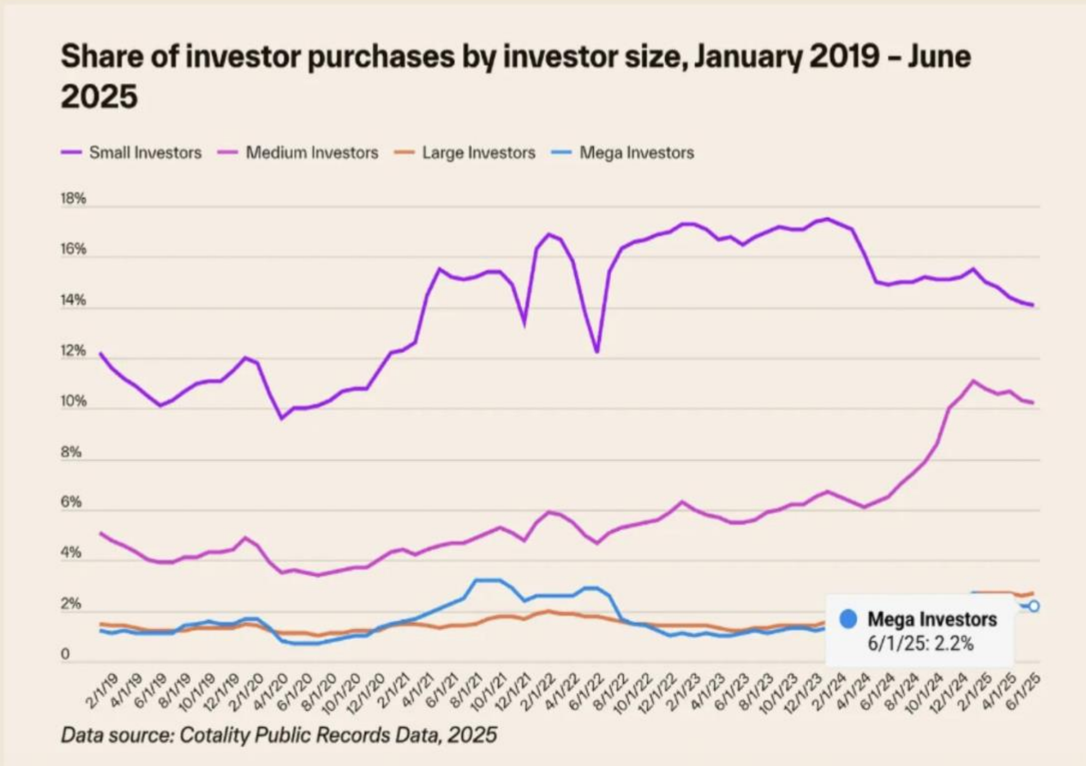
1) Be careful with federal housing policies that reduce downpayment requirements. In the late 1990s and early 2000s the FHA, Freddie Mac and other federal housing finance programs allowed Americans to buy homes with downpayments as low as 2% to 3%. In some cases, allowing buyers to finance closing costs brought the downpayments close to zero. We now know from the housing/financial collapse in 2008 that cost American taxpayers trillions of dollars of bank and mortgage bailouts that the default losses almost all came from low downpayment loans. Very few homeowners with downpayments of more than 10% defaulted. When we encourage Americans to buy homes that they can't afford, we do no one a favor. The best way to avert another 2008 catastrophe that brought the entire U.S. economy to its knees is to have minimum 10% downpayment standards.

   I worry that the lessons of 2008 of massive government subsidies through FHA and Fannie Mae may be repeated in 2026. Look at how much that cost taxpayers and notice that Fannie and Freddie, which were thought to be invincible were far from it:



2) Prohibiting investors from buying houses will have little impact on housing affordability. Investors have a small impact on the cost of buying a home.
3) Here are the facts:

A significant share of the single-family homes owned by institutional investors are built-to-rent. That means these investors are not converting existing properties that are potentially available for sale to individuals but are creating totally new rental supply.



Almost 98% of purchases were made by people and entities OTHER than institutional investors. Source: Cotality.

One unintended consequence of banning institutional investment in housing is this will surely reduce the incentive to build new homes.

4) Housing affordability is mostly a blue city and blue state phenomenon. The next chart compares cost for buying a home in large blue cities versus large red cities. Lower taxes, less regulation, fewer zoning restrictions, right to work policies all make housing more affordable. Housing costs are nearly half as high in red cities than blue cities. Zoning, urban planning, and restrictions on building multi-family homes are main culprits of the high cost of building housing.

Realtor.com has just published research measuring how long it would take in and around major cities to afford a down payment on the median-priced house. They compared the nation's 50 largest housing markets (metropolitan areas).

Overall, the median-income household would need to save at the annual household savings rate of 5.1% for about seven years to come up with the down payment.

