



# 2026 NATIONAL POLICY AGENDA



# ABOUT **NALHFA**

Founded in 1982, the National Association of Local Housing Finance Agencies (NALHFA) is the national association of professionals working to finance affordable housing in the broader community development context at the local level. As a non-profit association, NALHFA is an advocate before Congress and federal agencies on legislative and regulatory issues affecting affordable housing and provides technical assistance and educational opportunities to its members and the public. Members are city and county agencies, non-profits, and private firms, such as underwriters, lenders, master servicers, consultants, financial advisers, bond counsel, and rating agencies, which help in producing housing from concept to completion.

# DEAR POLICY MAKERS

In the previous year, the National Association of Local Housing Finance Agencies (NALHFA) worked with both Administration officials and Congress to advocate on behalf of its members for affordable housing priorities. In doing so throughout 2025, NALHFA achieved historic housing finance expansion through legislative action, successfully guarded the tools housing finance agencies use every day and opened doors in the halls of Congress for bipartisan conversations to strengthen our members' goal of achieving enhanced aid for vulnerable communities.

NALHFA remains committed to working with policymakers to advance legislation and regulations that expand access to safe, affordable housing in communities nationwide. Through collaboration with Congress and federal agencies, NALHFA will continue to lead discussions on affordable housing, engaging senior federal officials to shape member-driven program improvements, policy reforms, and innovative financing solutions.

Access to affordable housing strengthens families, communities and local economies. Studies show that affordable housing promotes economic mobility, enabling families to build stability and opportunity. Children who grow up in affordable homes, particularly in high-opportunity neighborhoods, are more likely to succeed academically and thrive as adults in stable environments. Beyond individual benefits, affordable housing stimulates local economies by attracting investment, creating jobs, and generating tax revenue through the effective leveraging of public and private resources. Building just 100 affordable rental homes can generate \$11.7 million in local income, \$2.2 million in taxes and other revenue, and can create 161 local jobs in the first year of construction.

According to HUD, an estimated 16.5 million renter and homeowner households now pay more than 50 percent of their annual incomes for housing. A family with one full-time worker earning minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States. These realities are further amplified by the challenges communities have faced with decreased home ownership and rental affordability, which has threatened the housing security for millions of Americans.

NALHFA celebrates the historic policy achievements in housing finance that occurred in 2025. It is imperative these tools are further strengthened, expanded and protected to help American families access the housing they need to succeed. NALHFA looks forward to continuing its leadership as a voice in Washington, D.C. for affordable housing with Congress and the Administration in 2026.

Sincerely,



Jonathan M. Paine, CAE  
Executive Director  
National Association of Local Housing Finance Agencies



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## ADVANCING FINANCE SOLUTIONS THROUGH THE AFFORDABLE HOUSING CREDIT IMPROVEMENT ACT (AHCIA)

Sponsored in the 119th Congress by Senators Todd Young (R-IN), Maria Cantwell (D-WA), Marsha Blackburn (R-TN), and Ron Wyden (D-OR) in the Senate and Representatives Darin LaHood (R-IL-16), Suzan DelBene (D-WA-01), Claudia Tenney (R-NY-24), Don Beyer (D-VA-08), Randy Feenstra (R-IA-04), and Jimmy Panetta (D-CA-19) in the House, the Affordable Housing Credit Improvement Act (AHCIA) would make significant strides towards addressing our nation's severe shortage of affordable housing.

NALHFA achieved historic housing finance victories in 2025 with the codification of AHCIA's Housing Credit boost for 9 percent Housing Credits and the lowering of the bond financing threshold to 25 percent to receive full allocations of 4 percent Housing Credits. Although the passage of these provisions into law marked extensive strides for affordable housing finance, proposals in the full AHCIA bill and congressional legislation to bolster the Housing Credit should be adopted through law to continue increasing the nation's housing supply through modernized finance tools. Specifically:

- NALHFA supports the AHCIA's proposed removal of the Qualified Census Tract (QCT) population cap, enabling properties in all census tracts that meet the QCT income standard to receive additional Housing Credit equity if necessary to make the property financially feasible.
- NALHFA supports congressional proposals to lift the public welfare investment cap to allow banks to help meet the need for affordable housing and optimize the recent expansion of the Housing Credit.

