Ranking Member Pat Toomey (R-Pa.)
Opening Statement
Full Committee Hearing
July 21, 2022 at 10:00 AM

Today we are discussing the recent, rapid rise of home prices and its impact on affordability. Of course, home price appreciation is not occurring in a vacuum. Inflation in the Biden economy is broad-based and severe.

And despites promises to the contrary from the President and his advisors, inflation, fueled by reckless spending and lax monetary policy, has been an enduring phenomenon. Adjusted for inflation, wages have fallen almost every month since President Biden took office.

The average American's real wages have fallen by 5%. And, it has been even worse for blue-collar workers. So, it should come as no surprise that homeownership, like most goods and services, has become increasingly unaffordable.

Turning to housing specifically, demand far outpaces supply in many regions. Why is this happening and why isn't the housing market naturally correcting these imbalances? I'd point to bad policy decisions, especially by Democrats.

During COVID, the federal government made a number of mistakes. $80 billion went to rental assistance, vouchers, and other housing subsidies. That's above and beyond the hundreds of billions in ordinary housing subsidies we spend every year, and a significant sum remains unspent.

Democrats and the administration dropped hundreds of billions in helicopter money to stimulate an already strong economy. They also unnecessarily extended and expanded foreclosure and eviction moratoria.

Outside of the COVID emergency, the number and cost of housing subsidies boggles the mind. We provide tax breaks such as the mortgage interest and PMI deductions; capital gains exclusion on home sales; tax deduction on local property taxes; and Low Income Housing Tax Credit.

We subsidize mortgages with GSE securities guarantees; FHA, VA, and USDA mortgage insurance and Ginnie MBS guarantees; and down payment assistance programs.

And we have an overlapping array of HUD and USDA programs, including project-based rental assistance; tenant-based rental assistance; public housing funding; 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.

It's a fact that government housing spending is massive and the vast majority of it subsidizes demand rather than supply. What should be embarrassing to its advocates, all this spending hasn't meaningfully changed homeownership rates over the decades nor narrowed the racial homeownership gap.

In 1970, the homeownership rate in America was 64%. Now, it's 65%. And Black homeownership levels are similar to when the Fair Housing Act was passed in 1968. These government policies have just made housing more expensive.

If the administration were serious about immediately lowering housing costs, it would start by removing misguided trade barriers that drive-up the cost of home construction. It could lift tariffs on lumber, steel, and aluminum, materials that are universally used in buildings across the country and which have cost consumers billions.

In the last three years, American consumers paid at least $14.2 billion more on steel and aluminum imports. And we know lumber tariffs have contributed to price increases too.

Unfortunately, the administration is continuing to promote a reckless spending agenda that will make soaring housing costs worse. In May, the White House released a plan to supposedly boost housing supply, but instead used the opportunity to add upward pressure on pricing by endorsing a partisan House-passed proposal to increase spending by $75 billion on housing vouchers and $80 billion on public housing. Additional spending of this kind will only further fuel inflation.

The White House plan also proposed pushing Fannie and Freddie into activities that prior administrations understood created too much risk for taxpayers. In a break from decades of bipartisan efforts to reform the GSEs, the White House has embraced the GSE conservatorships as a means to social engineer its housing and racial equity policies.

FHFA recently relaxed restrictions on the GSEs' risk layering and acquisitions of investor and second home loans; reduced the GSEs' guarantee fees; and required the GSEs to develop equitable housing finance. Stunningly, the GSEs' new proposed pilot programs limit eligibility based on borrower race, and even go so far as to give taxpayer money to certain borrowers based on their skin color to make down payments.

Yesterday, all Banking Republicans sent a letter organized by Senator Tillis to FHFA expressing grave concern about the legality and discriminatory nature of these new programs. I hope the FHFA Director will reconsider this discrimination on the basis of race and instead act to protect taxpayers from excessive risk as conservatorship envisions.

Racial discrimination is always wrong, and this is no exception. Further, relaxing underwriting requirements to chase political priorities risks exposing low-income families—in this case minorities—to wealth loss.

The state of the housing market only affirms the urgency of GSE reform. To improve housing affordability for both renters and owners, we should favor policies that leverage the power of free enterprise.

We should phase-out demand-side subsidies like down payment assistance and focus FHA on a narrow subset of borrowers. We should end the GSE conservatorships to ensure this and future administrations cannot use conservatorships to influence the pricing and allocation of mortgage credit.

For decades we've spent countless sums without much to show for it. It's time for meaningful reform that doesn't feature the same tax-and-spend strategies of the past.