

Ranking Member Pat Toomey (R-Pa.)
Opening Statement
Full Committee Hearing: Separate and Unequal: The Legacy of Racial
Discrimination in Housing
April 13, 2021 at 10:00 AM

Mr. Chairman, thank you.

Let me say from the outset that racial discrimination in housing is a real and sad part of our nation's history. We can't ignore that—it's a fact. It's also a fact that government policies contributed to this discrimination. Some federal government policies were designed to increase segregation.

We all know the Federal Housing Administration—the FHA—engaged in redlining practices. For decades, FHA insurance was often limited to newer developments outside of inner city neighborhoods, exacerbating segregation. We also know Davis-Bacon wage requirements were designed to protect white union labor and prevent blacks from competing for federally funded construction jobs. Even today, Davis-Bacon continues to impede lower-income and minority workers from opportunities and to drive up the construction costs for government-assisted housing.

Some state and local government policies have also exacerbated segregation. Some zoning practices—such as prohibitions on multifamily housing and minimum lots sizes—can have legitimate purposes for many communities. However, they sometimes do great harm by pricing low-income and minority families out of neighborhoods, and reducing the support of affordable housing for such families. These zoning practices and other regulatory barriers to housing development are particularly prevalent in Democrat states and cities. For example, California cities have long restricted multifamily construction, driving up housing costs and reducing affordability.

In my view, this history shows us that when it comes to housing in America, including housing discrimination, government has been the problem, not the solution. Unfortunately, the Biden administration does not seem to have learned this lesson. Its multi-trillion dollar welfare plan, with a bit of

infrastructure sprinkled in, seems designed to repeat many of the mistakes of the New Deal and Great Society. After Congress has just finished spending more than \$80 billion for housing in response to COVID—on top of the \$50 billion we annually spend on HUD programs alone, not to mention the billions we spend on other housing programs and then tens of billions more we forgo in tax revenues to subsidize—the Biden administration is now calling for \$213 billion in new spending for housing in this so-called “infrastructure” plan.

Amazingly, the administration wants Congress to spend \$40 billion to restore public housing projects—places where people don’t want to live. Housing projects are notorious concentrations of poverty, crime and other social ills. Research shows that moving families out of housing projects and integrating them in communities decreases violent crime. But rather than focusing on sensible alternatives, the Biden administration wants to keep families in housing projects. More public housing will only commit more Americans to a substandard living arrangement and increase government dependency.

We also shouldn’t rush to put families in homes they can’t afford. Relaxing underwriting requirements or expanding down payment assistance programs for low-income families, especially in an overheated housing market is a recipe of disaster. If home values drop, these borrowers run the real risk of losing their homes and any wealth they thought they had accumulated. We have seen this happen before, most recently during the 2008 housing crisis when government monetary and housing policy created a housing bubble, the bursting of which caused the financial crisis and great recession.

The administration’s infrastructure plan also calls for \$20 billion in tax credits for building and rehabilitating homes and making them more energy efficient. These tax credits will predominantly benefit developers and investors largely because they are not targeted to low-income families. In fact, homes built with tax credits can be sold to purchasers with incomes up to 140% of area median income.

The Administration’s plan also prioritizes using union labor to upgrade homes. This unfairly excludes lower-income, non-unionized laborers and increases construction costs that will be passed onto homeowners.

Today, we'll hear from two witnesses who'll discuss how government intervention, even when well-meaning, has contributed to inequality. Howard Husock is a housing researcher and scholar. As Mr. Husock will note, many "race-conscious" policies haven't actually increased homeownership opportunities or wealth in underserved communities. Public housing has deprived many minority communities of the opportunity to build wealth. The Community Reinvestment Act is out of date and poorly designed to encourage lending in minority neighborhoods without tracking whether investments help or hurt families. And overly prescriptive Affirmatively Furthering Fair Housing requirements that put only a handful of low-income families in subsidized rental homes in affluent areas does little to support minority families or help them build wealth through homeownership.

We'll also hear from Tobias Peter, an expert in housing finance. He notes that policies aggressively encouraging minorities to buy homes—especially during a boom when houses are more expensive—expose borrowers to greater default risk during dips in the market. He argues that risky lending harms low-income and minority borrowers who purchase homes when home prices are inflated. And he believes that local governments need to remove zoning restrictions and other regulatory barriers to housing that artificially constrain the supply of housing and drive costs up.

It's important to remember that the legacy of discrimination is a direct result of government supported policies. As we consider how to address the housing challenges we face, we must not repeat the mistakes of the past. Now is not the time to double down on failed efforts. That means we should not keep American families in dilapidated and segregated housing projects; we should not let bureaucrats in Washington make local housing decisions that undermine communities; and we should not inappropriately push families to purchase homes they can't afford in the long run.

The lesson we need to learn and apply is: When it comes to housing in America, government is the problem, not the solution.