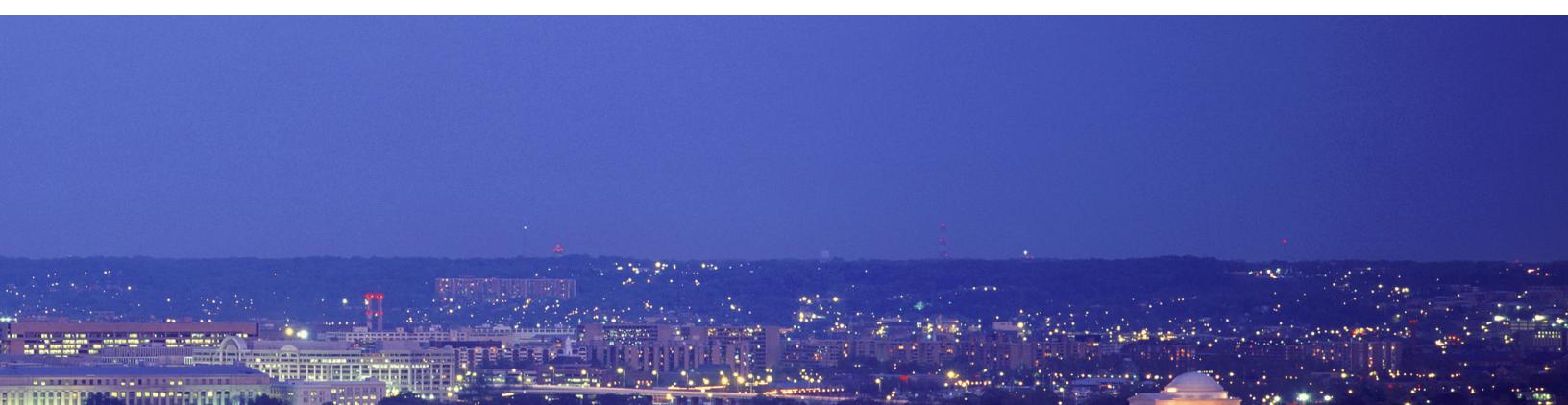
## PRIVATE ACTIVITY BONDS (PABs) AND MUNICIPAL BONDS

Private Activity Tax Exempt Bonds (PABs) generate 4 percent Low-Income Housing Tax Credits (Housing Credits), which finance approximately 50 percent of all Housing Credit developments. PABs are a critical affordable housing tool, leveraging private and public resources, creating tens of thousands of jobs, and facilitating the creation of millions of low-income homes. Currently, the cap on PABs is a major limiting factor for a growing number of states and localities as they seek to preserve existing affordable and public housing and create new housing to meet the growing need. Increasing the cap on PABs for affordable and public housing would help create a public good and support the country's continuously growing housing infrastructure needs.

Without PABs, nearly 1 million affordable homes will go unbuilt in the next ten years. PABs and the 4% Housing Credits they generate are among the most successful models of public-private partnerships because they leverage additional public and private resources for housing, create tens of thousands of jobs every year, and help address the affordable housing crisis ravaging every city and state in the country. Any proposed cuts for PABs would be detrimental to the efforts to increase housing supply for affordable homes. Enhancements to infrastructure resources, specifically, improvements to PABs, provide communities with the necessary resources to support homeownership opportunities and to facilitate low-income housing tax credit developments.

Over 12 million renter and homeowner households spend more than 50 percent of their annual incomes on housing and the United States housing market cannot afford to lose this critical resource.

- NALHFA supports the preservation and enhancement of all tax-exempt housing bonds.





- NALHFA supports approaches to promote the expanded use of tax-exempt housing bonds, including lifting the volume cap, exempting affordable and federally assisted housing preservation projects from counting towards the cap and expanded bond recycling to boost our nation's affordable housing supply.
- NALHFA supports the exemption of Mortgage Revenue and Multifamily Housing bonds from being counted towards PAB volume caps in future legislation.
- NALHFA supports enhanced PABs support in future tax package legislative efforts.

## **LOCAL HOUSING FINANCE AGENCIES (HFA) DOWN PAYMENT ASSISTANCE PROGRAMS**

The U.S. Department of Housing and Urban Development (HUD) has signaled continued interest in reviewing the Federal Housing Administration's (FHA) insurance policies related to down payment assistance (DPA) programs. In its most recent report to Congress on the Mutual Mortgage Insurance Fund (MMIF), HUD highlighted the positive performance of FHA loans supported by government-entity DPA programs, noting lower default rates and strengthened borrower outcomes.

FHA remains a critical component of the nation's housing finance system, helping low- and

moderate-income families access homeownership through affordable mortgage options. These down payment assistance programs are a critical next step on a path for affordable housing residents who have successfully achieved financial stability to become homeowners and begin building generational wealth.

The FHA mortgage insurance program provides lenders with protection against default on both single-family and multifamily loans, ensuring continued credit availability in all market conditions. As public-purpose entities, local Housing Finance Agencies (HFAs) are uniquely positioned to partner with FHA, using DPA programs to responsibly assist qualified borrowers with the resources needed for a down payment, expanding access to sustainable homeownership while supporting local economic stability.

