

# Priority Issues

Winter 2024

## **HOUSING AFFORDABILITY AND AVAILABILITY** **Improve Access to Homeownership, Increase Housing Inventory, Streamline Affordable Housing Programs, and Expand Economic Opportunities**

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, an historic 50-year 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 more than \$4 trillion in 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® Legislative Priorities**

- **Cosponsor the bipartisan More Homes on the Market Act (H.R. 1321), which incentivizes more long-term 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. This legislation has been introduced in the House by Representatives Jimmy Panetta (D-CA) and Mike Kelly (R-PA).
- **Cosponsor the bipartisan Neighborhood Homes Investment Act, which attracts 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.
  - 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).
  - H.R. 3940 is sponsored by Representatives Mike Kelly (R-PA) and Brian Higgins (D-NY).
- **Cosponsor the bipartisan Choice In Affordable Housing Act, which creates incentives for housing provider participation in the Department of Housing and Urban Development's (HUD) Housing Choice Voucher (HCV) program.** This legislation also increases funding to assist homeless veterans living on tribal land, updates HUD's methodology for determining rents paid to participating housing providers, and reduces burdensome inspection delays.
  - 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).
  - H.R. 4606 is sponsored by Representatives Emmanuel Cleaver (D-MO) and Lori Chavez-DeRemer (R-OR).

- **Cosponsor the bipartisan SAFER Banking Act, which permits financial institutions to offer services to cannabis businesses in states where it is legal.** Allowing financial institutions to provide services to state-sanctioned cannabis businesses creates economic opportunities and addresses significant challenges to public safety and the regulatory compliance issues that arise with cash-only businesses.
  - S. 2860 is sponsored by Senators Jeff Merkley (D-OR) and Steve Daines (R-MT).
  - H.R. 2891 is sponsored by Representatives David Joyce (R-OH) and Earl Blumenauer (D-OR).
- **Cosponsor the bipartisan Credit Access and Inclusion Act of 2023, which expands credit reporting for Americans with limited credit histories.** Credit reporting agencies do not currently collect or report payment history for common bills like rent or utility payments. Permitting property owners and utility companies to report payment information can help build credit histories for Americans across the country, increasing their qualifications for homeownership.
  - S. 1654 is sponsored by Senators Tim Scott (R-SC) and Joe Manchin (D-WV).
  - H.R. 3418 is sponsored by Representatives French Hill (R-AR), Tom Emmer (R-MN), David Schweikert (R-AZ), Young Kim (R-CA), Michelle Steel (R-CA), Byron Donalds (R-FL), and Maria Elvira Salazar (R-FL).
- **Cosponsor the Affordable Housing Credit Improvement Act (S. 1557/H.R. 3238) or legislative provisions to expand the Low-Income Housing Tax Credit** and encourage investment in creating and preserving affordable housing.
  - S. 1557 is sponsored by Senators Maria Cantwell (D-WA), Todd Young (R-IN), Ron Wyden (D-OR), and Marsha Blackburn (R-TN).
  - H.R. 3238 is sponsored by Representatives Darin LaHood (R-IL), Suzan DelBene (D-WA), Brad Wenstrup (R-OH), Don Beyer (D-VA), Claudia Tenney (R-NY), and Jimmy Panetta (D-CA).
- **Cosponsor the Yes in My Backyard (YIMBY) Act (S. 1688/H.R. 3507), which encourages communities to build affordable housing** through the Community Development Block Grant (CDBG) program.
  - S. 1688 is sponsored by Senators Todd Young (R-IN) and Brian Schatz (D-HI).
  - H.R. 3507 is sponsored by Representatives Derek Kilmer (D-WA), Mike Flood (R-NE), Emanuel Cleaver (D-MO), Ralph Norman (R-SC), and Brittany Pettersen (D-CO).
- **Incentivize homeownership by increasing the \$10,000 cap on the state and local tax (SALT) deduction and eliminate the penalty for married taxpayers filing jointly,** who have the same minimum deduction as single filers.

