Insight

Checks, More Checks, and More Checks

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Yesterday, Hillary Clinton released her proposals for housing policy reforms. To no one's surprise, her plan would mean a sharp increase in taxpayer funding combined with a hefty dose of government overreach in communities across the country.

She is proposing a $25 billion "investment" to "empower underserved communities with the resources and flexibility they need to connect housing to economic opportunity." Specifically, she would increase funding and loosen underwriting standards for borrowers who have gone through certain homebuyer counseling programs, as well as match up to $10,000 in down payments for any borrowers who earn less than the median income of the target neighborhood. Clinton's plan would also increase funding to local governments that build affordable housing properties in certain "better" neighborhoods while offering additional low-income housing tax credits in neighborhoods where low-income housing is lacking.

This may sound fine and good until you look at the effects of similar policies, think through exactly what her proposals will mean for those she is trying to help, and add up the costs for the taxpayers who will be footing the bill:

Sowing The Seeds for The Next Housing Crisis: The proposal released by Clinton doubles down on the failed government policies that encouraged and enabled homeowners to obtain homes they could not afford. Clinton does this by, of course, writing checks of up to $10,000. Further, she will "update," which really means "loosen," underwriting standards in order to "broaden the pool of credit worthy borrowers eligible for a loan." In other words, she is taking us back to the policies that helped create the economic crisis that led to the Great Recession. The only difference is that this time the taxpayers pay in advance. Until the economy has been able to fully recover, policymakers should steer clear of more policies that are sure to recreate the crisis.

Expanding Failed Government Policies That Do Nothing to Help Homeowners: Clinton's plan seeks to expand the Neighborhood Stabilization Program and Hardest Hit Fund, programs that do nothing to help homeowners stay in their homes. These two programs have been largely criticized by government watchdogs as being ineffective. Not only that, many have criticized the programs for incentivizing foreclosures and ensuring home demolitions rather than prioritizing solutions to help homeowners stay on their feet. In other words, Clinton proposes to hand out checks to destroy homes instead of keeping families in their homes.

Funneling Money into Ineffective and Unaccountable Programs: The proposal also increases funding to the Choice Neighborhoods and Neighborhood Revitalization Initiative, the former falling under the Housing Trust Fund and the latter into the murky world of White House policy initiatives. By skirting the integrity of the congressional appropriations process, which allows lawmakers to weigh the tradeoffs of policy priorities in distributing limited budget resources, these proposals are not subject to proper scrutiny and approval processes.

Duplicating Appropriated Funding of More than Thirty Existing Housing Programs: By creating new initiatives or increasing funding for existing programs, Clinton's proposal will duplicate and add further complexity without reforming overlapping programs that work to accomplish similar goals. The federal

government currently supports housing in many different ways from tax credits to the more than thirty programs under HUD. In fact, GAO concluded that the federal government "incurred about $170 billion in obligations for federal assistance and forgone tax revenue in fiscal year 2010" to provide housing aid to homebuyers, renters, and state governments. Instead of adding to the already costly and complex web of federal housing programs, Clinton should aim to reform and make efficient programs that are already in place.