At a time when our nation is facing an affordable housing crisis, local HFAs are providing quality affordable housing resources to low- and moderate-income families without reliance on taxpayer dollars. It is important that HUD strengthen these programs through any new guidance, not obstruct them. DPA access is a critical tool for expanding equitable pathways to homeownership and building generational wealth. DPA enables families, particularly those transitioning from rental or tax credit housing, to achieve long-term housing stability and financial independence.

- NALHFA supports policies to strengthen and enhance local HFA DPA programs, specifically focusing on preserving the ability of local HFAs to provide DPA and other secondary financing on a preferred basis with FHA single-family loans.

## **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) CAPACITY AND LOCAL PARTNERSHIP**

At a time when communities across the nation are facing unprecedented housing affordability and supply challenges, HUD's role in providing oversight, funding distribution, and programmatic support is more critical than ever. A reduction in staffing would not only slow the processing of grants, loans and approvals but could also diminish HUD's capacity to offer guidance on compliance and program best practices. Without the necessary personnel to facilitate these essential functions, HFAs may struggle to execute their programs effectively, leading to disruptions in the production and preservation of affordable housing including risk of higher development expenses due to interest carrying cost increase. HUD programs utilized by HFAs assist in financing single and multi-family housing in working class rural communities across the country. Decreasing HUD staff capacity would ultimately undermine the progress made in addressing housing needs and could exacerbate existing shortages in communities nationwide.

Additionally, HUD field offices play a crucial role in ensuring timely communication, technical assistance, and program oversight at the regional level. Local HFAs, particularly those in smaller communities that rely on direct engagement with HUD staff for program implementation and compliance. Maintaining this localized support ensures timely project approvals and funding allocations for HFAs to effectively address housing challenges in their communities.

- NALHFA supports increased HUD staffing levels to ensure timely processing of grants, loans, and approvals, as well as the continued delivery of technical guidance and compliance support that enable HFAs to effectively produce and preserve affordable housing nationwide.
- NALHFA supports preserving and strengthening HUD field offices to sustain critical local and regional engagement, allowing HFAs, particularly those in smaller and rural communities, to access timely assistance,

streamline project implementation, and address housing challenges efficiently.

## **FEDERAL HOUSING ADMINISTRATION (FHA) – HOUSING FINANCE AGENCY (HFA) MULTIFAMILY LOAN RISK-SHARING FEDERAL FINANCING BANK (FFB) PROGRAM**

The Federal Housing Administration (FHA) – Housing Finance Agency (HFA) Multifamily Loan Risk- Sharing Federal Financing Bank (FFB) Program is an important option for many HFA's affordable rental housing developments. The Federal Financing Bank (FFB) and Risk- Sharing Program is a partnership between HUD and the U.S. Department of Treasury that provides low-cost capital through a strong network of state and local HFAs across the country, efficiently leveraging private investment and state and local government resources, with little risk to the federal government.

Treasury and HUD finalized an agreement in 2021 to restart FFB's support of HUD's Risk Sharing program, which had been suspended in 2019, for a period of three years. In 2024 the program was indefinitely extended. The agreement provides low-cost Ginnie Mae- comparable rates to HFAs that finance affordable housing development, enabling the development of new quality and affordable housing. NALHFA supports the permanent extension of the Multifamily Loan Risk-Sharing Federal Financing Bank Program at the agency level and passage of federal legislation to make the program permanent.

- NALHFA supports an extension of the current risk share rate collar period from 36 months to 60 months for additional HFA program utilization opportunities.
- NALHFA supports congressional action to create a permanent Ginnie Mae risk-sharing program which NALHFA believes can and should co-exist with the Multifamily Loan Risk-Sharing Federal Financing Bank Program.

## **HOME INVESTMENTS PARTNERSHIPS (HOME) AND THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAMS**

The HOME Investments Partnerships (HOME) and the Community Development Block Grant (CDBG) Programs have been positive examples



of federal block grant programs for improving the nation's crumbling infrastructure, expanding affordable housing opportunities, and undertaking neighborhood revitalization. Despite the success of these programs, HOME funding had declined by 55% and CDBG by 49% since 2000 which has severely hampered local governments' ability to foster sustainable and economically resilient communities. The HOME and CDBG programs have recently received increased funding levels over the last several fiscal years. These increased funding levels are a huge win for the local governments across the country, but due to the chronic underfunding of both programs, there is still more work to be done to restore funding for these essential programs.

