Treasury Department Announces New Efforts to Increase Housing Supply in the United States

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Alongside new efforts, Deputy Secretary of the Treasury Wally Adeyemo releases new blog post detailing how Treasury Department programs have helped keep families in their homes and contributed to housing construction and preservation

WASHINGTON – Today, the U.S. Department of the Treasury announced new efforts to increase the supply of housing in the year ahead. These efforts include:

1. Updated guidance for the American Rescue Plan's (ARP) State and Local Fiscal Recovery Funds (SLFRF) to make it easier for recipients to use remaining funds to construct affordable housing;
2. New clarifications to the ARP's Emergency Rental Assistance (ERA) program which will make clear that qualifying recipients can use remaining funds on a broad range of uses to fund affordable housing serving very low-income families; and
3. An extension of the Federal Financing Bank's (FFB) financing support for a risk-sharing initiative between the Department of Housing and Urban Development (HUD) and state and local housing finance agencies in order to lower the cost of creating and preserving affordable housing.

These announcements build on the Biden-Harris Administration's Housing Supply Action Plan to boost the nation's stock of affordable housing and lower housing costs, including through new actions announced last week.

Over the past three years, the speed and strength of the Biden-Harris Administration's pandemic response helped to thwart the worst economic outcomes anticipated from the COVID shock and fostered the fastest – and fairest – economic recovery in recent history. During this recovery, the Treasury Department encouraged communities to address housing supply needs by making innovative use of ARP funds, complementing Administration-wide efforts to help families across the country remain in their homes, including increased options for mortgage payment forbearance, enhanced loan modifications to resolve delinquencies, and a foreclosure moratorium. The Treasury Department has also supported the construction of new affordable housing through tax incentives, such as the Low-Income Housing Tax Credit (LIHTC), the largest source of federal support for construction and rehabilitation of affordable rental housing across the country, and community development programs like the Capital Magnet Fund. The combination of these programs has resulted in historically low foreclosure and eviction rates, and has increased the supply of and access to affordable housing.

Today's announcements will help increase the supply of housing in communities across the country and strengthen housing security for all Americans. More information on these initiatives is detailed below and in a new blog post by Deputy Secretary of the Treasury Wally Adeyemo. In addition, the Treasury Department will hold a series of stakeholder convenings throughout the year to identify the most promising levers that may be at the Department's disposal to increase housing supply, while also supporting broader Administration and legislative efforts. The first of these convenings occurred February 29, during which Deputy Secretary Adeyemo and other senior Treasury Department officials met with housing leaders and stakeholders to discuss challenges and opportunities to expand housing supply.

SLFRF GUIDANCE

The State and Local Fiscal Recovery Funds (SLFRF) program is driving investments at every level of government to create new and improve existing affordable housing stock. The Treasury Department has encouraged jurisdictions to use their SLFRF funds to support housing stability and the construction and preservation of new affordable housing. In the summer of 2022, the Department expanded the flexibility for recipients to use their SLFRF funds to invest in long-term affordable housing projects. In the approximately one year following that announcement, governments increased their funds budgeted in this area by more than 50%. As of September 30, 2023, governments have budgeted more than $7.1 billion in SLFRF award funds for long-term affordable housing, including both rental and owner-occupied homes, which is part of $18.5 billion in SLFRF funds budgeted for housing uses overall. These investments are supporting more than 20,000 units of affordable housing.

Today, the Treasury Department is making it easier for recipients to use available recovery funds to boost housing supply. The Department is updating the SLFRF guidance to enable states and localities with remaining resources to use those funds on more eligible housing projects. Recipients funding an affordable housing project will be presumed to have used funds for an eligible use if the project will house families earning up to 120% of area median income, an increase from 65%, or if the project meets the terms of one of more than a dozen federal housing programs. Recipients can also fund projects supported by Fannie Mae and Freddie Mac that meet the needs of teachers, firefighters, nurses, and other workers increasingly priced out of certain markets.

ERA GUIDANCE

The more than $46 billion in Emergency Rental Assistance (ERA) program funding created the first nationwide infrastructure for eviction prevention, delivering federal relief to millions of households and enabling communities to set up eviction diversion programs – many for the first time. Today, the Treasury Department is announcing new clarifications to the ERA2 program to make clear that qualifying recipients that have obligated at least 75% of their funds for financial assistance, housing stability services, and administrative costs can use their remaining funds for predevelopment and acquisition costs for affordable housing serving very low-income families – in addition to other eligible uses like construction, rehabilitation, or preservation of affordable housing. While the ERA program has already made more than 12.3 million household payments to keep renting families in their homes, these changes will build out the pipeline to bring additional rental units onto the market.

FFB-HUD RISK SHARING INITIATIVE

Through a new agreement with the Department of Housing and Urban Development (HUD) announced last week, the Treasury Department is indefinitely extending the Federal Financing Bank's (FFB) financing support for a risk-sharing initiative between HUD and state and local housing finance agencies. This will dramatically lower the cost of capital for certain low-risk housing developments. Prior iterations of this FFB program, which was restarted by the Biden Administration in 2021, leveraged nearly $5 billion for the development or substantial rehabilitation of 42,000 affordable rental homes for low-income families, seniors, and persons with disabilities. The Treasury Department estimates that tens of thousands of additional affordable homes will be created or preserved through this initiative over the next decade.

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