

Priority Issues

2023 Legislative Meetings

INVENTORY, SUPPLY, AND AFFORDABLE HOUSING

Improve Access to Homeownership, Increase Housing Inventory, And Streamline Affordable Housing Programs

ADDRESS AMERICA'S HOUSING SHORTAGE

REALTORS® strive to ensure all Americans have the opportunity to achieve homeownership, which is the centerpiece of the American Dream and the pathway to economic well-being and intergenerational wealth-building. However, a historic 50-year record shortage of affordable homes available for purchase has severely limited access to the residential real estate market.

A recent NAR study estimates that the U.S. has developed an “underbuilding gap” of at least 5.5 million housing units over the last 20 years. This translates into a more than \$4 trillion underinvestment in housing. Even relatively modest steps taken now to reduce this gap will unleash tremendous economic activity and create millions of new jobs.

REALTOR® Priorities

- **Incentivize more owners to sell their homes** by increasing the maximum amount of capital gains a homeowner can exclude on the sale of a principal residence and annually adjusting it for inflation. Bipartisan legislation on this issue has been introduced in the House of Representatives. The More Homes on the Market Act (H.R. 1321) is sponsored by Representatives Jimmy Panetta (D-CA) and Mike Kelly (R-PA).
- **Attract private investment for building and rehabilitating owner-occupied homes** by offering tax credits that create a pathway to neighborhood stability through sustainable homeownership. Providing this powerful incentive to build and rehabilitate homes for low- and moderate-income homeowners can fill the gap in areas where it is often more expensive to develop or rehabilitate than appraisal values will support. Bipartisan legislation on this issue has been introduced in the Senate. The Neighborhood Homes Investment Act (S. 657) is sponsored by Senators Ben Cardin (D-MD), Todd Young (R-IN), Ron Wyden (D-OR), Jerry Moran (R-KS), and Sherrod Brown (D-OH).
- **Incentivize the conversion of unused commercial buildings to residential and mixed-use properties.** Many commercial properties can be adapted to better suit the needs of communities and create job opportunities, including adding multifamily and affordable housing, warehouse and industrial properties, and mixed-use spaces.
- **Create incentives for housing provider participation in the Department of Housing and Urban Development's (HUD) Housing Choice Voucher (HCV) program.** Legislators should also increase funding to assist homeless veterans living on tribal land, update HUD's methodology for determining rents paid to housing providers participating in the program and reduce burdensome inspection delays. Bipartisan legislation on this issue has been introduced in the Senate. The Choice in Affordable Housing Act (S.32) is sponsored by Senators Chris Coons (D-DE), Kevin Cramer (R-ND), Raphael Warnock (D-GA), Tina Smith (D-MN), and Jerry Moran (R-KS).

FAQs

Why should Congress update the capital gains tax exclusion?

- U.S. tax law provides what used to be a generous capital gains exclusion on the sale of a principal residence. Since 1997, this amount has been \$250K for singles and \$500K for those filing a joint return.
- Over the past 25 years, home price inflation has eroded the value of these exemptions, especially for older homeowners who have lived in their home for 20 years or more.
- At a time when many of these homeowners are considering downsizing or moving to a retirement facility, they are facing gains well in excess of the exclusions, which can leave them owing many thousands of dollars in tax and reduces their ability to afford their new home.
- When an older homeowner decides not to sell, it limits the number of homes on the market, causing first-time homebuyers to face higher prices and more competition.
- Increasing the exclusion and indexing it for inflation removes the disincentive for current homeowners to sell, unlocking a segment of inventory previously unavailable to prospective buyers.

How does reducing the capital gains tax rate for owners of rental housing who sell to first-time buyers add to the supply?

- Some 10 million owner-occupied homes were purchased by investors of all types and sizes and converted to rentals in the wake of the housing crisis of 2008, significantly lowering the supply of homes available for purchase.
- Reducing the capital gains tax rate creates a strong incentive to sell to first-time buyers and bolsters housing inventory.
- This legislation would also help buyers using Federal Housing Administration (FHA) mortgages, who face increased scrutiny in the bidding process.
- In 2022, 80% of FHA's portfolio consisted of first-time buyers, which is 35% above other market participants. This legislation would encourage sellers to seek out first-time buyers, who are often overlooked because of their financing.

Why should Congress update the Housing Choice Voucher program?

- Housing Choice Vouchers are vital to the housing ecosystem, providing safe and reliable housing for more than 5 million people and 2.3 million households.
- Placing low-income renters in safe and reliable housing in high opportunity areas can help them become first-time home buyers and build generational wealth.
- Housing Choice Vouchers are a voluntary program. To attract and retain participating housing providers, public housing authorities (PHAs) need additional tools in their toolbox.
- PHAs need resources needed to attract owners of both single and multi-family properties by offering financial incentives, reducing barriers to participate in the voucher program, and updating rent calculations to accurately reflect current market rates.
- Providing these incentives expands the inventory available to low-income renters who utilize vouchers, creating opportunity for upward mobility.

How can Congress stabilize and revitalize struggling neighborhoods?