## **HOME Program**

For communities across the nation, the HOME Program is vital to increasing home ownership and expanding the availability of affordable rental housing. Since 1990, over one million units of housing have been produced with HOME funds. Despite the program's performance, annual funding for the HOME Program has been cut in half since 2010. HUD indicates that each dollar of HOME funding leverages an additional \$4 in other public and private funding. Every \$1 billion in HOME funding creates or preserves more than 17,000 jobs.

According to HUD, an estimated 12 million renters and homeowner households now pay more than 50 percent of their annual income for housing. A family with one full-time worker earning minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States.

In the wake of the COVID-19 pandemic, HOME received \$5 billion of funding through HUD under the American Rescue Plan (ARP). With this increased funding greater assistance has been provided to vulnerable communities by increasing affordable housing, rental assistance, supportive services and non-congregate shelter to reduce homelessness and increase housing stability nationwide. Although the programs share similar names, HOME-ARP is different than HOME. HOME-ARP was a one-time authorized program that allowed grantees to provide support to the homeless population following COVID-19. HOME is an annually appropriated program with HUD that allocates federal funding to support grantee affordable housing construction and rehabilitation.

- NALHFA supports legislative and regulatory policies that strengthen and expand the HOME Program to help more American families access affordable housing.
- NALHFA supports continued focus and recognition of the difference between federally allocated HOME-ARP and HOME funding utilization.

## Community Development Block Grant Program

Local governments use CDBG funds for critical community development activities including infrastructure improvements such as roads, water and sewer systems; expanding homeownership opportunities; eliminating slum and blight; employment training; business and job creation; transportation services; services at libraries, community centers, adult day care and child and after school care facilities; homeless housing assistance; and crime awareness programs.

Every \$1 million in CDBG funding supports nearly 26 jobs and since 2005 CDBG program resources have created over 300,000 jobs. This important housing and community development program has been a catalyst for economic growth and has helped local officials leverage funds for community needs. CDBG allocation continues to be underfunded, however, at a time when the nation's housing infrastructure is ailing and is in dire need of improvements.

- NALHFA supports legislative and regulatory policies that increase CDBG funding to give communities the ability to address their housing and development needs at the local level.
- NALHFA supports policy changes to the CDBG program that would allow for such funds to be used to finance the creation of new affordable housing.

## FEDERAL INVESTMENT IN HOUSING SUPPLY

A renewed federal commitment to expanding housing supply is essential to driving local economic growth and meeting the needs of working families. Increased collaboration among federal agencies, Congress, and local partners paired with greater private sector participation and streamlined processes, accelerate housing production, preserves affordable units and ensures responsible use of taxpayer resources. Strengthening these partnerships will enhance housing availability while supporting communities nationwide.

Modernizing restrictive zoning and permitting policies, improving access to financing tools for affordable housing and reducing regulatory barriers such as overly burdensome environmental review requirements are key to improving local housing finance outcomes. More efficient use of existing federal programs coupled with expanded homeownership opportunities and diverse housing options including single-family and multifamily homes, will help address the nation's housing shortage. Strategic federal investment and coordination will reduce costs, boost production, and reinforce the foundation for successful communities.

- NALHFA supports federal incentives that encourage local governments to



streamline zoning and permitting processes, reducing barriers that slow affordable housing development.

- NALHFA supports expansion and flexibility of federal financing tools that empower local housing finance agencies to increase housing supply and preservation.

## BOLSTERING FEDERAL RENTAL ASSISTANCE PROGRAMS

### Housing Choice Vouchers (Tenant-Based Section 8)

Housing Choice Vouchers (HCV) are a critical resource that provide low-income Americans with access to safe, stable, and affordable housing. Assisting more than ten million people across the country, HCV provides reimbursement to landlords for the difference between what a household can afford to pay in rent and the actual market rent of a housing unit. Despite the critical importance of the HCV program, the total amount of funding that Congress has appropriated for the program in recent years has struggled to keep up with rising operating costs and inflation rates. This reality has left many administering public housing agencies (PHAs) at risk of financial shortfall.

- NALHFA supports the renewal and full funding of Section 8 tenant and project-based based vouchers, as well as dedicated funding for housing search support and post move-in assistance associated funding for all HCVs.
- NALHFA supports the inclusion of additional set-aside funding and policy amendments in the annual appropriations bills to protect PHAs and their tenants from the risks of financial shortfall.

### Project-Based Rental Assistance

Project-based Rental Assistance (PBRA) is a public-private partnership between HUD and private owners of multifamily rental housing. Through this program, HUD provides rental assistance for more than 2 million people in 1.3 million low-income, very low-income, and extremely low-income households, allowing them to afford modest housing. Recent PBRA studies have shown 60% of the assisted households were headed by or had a spouse who was 62 years of age or older. In addition, 60% of assisted households were headed by or had a spouse who had a disability. The average household income was \$15,455.

