



FedFin Client Report

Tuesday, March 16, 2021

Senate Banking: Round One on U.S. Housing Policy

Client Report: MORTGAGE119

Executive Summary

Reflecting Chairman Brown's (D-OH) prioritization of the "housing" jurisdiction under [Senate Banking](#), the panel's hearing today addressed not only GSE reform, but a sweeping range of rental and affordable-housing considerations in concert with lending discrimination and housing finance. The hearing was largely a preliminary airing of many issues on which Democrats and Republicans expressed longstanding views. It seems likely that near-term Senate action will focus on new stimulus measures to address the pandemic's harm and provisions addressing lending discrimination, with GSE reform remaining an important debating point with no near-term intervention absent actions by the FHFA to which Sen. Brown objects. This report covers issues ranging from GSE reform to rural housing and HMDA along with broader policy issues raised by the committee.

Analysis

Opening Statements

Chairman Brown opened with a strong statement emphasizing that his panel's consideration of housing will go beyond GSE reform to ensure that all renters and homeowners – now or to come – have fair opportunity to enjoy safe, secure housing.

After reiterating his opposition to the stimulus bill, Ranking Member Toomey (R-PA) emphasized his [GSE-reform principles](#) and called for action on them. He argued that government policies are making housing more expensive.

Federal Financial Analytics, Inc.
2101 L Street, NW – Suite 300, Washington, D.C. 20037
Phone (202) 589-0880
E-mail: info@fedfin.com www.fedfin.com

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Testimony

Chris Herbert, Managing Director of the Harvard Joint Center for Housing Studies, called on public, private, and nonprofit sectors to expand rental assistance, address barriers to housing construction, expand access to sustainable home ownership, counter segregation by expanding affordable housing options, and invest in existing homes to make them more resilient to climate change.

Diane Yentel, President and CEO of the National Low Income Housing Coalition, urged Congress to expand rental assistance, increase the National Housing Trust Fund, create a permanent emergency rental-assistance program, and increase renter protections.

Nikitra Bailey, Executive Vice President of the Center for Responsible Lending, called the nation's housing policies a primary cause of inequities, noting that housing discrimination remains widespread. She also criticized GSEs for under-serving minority communities and predatory lenders for targeting people of color with risky mortgage loans.

Edward J. Pinto, Director of the AEI Housing Center, noted equity problems caused by zoning and land-use policies. He also raised concerns about the currently "broken housing ladder" and an overheated housing market, suggesting targeted financial assistance to buy down the rate on twenty-year loans.

Ed DeMarco, President of the Housing Policy Council, emphasized the need to build more housing, recommending down-payment assistance and more homebuyer counseling and education. He welcomed Sen. Toomey's housing principles.

Q&A

- **GSEs:** Sen. Toomey asked if the current state of the housing market reinforces the case for GSE reform; Mr. DeMarco agreed, also stating that reform would spur greater competition in the housing market, greater innovation, and reduce systemic risk. Sen. Rounds (R-SD) applauded steps taken by FHFA last year to reduce GSE leverage, but worried about the treatment of CRT. Mr. DeMarco urged CRT revisions, while Ms. Bailey worried that the rule does not do enough to distribute systemic risk and Mr. Pinto raised concerns that, in a market meltdown, the CRT market would disappear.
- **Affordable Housing:** Chairman Brown asked how Congress can help more families get more affordable mortgages; Ms. Bailey said larger lenders need to be incentivized to make loans. Sen. Warren (D-MA) criticized current housing law; Ms. Yentel agreed, citing problems with restrictive zoning, the underfunding of the National Housing Trust Fund, and the Faircloth Amendment. Sen Warren

also described her bill to increase the Housing Trust Fund. Sen. Van Hollen (D-MD) asked how his legislation, the Family Stability and Opportunity Vouchers Act, would improve affordable housing; Ms. Yentel strongly supports this bill.

- **Housing Market:** Sen. Daines (R-MT) worried about the rapid rate of housing price appreciation; Mr. Pinto echoed these concerns. Sen. Ossoff (D-GA) asked about New Zealand's recent central bank home price stability mandate; Mr. Herbert called it a "worthy goal," but noted that he is not sure how to "square that circle" himself.
- **Homeowner Assistance:** Sen. Reed (D-RI) asked about the importance of the Homeowner Assistance Fund provided in the stimulus bill; Ms. Bailey agreed it is important, but Mr. Herbert warned that, when forbearance ends in September, many homeowners will still face considerable challenges.
- **Rural Housing:** Sens. Tester (D-MT), Rounds, and Smith (D-MN) worried about affordable housing for rural communities; Ms. Bailey noted the need to ensure that rural communities are able to receive the information they need, and Ms. Yentel discussed the importance of housing preservation. Mr. Herbert and Mr. Pinto agreed that the challenges rural and urban communities face are very similar. Mr. DeMarco noted that rural areas have a predominance of low balance loans, and thus encouraged the CFPB to develop loan products and accommodations to help rural communities.
- **Homeownership:** Sen. Warner (D-VA) described a proposal he is working on for targeted help to first generation homeowners through shorter term mortgages; all witnesses approved of his proposal. Sen. Smith asked how Congress can help fix the homeownership gap and if an enhanced down-payment assistance program would be helpful; Ms. Bailey agreed, noting the importance of targeting this resource to first generation homebuyers. Ms. Bailey also suggested using ECOA's special purpose credit programs.
- **HMDA Data:** Sen. Cortez Masto (D-NV) asked how the 2018 law limiting HMDA data for small banks and credit unions has impacted the witnesses' research; Mr. Pinto said he does not know, while Mr. Herbert and Ms. Bailey noted the importance of collecting information from all sources, including smaller lenders.