The Honorable Janet Yellen
Secretary
U.S. Department of Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220

April 10, 2024

Dear Secretary Yellen,

Our nation faces a severe and worsening housing affordability and supply crisis, feeding harmful racial disparities within homeownership rates and household wealth.[1] The underproduction of homeownership units over the past decade, combined with the unprecedented escalation of home prices, leaves the American Dream of homeownership as a luxury to a select few. As such, the Homeownership Alliance, a coalition of nonprofit housing organizations and community development financial institutions (CDFIs),[2] calls on the Department to **establish a program for mission-driven entities to build and rehabilitate affordable, owner-occupied homes for low- and moderate-income (LMI) households.**

In January of 2023, the Homeownership Alliance sent a letter to the Department[3] expressing the immediate need for additional resources from the CDFI Fund to add to the volume of affordable homeownership units, both through rehabilitation and new construction. The need for these resources has only grown, and the Alliance stands ready to advise the Department in shaping a program that can be effectively utilized by practitioners and increase homeownership opportunities for LMI families. CDFIs stand ready to carry out these efforts, as they are well-equipped to gauge the unique needs of their communities across housing markets. A lack of affordable supply[4] sits at the core of the country's housing affordability challenges and, with additional federal investment, nonprofit organizations and CDFIs can mitigate this issue by scaling their production of affordable, single-family homes.

The success of the CDFI Fund model as a means to increase housing supply is demonstrated through investments and outputs by the Fund's awardees. This includes the cumulative development or rehabilitation of over 2.3 million housing units through 2021,[5] plus an additional 181,214 affordable units developed or produced by CDFIs, according to FY 2022 and 2023 actual results.[6] It's important to note, however, that many of these awards are used to fund rental activities. While many popular and flexible block grant programs administered by the Department of Housing and Urban Development (HUD) are statutorily eligible for affordable homeownership, there are a number of regulatory and statutory barriers that stand in the way of recipients' ability to use the grants for affordable single-family development in areas that need it most.[7]

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[1] Snapshot of Race and Homebuying in America, (2024). National Association of Realtors.
[2] Established by the National Community Stabilization Trust (NCST) in 2021, the Homeownership Alliance is a practitioner-led coalition of 19 CFIs and nonprofit housing developers serving 16 states.
[3] In a letter to the Department of Treasury, the Homeownership Alliance and NCST requested Treasury collaborate with Congress to provide a setaside under CDFI-FA to establish a Homeownership Finance Fund (HOFF).
[4] Hitting Home: Housing Affordability in the U.S., (Mar. 2024).
[5] Opportunity Finance Institutions Side by Side - FY 2021 OFN Member Data Analysis. Opportunity Finance Network.
[6] Congressional Budget Justification and Annual Performance Plan and Report FY 2025, (2024). Department of the Treasury.
[7] The Homeownership Alliance has developed regulatory recommendations for HUD to improve both the HOME Investment Partnerships and Community Development Block Grant (CDBG) programs for affordable homeownership.

The limited options made available by the federal government for these purposes place significant strain not only on prospective LMI homeowners, but also on surrounding neighborhoods. Members of the Homeownership Alliance are witnessing a disturbing trend across housing markets, and note serious concerns regarding the lack of affordable supply and subsequent impact on families seeking to own a home. For example, Alliance member Indianapolis Neighborhood Housing Partnership (INHP)[8] serves families earning up to 80% area median income, and can reasonably afford a home around $140,000 - $150,000. However, the median home price for the Indianapolis area remains stubbornly high at $225,000 - $250,000. Homeownership disparities in the Indianapolis metro area are not unlike national trends: 66% of white households own their home in Indianapolis, a stark contrast to the mere 36% of Black households who are homeowners.[9]

Intensifying affordability challenges stretch beyond metropolitan areas, and have a significant impact on rural regions, especially Persistent Poverty Counties. Fahe[10], an Alliance member serving the Appalachian region, serves rural communities suffering from these very market conditions. The existing stock of naturally occurring affordable housing has a high rate of substandard repair – with more than half of all housing in Central Appalachia needing major repairs in the next 5-15 years.[11] Scaling this production requires not only flexible loan products like those created by CDFIs, but also direct subsidy to lower the cost of housing development.

The growing presence of institutional investors also diminishes available single-family supply, with their current overall market share in the housing space sitting at around 30%.[12] These buyers have a comparative financing advantage that allows them to pay with all-cash offers without a guarantee that the homes will be rented or sold at an affordable price. Institutional investors have the ability to fast-track many of their purchases by waiving common steps in the buying process that would otherwise be too risky for individual buyers to forego. Investors are also incentivized to maximize short-term profit instead of prioritizing property maintenance. Any future losses from the sale of a property can offset the tax liability of their business practices for up to 20 years.