HUD provides multifamily housing owners with a long-term PBRA contract or a subsidized mortgage to make units affordable. These contracts are

administered by HUD and state and local housing authorities. Eligible tenants must pay the highest of 30 percent of adjusted income, 10 percent of gross income, or the portion of welfare assistance designated for housing or the minimum rent established by HUD.

Recent draft solicitation released by HUD jeopardizes the role HFAs play in PBRA administration by regionalizing the Performance-Based Contract Administrator functions currently carried out by HFAs or public housing authorities. If codified, this approach would divide contract administration responsibilities amongst 15 Housing Assistance Payments (HAP) Contract Support Services. HFAs would be limited participants in bidding on PBRA payments, contract renewals and responses to tenant complaints after historically serving as facilitators carrying decades of expertise and long-term relationships with the communities they serve. PBRA has a long history of serving populations most in need of housing. HUD prioritizing the preservation and strengthening of local stakeholder engagement of this program is an effective means of investing in housing infrastructure.

- NALHFA supports policies that fully fund renewals on all project-based contracts for 12-month terms.
- NALHFA supports HUD rescinding proposed solicitation of HAP and urges the department to reconsider guidance that strengthens local stakeholder engagement in PBRA.

### Emergency Housing Vouchers (EHV)

The Emergency Housing Voucher (EHV) program was created in July 2021 under the American Rescue Plan to provide rental assistance to a range of households at risk of and/or experiencing homelessness.

The EHV program was funded at \$5 billion in the American Rescue Plan, with the funds intended to remain available until 2030. The EHV program aids nearly 60,000 Americans and serves geographically diverse housing needs, from high-cost urban areas to many rural communities. However, HUD sent a notice to PHAs nationwide in early March, to announce that their next allocation of EHV funding would be their final allotment, citing that the program was expected to run out of funds by the end of 2026. Given that PHAs had anticipated the funding to be available until 2030, this interruption about halfway through the program's lifespan will leave agencies in an incredibly difficult position.

- NALHFA supports efforts in the annual appropriations process to secure additional funding and flexibility needed to provide



assistance to EHV recipients as agencies work to transition these households into stable, more permanent funding sources.

## **BUILD AMERICA, BUY AMERICA IMPACTS ON FUTURE HOUSING**

The creation and implementation of Build America, Buy America, (BABA) has introduced new challenges for affordable housing development. Allowing affordable housing projects to be exempt from BABA will further the goal of increasing the supply of affordable homes. This ensures projects focusing on affordability, including those funded by HOME and CDBG, can still meet program requirements and local market needs while mitigating the impact of increased costs associated with BABA sustainability measures and general construction costs. By exempting affordable housing projects from BABA oversight, regulators will act in the public's best interest to eliminate obstacles that prevent practical approaches in ensuring vulnerable communities

are given affordable housing opportunities and streamline federal oversight for increased housing access. Additionally, increased coordination from HUD on BABA implementation for HOME and CDBG will alleviate cross-agency affordable housing grant program funding administrative burden.

When communities do not have adequate affordable housing for their workforce, wages and productivity will suffer. The affordable housing access obstacle prevents families from increasing their earnings and causes slower GDP growth. The shortage of affordable housing in major U.S. cities costs our economy \$2 trillion a year in lower wages and productivity and prevents low-income households from moving to areas with more economic opportunities.

Access to affordable housing improves numerous aspects of a family's quality of life. Research shows that when a family has access to affordable housing, there is an increase in their economic mobility. Additionally, children receive numerous benefits from living in an affordable housing community in high opportunity areas. These children earn more

as adults, live in better neighborhoods as adults, and are less likely to become a single parent. These children also do better in school and have greater opportunities to learn outside the classroom.

Furthermore, affordable housing infrastructure helps local economies and create jobs by leveraging public and private funds to increase earnings, increase tax revenue, and put people to work. Building just 100 affordable rental homes can generate \$11.7 million in local income, \$2.2 million in taxes and other revenue, and can create 161 local jobs in the first year of construction.

- NALHFA supports delayed implementation of BABA until further information has been collected from grantees on the program's impacts for affordable housing.
- NALHFA supports granting waivers and flexibility for impacted grantees under BABA to allow for streamlined statute enforcement that does not interfere with affordable housing administrative and financial assistance.
- NALHFA supports funding sharing between affordable housing federal programs to increase available resources for housing supplies.

