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Housing

Will A Trump National Housing Emergency Declaration Help?



Issue

For months, the Trump Administration has intimated that the President will soon issue an Executive Order (EO) declaration “*A National Housing Emergency*.” Because the Federal government’s powers over home construction are limited—and the President’s more so—it is doubtful that such a declaration will provide meaningful relief to struggling borrowers.



Impact

The Trump Administration is looking to release the Government-Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac from their almost 2 decades long conservatorship, an arguably overdue reform that could form a part of a National Housing Emergency declaration. So too, is the Trump Administration attempting to appoint members to the Fed that will pursue lower interest rates, interest rates that are correlated with higher borrowing costs for homebuyers although not tied as directly as Treasury rates.

Outside of releasing the GSEs from conservatorship and pursuing a low-interest rate policy, the most meaningful reforms would be actions that the Administration and Congress can take to spur homebuilding which is at historically low levels. That is difficult—although not impossible—for the Federal government to accomplish.

Below, ACG Analytics discusses some of the policy ideas currently available to the Administration and Congress.



Next Steps

Among the most important changes under contemplation is the removal of a roughly 50-year-old requirement for manufactured housing (“mobile homes”/“prefab homes”) to be built on a chassis. Deploying ready-made or near ready-made housing across the country, some argue, would produce efficiencies of scale of a magnitude necessary to deploy housing starts quickly and increase affordability.

On July 29th, the Senate Banking Committee passed “*The Renewing Opportunity in the American Dream to Housing Act*” (“*ROAD to Housing Act*”) unanimously. The legislation was attached to the fiscal year (FY) 2026 National Defense Authorization Act (NDAA) which passed the Senate a little over a week ago. Last

Congress, now–House Financial Services Committee Chairman French Hill (R-AR), with now–Senate Banking Committee Chairman Tim Scott (R-SC), [introduced](#) a previous version of the legislation, which importantly incentivizes the deployment of manufactured housing as does the version which passed the Senate last week. Under Hill’s Chairmanship, the House Financial Services Committee has taken a keen interest in housing legislation and is slated to hold a hearing, “*Building Capacity: Reducing Government Roadblocks to Housing Supply*,” when the House comes back from recess. On Thursday at 10:00 a.m., the Senate Banking Committee will hold a hearing entitled “*Update from the Prudential Regulators: Rightsizing Regulation to Promote American Opportunity*.”

More Information Below

Background

At present, the inventory of housing stock, although with regional differences, is constrained nationally, and that constraint is felt particularly more acutely the lower one goes down the income scale.

Against this backdrop, many forecast home prices to increase by roughly 3.5% over the next year, although this is highly dependent on region, with the largest increases being seen in New England and housing prices in the Sun Belt falling.

Falling prices, however, do not always mean greater affordability: while prices are decreasing in the Sun Belt (particularly Texas and Florida) *in part* because of pro-growth housing policies, some home price decreases may also be attributable to the cost of insuring against storms. For a homeowner, the total price of a home includes both the cost of the mortgage *and* insurance.

Potential Trump Administration Interventions & Likely Impacts

Most Meaningful

- **Tariff Exemptions.** Some economists believe that tariff exemptions could lower new construction costs by 2–3%. This, however, is not as much a pro-growth policy per se, but merely a “*First, do no harm*” intervention. Such a

policy, however, would be politically difficult for the Administration because it would indicate to many that the Administration's tariff policies—ostensibly designed to reshore industries and ultimately help American workers—come with associated inflationary costs. Even a partial about-face on tariffs would go against recent Administration actions such as the September 29th EO, "[*Adjusting Imports Of Timber, Lumber, And Their Derivative Products Into The United States*](#)," which also levied a 25% tariff on imported kitchen cabinets and the materials used in their construction.

- **Zoning Incentives.** The Obama Administration attempted to tie Federal grant support—funding for public transportation projects in particular—to states and localities adjusting zoning rules around public transit stops to allow high density or multifamily housing. The attempt was ultimately unsuccessful, challenged in the courts, and decried by many Republicans and localities as an intrusion by the Federal government on local decision-making. The term “NIMBY” (Not-In-My-Backyard) is most associated with opposition to real estate development.
- **Retail-to-Residential Conversions.** While there have been many innovative attempts to turn disused or underutilized commercial real estate into housing, particularly mixed-use development, each project is unique and faces many of the same issues that tying Federal support to zoning incentives does. There are challenges to renovating commercial designs into residential housing although some argue that this might be easiest to accomplish in Opportunity Zones of which Sen. Tim Scott (R-SC), the Chairman of the Senate Committee on Banking, Housing & Urban Affairs, is the champion.