## 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 jointly.
- 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 reduce 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 affect the supply available for homebuyers?**

- 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 share of homes available for purchase.
- Reducing the capital gains tax rate creates a strong incentive to sell to first-time buyers and bolsters inventory available to homebuyers even though the total stock is unchanged.
- 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 an average tax credit of \$40,000, results 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.



## Why is it important that FDIC-backed financial institutions be allowed to provide services to cannabis businesses in states where it is legal?

- Cannabis is legal in 23 states and D.C., but current federal law prevents FDIC-Insured banks from working with cannabis businesses or ancillary businesses that provide them goods and services.
- State-legal cannabis businesses require real estate – farmland, warehouses, and storefronts – creating multiple contacts to other industries and businesses, each of which is affected by current laws keeping their money out of the banking system.
- The SAFER Banking Act provides clarity for business owners, banks, and regulators in the cannabis industry while promoting safety and ensuring further economic growth.

## Why should Congress expand credit reporting?

- Millions of Americans have either no credit history or a thin file credit history, meaning they have very few recorded lines of credit.
- A credit score remains a crucial marker for obtaining a mortgage and setting the pricing.
- Many Americans have chosen to forgo opening lines of credit or have trouble opening credit lines, further exacerbating the problem of thin or no-file borrowers.
- Allowing rent and utility payments to be reported to the credit bureaus will enable borrowers, especially those on the low and moderate-income scale, to report positive payment histories, helping them build a positive credit score while showing a commitment to paying bills and rent.
- These subtle changes, already being explored and implemented by the GSEs, will open the credit box to more credit-worthy borrowers and will update credit scoring models, all while better serving a diverse and shifting demographic of future borrowers.

# 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. The LGBTQ+ community continues to face widespread discrimination in housing. 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 reauthorizes and increases funding for HUD's fair housing enforcement programs.
- **Support the bipartisan Fair and Equal Housing Act (H.R. 4439)**, which would add sexual orientation and gender identity as protected classes under the Fair Housing Act. This legislation has been introduced in the House by Representatives Brad Schneider (D-IL) and Brian Fitzpatrick (R-PA).



## FAQs

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

- 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 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 for to confront appraisal bias?**

- Like other REALTORS®, NAR's appraiser members are held to NAR's Code of Ethics, but more is being done.
- NAR has advocated for increased diversity in the appraisal profession by supporting alternative education requirements for appraisal licensure, and mentorship and recruitment programs.
- NAR supports a uniform Reconsideration of Value process for consumers to question an appraisal.
- 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's ACT! initiative, emphasizing Accountability, Culture Change, and Training, continues to advance fair housing in the industry.
- NAR has urged 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 laws and take corrective action.

### **Why should Congress adopt the Fair and Equal Housing Act?**

- In 2009 and in 2013, REALTORS® adopted policy affirming that the right to buy or rent housing should not be abridged due to a home seeker's sexual orientation or gender identity.
- REALTORS® celebrated the Supreme Court's Bostock decision, holding that the prohibition on discrimination in employment "because of sex" included discrimination based on sexual orientation and gender identity.
- NAR applauded HUD's quick action to apply Bostock to the Fair Housing Act.
- By enacting the Fair and Equal Housing Act, Congress can codify what is effectively the law of the land.



# 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 a few 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.
- **[Wealth Gains by Income and Racial/Ethnic Group](#)**: This report examines how homeownership can be a catalyst for building wealth for households in low-/middle-income and minority groups.
- **[The Issue: Housing Affordability and Supply \(June 2023\)](#)**: NAR Research and Realtor.com® partnered to estimate how many homes are missing by income level, comparing the number of homes available and affordable for each level now versus what they should be able to afford in a balanced market.
- **[A Snapshot of Race and Home Buying in America \(February 2023\)](#)**: A report examining homeownership trends, the mortgage market, and affordability by race and other 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 to housing in response to the impacts of the pandemic on the commercial real estate market and the nationwide housing shortage.

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