## DISASTER RECOVERY ASSISTANCE

HUD's Office of Disaster Management (ODM) serves as the agency lead on assistance with the increasing number of climate-related events nationwide, notably with the recent destruction caused by Hurricanes Helene and Milton. Currently,

the main source of disaster assistance from HUD is sourced from the Community Development Block Grant Disaster Recovery (CDBG-DR) fund. CDBG-DR is not authorized by Congress to be annually appropriated and often is faced with inconsistent funding availability. By establishing in law annual CDBG-DR appropriations, impacts on housing and communities brought by climate-events including wildfires, hurricanes, drought and flooding can be met with assistance certainty at the federal level.

- NALHFA supports policies that aid in the robust expansion of federal assistance to areas impacted by natural disasters.
- NALHFA supports annual congressionally authorized funding for CDBG-DR.
- NALHFA supports green housing policies and collaboration with federal agencies to increase funding for low-income climate resilient community infrastructure and generate opportunities for vulnerable housing developments to engage in disaster mitigation activities.
- NALHFA supports federal legislative and regulatory policies that increase incentives for energy efficient infrastructure adoption.

## HOMELESSNESS ASSISTANCE

HUD's Continuum of Care (CoC) Program serves as the federal government's primary initiative for addressing homelessness through coordinated, locally driven strategies. Established under the



McKinney-Vento Homeless Assistance Act of 1987, the CoC Program promotes community-wide planning and strategic use of resources to prevent and end homelessness. Through a network of state and local partners including nonprofits, housing agencies and service providers, the program funds housing assistance, supportive services and coordination to help individuals and families transition from homelessness to stable housing. CoC grants support a range of housing models including permanent supportive housing, rapid rehousing, transitional housing and targeted prevention efforts aimed at reducing the risk of homelessness.

Beyond direct housing assistance CoC fosters collaboration among local stakeholders to create data-informed, results-oriented systems that address the root causes of homelessness. By requiring communities to operate under a coordinated entry system, HUD ensures that limited resources are prioritized for those most in need including veterans, youth, and individuals experiencing chronic homelessness. The program also emphasizes the integration of supportive services such as healthcare, job training, and mental health care to help participants maintain housing stability. Through sustained federal investment and local coordination, HUD's CoC Program remains a cornerstone of the national effort to reduce homelessness and expand long-term housing opportunities for vulnerable populations.

- NALHFA supports direct federal investment in HUD's CoC program to ensure communities have the resources needed to expand permanent supportive housing, rapid rehousing and prevention services that effectively reduce homelessness and promote housing stability.
- NALHFA supports stronger collaboration between HUD, local CoC networks and HFAs to align affordable housing development and financing tools with homelessness relief efforts to maximize the impact of federal resources and foster long-term community resilience.
- NALHFA supports policies that create equitable and diverse housing types meeting the needs of all who seek housing, emphasizing economic stability and reducing the displacement of neighborhoods.

## AFFORDABLE BROADBAND ACCESS

Equal broadband access within housing leads to increased community growth. By providing lower-cost internet to affordable housing properties greater workforce opportunities can be achieved

through decreasing the digital divide that affects many lower-income households. This deficiency of broadband access also negatively impacts younger members of communities in need who struggle with obtaining modern internet services that are needed to achieve educational success in K-12 learning. By implementing increased broadband development households can gain high-speed internet access at home to increase workforce opportunities and higher education achievements.

- NALHFA supports decreasing the digital divide to advance high-speed broadband access for communities in need.
- NALHFA supports the Federal Communications Commission Affordable Connectivity Program and its continued aid to increase broadband service in underserved households.
- NALHFA supports the integration of broadband access funding into federal infrastructure programs to increase federally sourced opportunities into existing housing programs.
- NALHFA supports legislative and regulatory changes that would allow for high-speed broadband internet services to be counted as part of federal utility allowances.

## HOME APPRAISAL MODERNIZATION

A home appraisal is a critical element of homebuying and lending processes as it establishes the value of the property as the collateral for a home loan. The difference between a property's value and the homeowner's loan amount generally represents the homeowner's home equity. One of the core benefits of homeownership is that a homeowner can build wealth by leveraging and growing that home equity. Greater home equity makes it less likely that homeowners will fail to repay a mortgage if they experience financial hardship. Therefore, property valuation is a critical input to the risk evaluations that surround the lending process.

Researchers have observed a market value gap between majority-Black and majority-white neighborhoods for decades. On average, homes in majority-Black neighborhoods are valued at less than half of those in neighborhoods with few or no Black residents. Statistical analyses show that accounting for neighborhood and property characteristics and amenities—such as the age of the property or its proximity to public transportation—does not explain the entire disparity. Recent research has identified appraisals as one of the drivers of the gap. Additionally, corporate investors have taken advantage of the nation's affordable

housing supply stock to decrease access from underserved communities.

