Questions for Mr. Kevin Brown, President, National Association of Realtors, from Senator Catherine Cortez Masto:

1. **Please provide some examples of how the Federal Home Loan Banks can increase their investment in housing?**

A: NAR shares Senator Cortez Masto's interest in ensuring the Federal Home Loan Banks (FHLBanks) fully support their housing mission. The FHLBanks have significant capacity to expand their investment in housing, and there are a number of ways they can do so.

One valuable step would be to look at what individual Banks are already piloting and determine what could be scaled more broadly. Several Banks have experimented with directing their lending and resources toward housing supply and affordability. FHLB Dallas, for example, offers discounted advances to member lenders specifically to finance the construction of affordable housing. Identifying the most effective of these efforts, then expanding them across the System, could meaningfully increase the FHLBanks' overall contribution to housing production.

The FHLBanks can also do more to help individual buyers who are ready for homeownership but face barriers at the closing table. Down payment and closing cost assistance programs can play an important role for borrowers that do not have sufficient funds upfront but would not struggle to pay the monthly mortgage fee. Other alternatives, such as interest rate buydowns, can also assist potential buyers in this high-rate environment.

Shared equity lending programs can also help lower the costs of a mortgage for borrowers. In this system, a Federal Home Loan Bank could make a loan to a borrower for downpayment or closing costs in exchange for equity appreciation in the home. Over time, funds from the program will be given back to the FHLBanks to fund the program in the future. Attention should be given to the amount of equity appreciation that the homeowner is given to the FHLBanks so that homeowners still benefit from home price appreciation.

2. **Have members of the National Association of Realtors had conversations with any of the Federal Home Loan Banks to discuss increasing investments in housing? If so, please share which FHLBanks and the topics such as mortgage products, home financing projects, etc.**

A: NAR has had conversations with the FHLBanks of San Francisco, Chicago, and Boston in regard to investments in housing. We have discussed a number of concepts, including downpayment assistance programs, closing cost assistance, rate buydowns, shared equity lending programs, and unique financing models. No new programs have materialized, but we appreciate the banks' engagement.

3. **Have members of the National Association of Realtors had conversations with any of the members of the Federal Home Loan Banks to discuss increasing investments in housing? If so, please share the topics such as mortgage products, home financing projects, etc.**

A: Not at this time.

Questions for Mr. Kevn Brown, President, National Association of Realtors, from Senator Raphael Warnock:

According to the Government Accountability Office (GAO), metro Atlanta has the highest share of single-family rental properties owned by institutional investors in the country, with over 25 percent of all single-family rentals in metro Atlanta (70,000 properties) owned by these corporate investors. Additionally, 86% of current renters say they would like to buy a home but cannot afford one, with 54% of renters believing they will never be able to afford a home. To tackle this issue, I worked to include a bipartisan provision in the 21st Century ROAD to Housing Act to ban corporations that own more than 350 single-family homes from purchasing additional single-family homes.

1. **Has investor ownership of single-family homes increased over the past decade? How do investor purchases of single-family homes affect the number of homes available for homeownership by individuals and families?**

A: Large institutional investor ownership of single-family homes has increased over the past decade. Large institutional investors still own a minority of single-family homes nationally, but that figure obscures how concentrated their activity is, clustering in particular metro areas and neighborhoods and in the lower-priced portion of the market, where its effects are felt far more acutely than a national average would suggest.

In those markets, large institutional investor purchases of existing homes reduce the supply available to owner-occupants. More importantly, it is not only the share of homes purchased by investors that matters, but also the price range in which they are purchasing. Large institutional investors purchase homes at prices about 35 percent below the median sales price. Thus, large institutional investors tend to target entry-level, moderately priced single-family homes, which are the same homes sought by first-time and moderate-income buyers, who are often least able to compete against the all-cash offers and the speed and certainty an investor can offer a seller. In neighborhoods where corporate investors are especially active, first-time buyers can be outbid repeatedly, and properties that would once have gone to new owner-occupants shift into rental ownership, changing the character of the neighborhood over time.

These local effects compound a broader national shortage of roughly 4.7 million homes, the result of years of underbuilding, which is the larger force driving prices and limiting choices for first-time buyers.