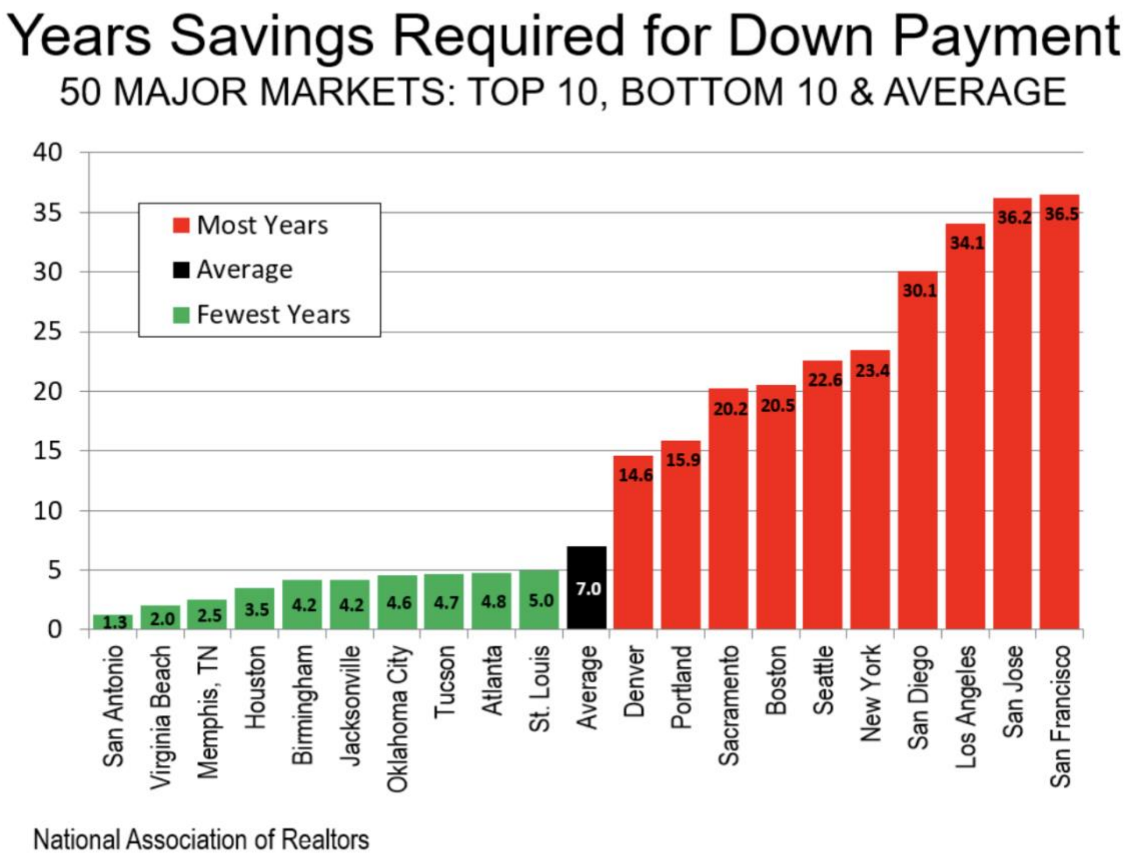
It would take a young person about 36 years to save enough money to afford the down payment on a house in the San Francisco metro area. This is approximately seven times the overall average. Also above 20 years are San Jose (36), Los Angeles (34), San Diego (30), and Boston, Seattle, and New York (all 23). Almost all blue metros!

Then look at the inexpensive markets, almost all in red states. The typical household in metro San Antonio would require 1.3 years of savings to afford a down payment on the median-priced house. Virginia Beach (Norfolk) ranked second, at 2 years, followed by Memphis at 2.5, Houston at 3.5, with Birmingham and Jacksonville at 4.2. Eight other metros are under 6 years: Oklahoma City, Tulsa, Atlanta, St. Louis, Cleveland, Dallas-Fort Worth, Louisville, and Orlando.

These high costs of buying a house in blue cities and states are especially remarkable, because as we've shown scores of times on these pages, millions of people are moving out of blue states. But leftist urban planners keep raising the cost of buying a home even when demand is falling.

Leftist politicians are killing the American dream of home ownership.

The cities in green in the chart below are the red cities and the blue shaded cities are leftist cities. The downpayment requirements to buy a home in a major blue city are about three to 10 times more years of work to buy the average valued home.



5) The rise in home prices is directly related to the runaway inflation with 21% price rises for all goods and services during the Biden years. Overall, roughly 85% of the rise in prices since 2020 has been due to the inflation that happened under Joe Biden's presidency.

6) To increase the supply of homes to buy, Congress should index capital gains taxes to inflation for residential housing.

   The tax on investment profits, which runs as high as 23.8%, is based on nominal gains. If you bought an asset 40 years ago for $2,000 and sell it for $6,000, you'll pay tax on the $4,000 gain—even though the value of the asset has only barely kept up with inflation.

To translate that into real-estate terms, suppose you and your spouse live in a house you bought in 1986 for $400,000, and that today the property is worth $2.5 million. If you sell it for a paper gain of $2.1 million, you get a $500,000 exclusion (assuming you file jointly) and pay taxes on the remaining $1.6 million nominal gain.

But the $400,000 you paid for the house in 1986 dollars is the equivalent of around $1.2 million today, so the inflation-adjusted appreciation in value is only $1.3 million. Your real taxable gain would be $800,000—half of the currently taxable nominal gain. (The $500,000 exclusion, which Congress enacted in 1997, was meant in part to compensate for this, but it isn't indexed for inflation either.)

Americans are sitting on roughly $55 trillion in nominal unrealized gains in the value of homes and other real estate. As home values rose during the recent inflationary period, home sales declined, from more than six million in 2021 to a little over four million in 2025.

Millions of empty-nest baby boomers want to downsize and retire, but are discouraged from doing so by the prospect of a huge tax bill. That's called the lock-in effect of the capital-gains tax. It denies the government massive tax revenue and creates a perverse incentive to store wealth away untouched for decades. A 2020 Brookings Institution analysis puts it this way: "Lock-in encourages investors to retain their assets when the economy would benefit from a redeployment of investment capital to higher return ventures or properties."

Investors and homeowners react quickly to changes in capital-gains tax rates. The Steiger Amendment of 1978, which reduced the top rate from 49% to 28%, had a large unlocking effect. So did the tax cuts signed by Presidents Reagan in 1981 and Clinton in 1997, both of which cut the rate from 28% to 20%. (The Tax Reform Act of 1986 raised it back.) This is why we would expect a very large increase in homes for sale if capital gains taxes were indexed for inflation.

Thank you again for the honor of testifying before the Committee.