Homeownership is one of the best paths to building intergenerational wealth, especially within communities historically shut out from fair access to the housing market. For families of all races and income levels to prosper and successfully pursue the American dream of homeownership, home appraisals must be accurate and free of bias.

Additionally, the Community Reinvestment Act (CRA) is a critical component of the entire public-private partnership model of affordable housing development as it requires banks to invest and lend in communities that have been historically marginalized and suffered from disinvestment. Despite the federal government's recent rulemaking efforts to modernize CRA's regulatory framework, the final rule has been halted due to a legal challenge, which may require a partial or full revision of the law depending on the outcome of the case.

- NALHFA supports policy that protects homeowners and potential buyers from discriminatory home appraisals.
- NALHFA supports federal policies to increase the number of first-generation homebuyers, specifically in historically disadvantaged communities.

- NALHFA supports the implementation of a federal final rule to modernize the Community Reinvestment Act.

## HOUSING FINANCE REFORM AND DUTY TO SERVE

In 2008, because of deterioration in the housing market and Fannie Mae and Freddie Mac's inability to raise new capital, Congress and the administration—through enactment of the Housing and Economic Recovery Act of 2008 (HERA; P.L. 110-289)—placed the government-sponsored enterprises (GSEs) into conservatorship under the control of the Federal Housing Finance Agency (FHFA). During the 113th Congress, policymakers began developing proposals to establish a new secondary market mechanism and winding down Fannie Mae and Freddie Mac; however, none of these measures received consideration by the full House or Senate. Congress and administrations have had ongoing discussions over the need to reevaluate the ongoing status of the GSEs. However, many outstanding details must be agreed to by Congress and the White House before any action would be approved modifying or eliminating the GSEs.

Related to this, the Federal Housing Finance Agency (FHFA) published 2022-2024 Underserved Markets Plans for Fannie Mae and Freddie Mac



under the Duty to Serve (DTS) Program. The DTS plans demonstrate a strengthened commitment to serving manufactured housing, affordable housing preservation, and rural housing. The targets and strategies in the plans build on lessons learned and progress made during the first four years of the DTS program.

NALHFA works to ensure the needs of local HFAs and the role they play in financing affordable housing are fully served. This includes ensuring that any successor entity to the GSEs acts as a viable secondary market outlet for affordable single- and multi-family housing finance; provides credit enhancement, insurance programs; and liquidity support for local HFA programs.

- NALHFA supports policies that will strengthen and expand local HFA-GSE collaborations and partnerships, including as part of the GSEs Duty to Serve requirements.
- NALHFA supports GSE credit purchasing limit increases.

## AMENDING AND ADVANCING TAX INCENTIVES FOR AFFORDABLE HOUSING

The Tax Cuts and Jobs Act (TCJA), signed into law on December 22, 2017, created a new tax incentive tool for community development projects and was permanently authorized by the One Big Beautiful Bill Act (OBBA). Opportunity Zones (OZs) provide long-term capital to economically distressed communities by providing tax incentives to investors who invest in Qualified Opportunity Funds (QOF). The Opportunity Zones tax benefit holds tremendous opportunity for local governments and is the first community development tax incentive program created in decades. Investors are able to receive a temporary tax deferral and other tax benefits by investing unrealized capital gains into QOFs for a minimum of five years.

According to Novogradac, more than 200,000 homes in 238 cities have been financed by QOFs. QOFs are the investment vehicle where taxpayers invest capital gains in OZs to qualify for deferral and other tax benefits. Novogradac's quarterly report on QOF investment revealed that the 2,080 QOFs tracked (1,653 of which report a specific equity amount raised) reported \$1.14 billion in additional equity during the second quarter of 2025. This results in an overall \$42.05 billion in QOF equity through June of 2025.

- NALHFA supports implementing programs and policies like OZs that provide long-term capital to economically distressed communities and transparency in reporting on investment impacts.
- NALHFA supports OZ designations to ensure data-driven identification of eligible areas, including consideration of previously approved zones for streamlined program participation and consistency.

## ECONOMIC POLICY IMPACTS ON HOUSING SUPPLY

Proposing higher tariffs on essential housing materials such as lumber, steel and aluminum pose a direct threat to the already strained housing supply in the United States. These materials form the backbone of residential construction, and any increase in their cost due to tariffs directly raises the overall cost of building new homes. For affordable housing developers operating on tight budgets, these added expenses can make projects financially unviable, delay development timelines, or reduce the number of units that can be built. The result is fewer homes entering the market, worsening the current housing shortage and driving up costs for renters and homebuyers alike.