2. **Should the benefits of homeownership, including the ability to build generational wealth, be enjoyed by individuals and families or large corporate investors?**

A: NAR believes homeownership deserves a preferred place in our nation's housing policy. Homeownership contributes to family security, community responsibility, and economic stability, while providing individuals and families with an important opportunity to build wealth that can be passed from one generation to the next. For many middle-income Americans, their home is also their largest financial asset. At a time when too many Americans, particularly first-time buyers, are struggling to find and afford a home, our priority should be ensuring that those who want to become homeowners have a meaningful opportunity to do so.

NAR also recognizes the need for a wide range of housing choices, including rental housing, and the role of private investment in supporting those choices and expanding housing supply. That investment can take many forms, from individual and small-scale investors to larger institutional investors, and its impact on the housing market depends in part on whether it adds to the housing supply or competes for the existing stock of homes.

NAR strongly supports policies that expand opportunities for homeownership while increasing the overall supply of housing. That includes tax incentives that encourage large institutional investors to sell single-family homes to owner-occupants, putting more existing homes back into the hands of individuals and families. More broadly, we support policies that increase the number of homes available for purchase and help ensure that prospective homebuyers have a fair opportunity to compete for them.

3. **What additional actions can Congress take to increase the supply of housing and reduce the cost of a starter home for young Americans?**

A: NAR thanks Senator Warnock for his work to pass the 21st Century ROAD to Housing Act, the most significant federal housing legislation in decades. That law laid important groundwork, and Congress can build on it to further increase the supply of starter homes and lower their cost for young buyers. The shortage of roughly 4.7 million homes is not evenly distributed across the market, falling hardest on the smaller, entry-level homes that once served as the first step to homeownership. Any serious response has to increase construction of those homes while making fuller use of the inventory that already exists.

Congress should continue to develop and improve financing tools and incentives that make it feasible to build lower-cost homes. While a healthy market requires building across all price points and housing types, federal financing should prioritize starter homes, manufactured and modular housing, and missing-middle housing such as townhomes and condominiums, which have often faced financing challenges. Meeting this need will take new thinking about how construction is financed. Tax incentives can make building smaller, lower-cost homes economically viable, and other tools can reduce construction lending risk and draw private capital into building. The Federal Home Loan Banks, for instance, are well positioned to take on a larger role here, using their capacity to lower the cost and risk of financing new construction. As Congress considers the future of Fannie Mae and Freddie Mac, any proceeds the federal government receives from a sale, including from its warrants in the enterprises, should be reinvested in housing and in expanding supply and affordability, in particular. In addition, additional incentives, such as measures to address construction labor shortages or convert underutilized commercial properties into housing, can further expand the nation's stock.

NAR also urges Congress to unlock the homes we already have. The same supply shortage that has driven up prices is now pushing a large number of long-tenured homeowners over a capital gains threshold that has not been updated since 1997. NAR estimates that 13.1 million homeowners already exceed the current capital gains exclusion, leaving many equity-locked and reluctant to sell. That keeps homes off the market and slows the turnover that opens up homes for families and trade-up buyers. The bipartisan More Homes on the Market Act would update the exclusion for the first time in nearly three decades and index it to future inflation. At the other end of the market, many families with low-rate FHA and VA mortgages are rate-locked into their homes, holding back first-time buyer stock. Realizing that potential will require streamlining the assumption process for existing FHA and VA mortgages, raising the caps on lenders' fees, and addressing the financing gap that assumption creates. A buyer who assumes the seller's loan must pay the difference between the remaining loan balance and the home's price, which is often too large for a first-time buyer to cover out of pocket.

Finally, Congress can reward state and local governments that remove the barriers making starter homes difficult or expensive to build. Zoning and land-use decisions appropriately remain local, but federal policy can incentivize communities to allow more small-lot, infill, manufactured, and missing-middle housing. The 21st Century ROAD to Housing Act created important tools to do exactly this, including a competitive Innovation Fund that rewards localities demonstrating measurable increases in housing supply and grants to help communities adopt pre-approved designs for starter-home types like accessory dwelling units and townhomes. These programs were authorized but not funded. Congress can make the most immediate difference by appropriating the resources they need to work as intended, so the reforms already enacted translate into homes actually being built.

No single policy will restore affordability, but together these steps, building more starter homes, unlocking existing inventory, and funding the reforms already enacted, would make a real difference for young buyers.