- Tax credits can help attract private investment in neighborhoods where property values are currently too low to support the cost of building or rehabilitating homes.
- Improving or replacing a critical number of homes in these neighborhoods will raise the appraised values of all homes in the neighborhood, thus turning around the look, feel, and desirability of the area.
- Congress can design the tax credits to directly help low-and moderate-income households earning less than 140% of area median income who want to purchase affordable, entry-level homes and live in them for at least 5 years.
- Assuming there is an average tax credit of \$40,000, the impact over 10 years would include:
 - 500,000 homes built or substantially rehabilitated,



- 785,714 jobs in construction and related industries,
- \$29.3 billion in federal, state, and local tax revenues and fees.

FAIR HOUSING

Ensure Fair Housing for All

As stewards of the right to own, use, and transfer private property, REALTORS® know an open housing market free from discrimination benefits consumers, communities, and the American economy. Yet, more than 50 years after passage of the federal Fair Housing Act, the homeownership rates for African Americans, Hispanic Americans, and Asian Americans lag behind that of White Americans. NAR is committed to the enforcement of fair housing laws and to policies that remove historic barriers to homeownership.

REALTOR® Priorities

- **Reauthorize and increase funding for HUD fair housing enforcement programs.** Congress should support legislation that closes the homeownership gaps among demographic groups and reauthorize and increase funding for HUD's fair housing enforcement grant programs.

FAQs

What efforts is NAR taking to close homeownership gaps among demographic groups?

- NAR has actively advocated for solutions that will increase diversity, reduce bias, and maintain the public trust in the appraisal profession.
- NAR's ACT! initiative, emphasizing Accountability, Culture Change, and Training, continues to advance fair housing in the industry. NAR has provided a robust suite of resources for our members, brokerages, and associations to hold ourselves accountable, embrace a culture of fair housing, and provide innovative, engaging training opportunities for real estate professionals.
- Housing supply and affordability challenges fall hardest on communities of color. Efforts to increase the supply of affordable homes for purchase is essential to closing racial and ethnic homeownership gaps.
- NAR continues to advocate for policies that increase access to mortgage finance, such as updated credit scoring models, special purpose credit programs, and down payment assistance for qualified buyers.
- NAR is a proud partner of the Black Homeownership Collaborative, which aims to add 3 million net new Black homeowners by 2030.

How will increasing funding for HUD fair housing programs reduce barriers to homeownership?

- Recent testing investigations show there is still widespread discrimination in the housing market.
- We must be more proactive in uncovering and investigating fair housing violations. An enforcement system that relies solely on complaints will miss most fair housing violations.

What solutions has NAR advocated to confront appraisal bias? Like other Realtors, NAR's appraiser members are held to NAR's code of ethics, but more is being done including:

- NAR has advocated for increased diversity in the appraisal profession by supporting alternative education requirements for appraisal licensure, as well as mentorship and recruitment programs.
- NAR supports a uniform "Reconsideration of Value" process for consumers to question an appraisal they believe is incorrect.



- NAR supports increased training and guidance from regulators to ensure appraisers are aware of their fair housing obligations and are held accountable for any violations.

How does NAR's ACT! Initiative advance accountability for real estate professionals who discriminate?

- NAR has urged its state associations to increase fair housing training requirements for licensure and is promoting best practices in fair housing enforcement by state-level real estate commissions.
- NAR has launched a self-testing program for real estate brokerages to check their agents' compliance with fair housing law and take corrective action.

RESEARCH

NAR Research Products Help Inform Policymaking

The NAR Research Group is a resource both for REALTORS® and the members of Congress who represent them. Our skilled economists produce and analyze a wide range of data, providing the best resources and information on real estate.

Research reports, papers, case studies, and surveys examine the latest trends and activities in real estate, as well as the impact national policies have or may have on this critical sector that makes up one-fifth of the nation's economy. These resources are available to policymakers, and we encourage their use when considering legislation that affects real estate and real estate professionals.

Here are just a few of the recent NAR Research reports that can inform policymaking:

- **[Congressional District and State Reports](#)**: These reports provide state and district-specific data on housing and real estate to inform policies supporting sustainable and affordable homeownership and a vibrant residential and commercial real estate market.
- **[Housing Wealth Gains for the Rising Middle-class Markets](#)**: Homeownership is the primary source of wealth creation among families. This study looks at the distribution of housing wealth across income groups and in over 900 metropolitan or micropolitan areas.
- **[The Double Trouble of the Housing Market \(February 2022\)](#)**: A report on the “two troubles” simultaneously impacting the real estate market – record home prices and record low inventory – done in partnership with realtor.com®.
- **[A Snapshot of Race and Home Buying in America \(February 2023\)](#)**: A report examining homeownership trends, mortgage market and affordability by race, and home buyer demographics using data from the NAR 2022 *Profile of Home Buyers and Sellers*.
- **[Analysis and Case Studies in Office-to-Housing Conversions](#)**: An analysis of how vacant office buildings are being converted into housing in response to the impacts of the pandemic on the commercial real estate market and the nationwide housing shortage.

These and many more reports, surveys, and data collections are available on the [NAR Research page](#).

