Ranking Member Pat Toomey (R-Pa.)
Opening Statement
Full Committee Hearing
March 31, 2022 at 10:00 AM

Thank you, Mr. Chairman.

We’ve had at least six hearings on housing this Congress, including even two just on private equity’s minor role in housing. There has been, however, one conspicuous omission. We have not had a single hearing on the government’s role in driving up housing costs.

In the last 16 months, Democrats and the administration dropped hundreds of billions in helicopter money to stimulate an already strong economy. $80 billion went to rental assistance, vouchers, and other housing subsidies. And that’s above and beyond the hundreds of billions in ordinary housing subsidies we spend every year. Despite record demand, the Fed continued to hold mortgage rates down at near record lows.

Just as this administration has given us the highest inflation in 40 years, it has also given us astonishing increases in housing costs. House prices skyrocketed almost 17 percent in the last year, while rents jumped 12 percent.

Some of my colleagues seem to be willfully blind to government’s role in driving this inflation. But the problem is actually bigger than that. Across these six housing hearings, this Committee has spent most of its time grasping for justifications to spend even more of the taxpayers’ money and expand government’s role.

Setting aside the question whether the federal government should have a role in the housing market, we should at least ask ourselves do we really need to spend even more taxpayer money on housing. A more skeptical framework should guide us in these hearings.

Whether in housing or otherwise, we should ask, “where is the market failure?” And we should ask whether the taxpayers’ already generous safety net is somehow still inadequate. In answering these questions, we should bear in mind the risk that the government solution will be worse than the problem. That risk of government failure is particularly acute when it comes to housing.

The number and cost of housing subsidies boggles the mind. There is the mortgage interest deduction, capital gains exclusion on home sales, tax deduction on property taxes, FHA, VA, and USDA mortgage insurance and Ginnie mortgage-backed securities guarantees, down payment assistance, and the Low Income Housing Tax Credit program.

There's also an overlapping array of HUD programs, including project-based rental assistance, tenant-based rental assistance, public housing, section 202 housing for the elderly, section 811 housing for persons with disabilities, section 521 rural rental housing, CDBG, HOME block grants, and homelessness assistance.

And then we have the GSEs, which subsidize more than half of single-family mortgage debt. After 50 years and many hundreds of billions of dollars in subsidies, there's been no meaningful change in homeownership rates. In 1970, the homeownership rate in America was 64%. Now, it's 65%. Black homeownership levels are similar to when the Fair Housing Act was passed in 1968.

These government policies have mostly just made housing more expensive. The inference is inescapable. When it comes to housing, government has often been the problem, not the solution.

Today, we will likely hear that the government should further subsidize senior citizens' ability to "age in place." To the extent seniors want to stay in their homes, that's certainly their right.

But we shouldn't lose sight of the fact that it often makes perfect sense for seniors to decide to move out of the three- or four-bedroom, two-story home where they raised their children. Many seniors downsize to apartments, mother-in-law suites, or smaller houses.

In many cases, the seniors had already built up significant home equity. By selling their home, they have new and sometimes very significant resources that they can use for any purposes they see fit. And so downsizing can be a good thing.

When a senior downsizes, a new home comes on the market. Perhaps the buyer will be a young couple looking to start a family. This turnover matches a scarce resource to its highest and best use. We should be careful that any government interventions do not, as they so often do, tend to further ossify the market against these dynamics.

To reduce inflation and make housing more affordable we should pursue reforms that leverage the power of free enterprise to increase housing supply and make markets more competitive. In January, the Chairman reiterated the housing finance reform principles that he released in 2019. His principles overlap considerably with the reform principles I've released.

I hope to be able to work with the Chairman to develop consensus on this critical issue. Meanwhile, I hope the administration will finally engage on reform. Treasury has still not met its obligation to deliver a reform plan to Congress—it's now 6 months overdue.

Instead of seeking out any excuse or pretext to regulate and spend, the administration should look to opportunities for bipartisan legislation, like housing finance reform, that relies on free enterprise—not government—to make housing affordable for all Americans, including seniors.