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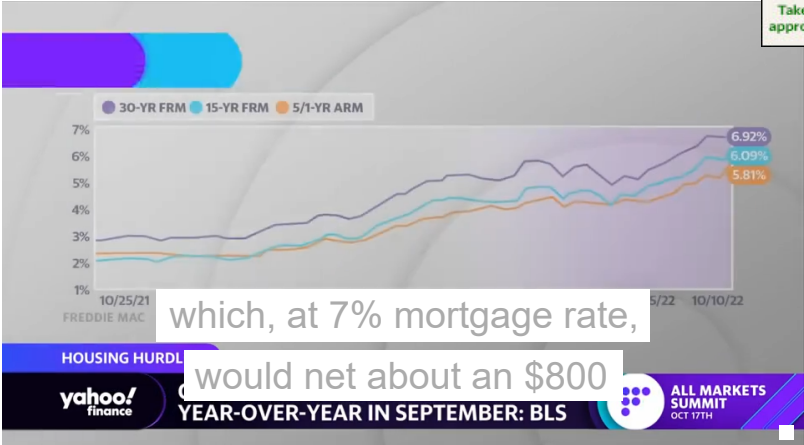
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President Biden's plan to boost affordable housing is unprecedented — and necessary

Janet Yellen, Secretary of the Treasury and Marcia Fudge, Secretary of Housing and Urban Development

Wed, October 19, 2022 at 12:01 PM · 5 min read

This is an op-ed by Secretary of the Treasury Janet L. Yellen and US Department of Housing and Urban Development Secretary Marcia L. Fudge.

The housing shortage in the United States is not new — and its causes are not a mystery.

Quote Lookup

TRENDING

1. Bank of America downgrades Meta to Neutral
2. Tesla cuts prices in China on concern over softening demand
3. Apple, Meta among Big Tech stocks to watch as U.S. dollar strengthens
4. FOREX-Dollar edges up amid suspected BOJ intervention; pound eyes UK politics
5. The Chinese economic growth model 'as we know it is over,' China Beige Book CEO says

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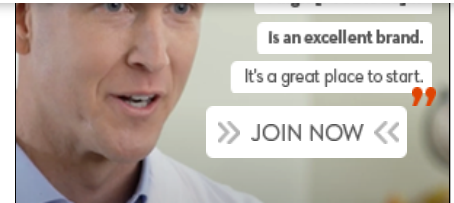
have too few homes in America, and the consequence has been that affordable housing is out of reach for too many families. The pandemic worsened this challenge, with an increased demand for housing during the pandemic coupled with constraints on the ability to scale up housing supply quickly.

And today, inadequate housing supply is a major driver of inflation, with rents contributing significantly to recent inflation. The pain of rising housing costs is most acutely felt by those with the lowest incomes. The recent increase in mortgage rates coupled with high prices has further strained affordability, particularly for low-income and first-time homebuyers.

Fortunately, efforts by the Biden-Harris Administration have helped prevent the housing challenges that emerged from the pandemic from turning into widespread evictions and lost homes. Emergency rental assistance, targeted support for homeowners, loan modifications for homeowners that reduced monthly payments, and other policies — such as earlier federal moratoria on evictions and foreclosures — have kept eviction rates below pre-pandemic levels and prevented millions from losing their homes during COVID-19. This is a remarkable achievement, particularly in contrast to what many predicted would take place in the immediate aftermath of the pandemic based on prior economic downturns.

A historic opportunity to improve the housing shortage

But we now have the chance to address the longer-term affordability challenge that too many families face. The Biden-Harris Administration is tackling the root causes of rising housing costs by expanding the housing supply, while continuing to do everything we can legislatively and administratively to provide support to low-income renters and promote fair housing. Resources from the American Rescue Plan (ARP) offer a historic opportunity to improve this housing shortage by developing and preserving high-



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Secretary of Housing and Urban Development Marcia Fudge, one of the authors of this op-ed, speaks during the daily press briefing at the White House on March 18, 2021 in Washington, DC. Later on Thursday, President Joe Biden will speak about coronavirus vaccination progress. (Photo by Drew Angerer/Getty Images)

As part of the ARP, Congress provided Fiscal Recovery Funds to states, localities and tribes to help them recover from the pandemic; the Administration has urged these governments to use a portion of their ARP funding to address housing costs, and we have already seen hundreds of governments across the country respond to this call to action.

Some states are using their ARP funds to overcome increased construction costs related to the pandemic-created supply shortages. Illinois, in particular, is devoting a substantial portion of its ARP funds to address these increased costs. Through June 30, 2022, over 670 state and local governments had budgeted over \$13.4 billion in ARP funding to meet housing needs — over 20% of federal housing spending in a typical year — including nearly \$4.5 billion for affordable housing development and preservation.

But we are not stopping there. In July, the Treasury Department announced new guidance that makes it even easier to use ARP funds to build and preserve homes. This guidance simplifies the requirements that states and localities must meet in order to devote ARP funds to affordable housing, while making it easier for recipients to make long-term affordable housing loans, including those that take full advantage of the Low-Income Housing Tax Credit (LIHTC) incentive, the largest source of federal

like the construction of a 278-unit affordable apartment complex in Wilmington, North Carolina.

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U.S. Treasury Secretary Janet Yellen testifies during a House Ways and Means Committee hearing on President Biden's proposed 2023 U.S. budget, on Capitol Hill in Washington, U.S., June 8, 2022. REUTERS/Jonathan Ernst

And this month, the Treasury Department released a new regulation that will unlock federal support for new types of affordable housing developments using LIHTCs. In 2018, Congress provided additional flexibility that permits affordable housing developments to qualify for this tax credit based on the average income of the households that live in them. The new regulation is designed to make that flexibility a reality and unlock funds to start and complete vital projects that may not have otherwise been able to benefit from this important support.

These recent efforts are part of the Administration's broader approach to address housing costs. In May, President Biden released his Housing Supply Action Plan to close the housing shortfall in five years through both direct investments and broader strategies, such as incentives for local governments to ease harmful land use and zoning regulations that prevent new construction. As part of these efforts, the Department of Housing and Urban Development is working with states and localities to leverage the Department's own ARP dollars to build affordable housing for families experiencing, or at risk of experiencing, homelessness. With jurisdictions across the country able to layer these investments with ARP Fiscal Recovery Funds they directly received, these resources will

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avenues available to address the vital challenge of housing stability, including through significant investments using ARP funds. But this effort is one we are not undertaking alone.

State, local, and private sector partners must join us by taking advantage of this historic opportunity to make new investments in our nation's housing supply.

Perhaps most importantly, Congress should increase investments in LIHTC and enact the Neighborhood Homes Investment Act this year. These bipartisan proposals would be the fastest way to surge the production and preservation of affordable rental and owner-occupied housing in communities nationwide. For families who have waited too long for action, it's time for us to work together to build the housing our communities need.

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