The Indianapolis Metropolitan Planning Organization released a report detailing the role of corporate investors and how they pose a serious threat to homeownership in central Indiana.[13] The report noted that investors are buying undervalued homes in underinvested communities, predominantly communities of color, and converting these units into single-family rentals without a guarantee of affordability. These actions are turning homeownership into a distant dream for households, limiting the number of affordable housing units available for owner-occupancy, and therefore diminishing the opportunity for LMI families to build long-term home equity.

Thankfully, housing practitioners - like many within the Homeownership Alliance - develop innovative methods to continue their mission of affordable homeownership using both public and private resources, as well as the layering of various federal subsidies. Alliance members from Bronzeville, TX to Decatur, GA to Indianapolis, IN have creatively utilized their New Markets Tax Credit (NMTC) allocations to support affordable homeownership

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[8] Mission and Impact, (2024). INHP.
[9] Indianapolis Racial Equity Report Card, (Oct. 2022). Savi, Indiana University.
[10] Mission and Vision, (2024). Fahe.
[11] Housing Needs and Trends in Central Appalachia and Appalachian Alabama, (2018). Fahe, The Virginia Center for Housing Research at Virginia Tech.
[12] What Drove Home Price Growth and Can it Continue?, (June 2022). Freddie Mac.
[13] Central Indiana Housing Study, (2023). Indianapolis Metropolitan Planning Organization. This problem is not unique to Central Indiana; Homeownership Alliance members nationwide note similar and startling trends within their own communities.

initiatives in underserved neighborhoods, therefore adding to the nation's affordable supply.[14] Homeownership Alliance members are also using their organizational missions to influence partnerships with for-profit entities, requiring that investors center affordability and prioritize community needs as a prerequisite for the partnership.[15]

Manufactured housing is a homeownership model that also contributes toward affordable supply. Homeownership Alliance member Next Step Network[16] is leveraging the cost efficiencies of off-site construction to create attainable homeownership opportunities for LMI individuals and families. Highly energy-efficient manufactured homes offer a viable entry point to homeownership in communities across the country with several cost savings advantages, as reported by the Joint Centers for Housing Studies.[17] In partnering with both for- and nonprofit developers, Next Step has successfully deployed manufactured homes as an infill housing solution for communities and neighborhoods, and has successfully broken ground on greenfield housing and community development projects.[18]

With an established program to multiply this crucial homeownership work, mission-driven organizations can grow their portfolios, create new homeowners, and keep LMI families in their homes. American homeowners will not see relief through market forces alone, and the existing federal programs - while welcome - are insufficient to address affordability needs at scale. By establishing a source of flexible capital to support homeownership development, the Department of Treasury can counter the lack of supply, aligning directly with the Biden-Harris commitment to lower the cost of housing across the nation.[19]

The Homeownership Alliance is grateful for the Department's consideration of our request to create a program dedicated to affordable homeownership development. Our coalition is eager to maximize additional resources to support more LMI households in their quest to own a home. Any questions or points of clarification can be addressed to Elisabeth Coats, Director of Homeownership Alliance, at the National Community Stabilization Trust (ecoats@ncst.org).

Sincerely,

The Homeownership Alliance

[14] Community Housing Capital uses NMTC to bring new homeownership opportunities to underserved communities, and in March 2024 announced Intend Indiana as a recipient of $5 million in awards to support affordable housing projects in Indianapolis. In 2021, come dream come build used $7 million in NMTC financing to alleviate blight, reinvigorate neighborhoods, and provide homeownership opportunities to primarily Latino LMI families (New Markets Tax Credit Progress Report , pg 22).

[15] In March 2024, the Atlanta Neighborhood Development Partnership, Inc. launched a "first look" pilot program with specialized investment firm, Pretium, to bring more affordable housing opportunities to families in the region.

[16] Next Step Network builds relationships between the factory-built housing industry, housing developers, affordable housing advocates, lenders, and other key stakeholders to deliver factory-built homes as a viable, sustainable homeownership solution.

[17] Comparison of the Costs of Manufactured and Site-Built Housing, (Jul. 2023). Joint Center for Housing Studies of Harvard University.

[18] The Housing Solution 'hidden in plain sight' that Maryland and Mississippi are Embracing, (Jan. 2024).

[19] FACT SHEET: President Biden Announces Plan to Lower Housing Costs for Working Families, (Mar. 2024). The White House.