



Insight

Review of the President's Plans for Housing and Finance in FY 2016

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President Obama's plans for housing and finance are simple and [should sound familiar](#): raise taxes on unpopular companies to boost affordable housing, community development, and other pet initiatives. Overall, the President requested HUD's gross budget authority be increased from the \$45.5 billion enacted for 2015 to \$49.3 billion, an increase of 8.7 percent. Here are some highlights:

Major Savings, Spending, & Tax Proposals (Budget Impact Over 10 Years)	
	Revenue Raising Proposals
Community Development Block Grant Cut	\$200 million
Rural Multifamily Housing Preservation Grants Cut	\$4 million
Impose a Financial Fee	\$112 billion
Improve Mortgage Interest Deduction Reporting	\$1.9 billion
Reform the Tax Treatment of Financial & Insurance Industry Products	\$34.4 billion
	Spending Proposals
Housing Development Grants	\$300 million
Reform & Expand the Low Income Housing Tax Credit	\$4 billion
Modify & Extend Tax Credit for Energy-Efficient Home Construction	\$2.5 billion
Modify & Extend the New Markets Tax Credit	\$10.1 billion

Extend Mortgage Debt Forgiveness Tax Provision	\$7 billion
Source: President's FY 2016 Budget	

Tax Reform or Lack Thereof

In cutting tax expenditures and imposing a new financial fee, the President is proposing billions in tax increases for the financial services industry. When coupled with broader changes sought to the corporate tax code, the resulting tax increases would have a significant impact if they had any chance of passage in Congress.

Projected Improvement in FHA Fund

Like the FY 2015 budget, the White House does not expect the Federal Housing Administration (FHA) to need further infusions of cash from the Treasury Department to bolster FHA's mutual mortgage insurance fund. Yet with the recently announced premium reductions, the White House expects it will take longer for the MMIF to reach its required capital reserve ratio by reducing incoming revenue. [AAF has previously detailed](#) how the FHA premium reduction may materially impact private companies and expand the government's role in housing. The budget further proposed that Congress give FHA authority to collect an administrative support fee, estimated to bring in \$30 million to update outdated technology.

Profits from Fannie & Freddie

The President's budget expects Fannie and Freddie to send \$153.3 billion to the Treasury Department over the next 10 years. The budget also takes into account Federal Housing Finance Agency Director [Mel Watt's recent decision](#) to allow Fannie and Freddie profits to capitalize the Housing Trust Fund. They expect the Fund to receive \$120 million in FY 2016.