For local HFAs and developers, tariff-driven cost increases further limit the impact of federal, state, and local funding programs meant to support affordable housing. These agencies already face significant challenges from rising interest rates, labor shortages, and regulatory hurdles. Adding inflated material costs due to tariffs exacerbates the affordability crisis and impedes efforts to expand housing access in underserved communities.

- NALHFA supports economic policies that lower material costs and increase housing availability, affordability, and material supply.

## UTILIZING FEDERAL TAX CREDIT PROGRAMS FOR ECONOMIC GROWTH AND HOUSING PRESERVATION

The New Markets Tax Credit (NMTC) program, permanently authorized by OBBA, is a vital federal tool that incentivizes private investment in low-income communities by providing tax credits to investors who make Qualified Equity Investments (QEIs) in certified Community Development Entities (CDEs). These CDEs then use the invested capital to support businesses and projects in low-income areas. Investors receive a tax credit equal to 39% of

their total investment, distributed over a seven-year period. Since its launch in 2000, the NMTC Program has proven to be a powerful catalyst for community revitalization. The Community Development Financial Institutions (CDFI) Fund has completed 20 allocation rounds, issuing a total of 1,667 awards and authorizing \$81 billion in tax credit allocations to stimulate economic growth and opportunity in underserved areas.

Uncertainty surrounding NMTC, including disruptions to application cycles and implementation delays resulting from layoffs and restructuring within the CDFI Fund greatly jeopardizes NMTC application. These administrative challenges threaten to stall critical community investment projects that rely on NMTC to drive economic revitalization in underserved areas.

- NALHFA urges policymakers to prioritize increasing CDFI staffing levels to ensure timely administration of the NMTC program to maintain predictability, preserve investor confidence, and sustain equitable access to capital for local development initiatives.

## ENHANCING RURAL HOUSING ASSISTANCE

The U.S. Department of Agriculture's (USDA) Rural Housing Service (RHS) plays a critical role in addressing the housing needs of rural and agricultural communities through programs that finance, preserve, and improve affordable housing. As rural America faces aging housing stock and limited development opportunities, modernizing RHS authorities and programs is essential to ensure long-term affordability and sustainability. Key legislative updates under consideration would authorize preservation assistance and allow for the decoupling of rental assistance from Section 514 and 515 loans, helping maintain affordability for tenants when loans mature. Other proposed reforms include adjusting the nonprofit set-aside for Section 515 loans, extending the repayment term of Section 502 loans to 40 years to improve affordability, and revising the Rural Housing Voucher program to better serve displaced residents.

Additional provisions would strengthen USDA's operational capacity through technology upgrades, enhanced interagency coordination with HUD and the Environmental Protection Agency (EPA), and comprehensive reporting on rural housing needs and the cost of the Rental Assistance program. These changes would improve program efficiency, ensure better data-driven decision-making, and

promote collaboration across federal housing and infrastructure initiatives. Together, these updates would support the preservation and expansion of affordable housing options in rural communities while enhancing accountability and long-term program effectiveness.

- NALHFA supports the authorization of RHS preservation tools and the decoupling of rental assistance from Section 514 and 515 loans to maintain long-term affordability and protect tenants as properties age or loans mature.
- NALHFA supports extending the loan term for Section 502 mortgages and revising the Rural Housing Voucher program to improve housing affordability, support homeownership opportunities, and provide stability for low-income rural residents.
- NALHFA supports investments in USDA technology modernization and enhanced coordination among USDA, HUD, and EPA to streamline program administration, strengthen interagency collaboration, and promote efficient delivery of housing and infrastructure resources to rural communities.
- NALHFA supports continued federal investment in the USDA Community Facilities Program to expand access to essential community infrastructure, including assisted living facilities and other supportive housing options that serve rural and underserved populations.

## SECTION 4 HOUSING

HUD's Section 4 Capacity Building for Community Development and Affordable Housing Program (Section 4) is a cornerstone of federal support for nonprofit organizations that lead affordable housing and community revitalization efforts in low-income communities. By funding critical activities such as staff training, operational improvements, and strategic planning, Section 4 enables local nonprofits to expand their capacity and effectiveness. The program is efficient, leveraging every federal dollar with an average of \$20 in additional public and private investment. Administered through national intermediaries, Section 4 ensures that resources reach HFAs with deep local knowledge and strong community ties, making it one of the most impactful and cost-effective tools in HUD's portfolio.

- NALHFA supports continued and expanded funding for the Section 4 program as an essential means of empowering local partners to meet the growing demand for affordable housing and neighborhood revitalization.

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