Least Meaningful

- **Lowering Closing Costs.** The Federal Housing Finance Agency (FHFA) could through a formal rulemaking or by political pressure attempt to lower residential real estate closing costs, but the real problem facing home ownership is not saving \$1,000 on closing costs. Some argue that any reforms here might also be quickly absorbed by concomitant inflation.
- **Releasing Federal Lands for Housing.** During the consideration of *The One Big Beautiful Bill Act* (OBBBA) earlier this summer, there was a provision—pared back and ultimately stripped from the legislation—that would have

facilitated the sale of Federal lands near populated areas to allow for housing expansion. The problem of Federal land ownership is especially acute in many Western states (roughly 45.5% in California, 63% in Utah, for instance), and any changes here would help only at the margins and their effects would be highly regionalized.

- **Tax Credits.** The President may also call on Congress to pass tax credits for housing rehabilitation or for 1st-time home buyers or other eligible parties. While there has been broad bipartisan support in Congress for such intervention as evidenced by the bicameral and bipartisan “[Neighborhood Homes Investment Act](#),” the legislation was left out of the Senate’s “*Road to Housing Act*” despite having bipartisan support on the Senate Banking Committee. Tax subsidies would arguably lead to home price inflation and thus may be at cross purposes to lowering housing costs. In terms of “*The Neighborhood Homes Investment Act*,” in particular, the sponsors contend that it would lead to the creation of 50,000 new *or rehabilitated* homes a year.
- **Indexing/Eliminating Capital Gains Taxes on the Sale of a Primary Residence.** An idea that has garnered the support of President Trump and some in Congress is indexing or eliminating the capital gains tax on the sale of a primary residence. In July, Rep. Marjorie Taylor Greene (R-GA) introduced “[The No Tax on Home Sales Act](#),” which would eliminate all capital gains taxes. The current Federal government capital gains exclusion—which hasn’t changed since 1997—shields up to \$250,000 in gains for individuals (\$500,000 for married couples filing jointly). If those caps were indexed to inflation—not eliminated—they would be more in line with a \$618,000/\$1.24 million exclusion today. Yet most home sellers continue to fall under the current capital gains cap. According to a July Yale [study](#), indexing the current cap would effect only about 10-15% of current home owners. More importantly, while it might lead to more home sales from those who are reluctant to sell either because they are locked into lower mortgage rates or because they dread facing a large tax liability, the proposal in no way increases the total supply of housing. While there is no official score of Greene’s legislation by the Congressional Budget Office (CBO), a political issue is that eliminating or indexing the current capital gains threshold would benefit primarily wealthier homeowners (those with an average worth of

around \$5.7 million or more according to the Yale study) and would cost the Federal government billions of dollars in lost revenue. It is difficult to see Democrats in Congress supporting such a proposal.

Some have wondered whether there could be a push from the Administration to cajole home builders into lowering prices, much like the Administration did in threatening PhRMA or alternatively using an authority such as *The Defense Production Act* (DPA) to accomplish the same ends. But the costs and legal issues confronting builders are arguably largely out of their control.

Take zoning regulations for instance: lowering minimum lot sizes, set back requirements, square foot requirements, or rezoning single family housing to multifamily or mixed use might attract the support of some homebuilders, but they merely influence, but do not control ultimate decision-making. Further, many homebuilders have fought for those very same zoning requirements.

In other words, the industry is hardly unified. Legal challenges aside, it is difficult to comprehend how invocation of the DPA or some analogous but unidentified power would change the calculus either: builders can only do what is possible, the DPA does not require the private sector to operate at a loss, and it is unclear from where any potential subsidies would come unless authorized by Congress.

Potential Congressional Intervention

A Presidential National Housing Emergency Declaration may very well call on Congress to act and there is a real opportunity for Congress to do so on a bipartisan basis.

While Washington, DC is currently paralyzed by a highly partisan government shutdown amidst a highly partisan political environment, there have been some rare moments of bipartisan consensus: housing policy is a rare example.

On July 29th, the Senate Banking Committee passed “*The Renewing Opportunity in the American Dream to Housing Act*” (“ROAD to Housing Act”) unanimously.

As ACG Analytics [wrote](#) then, the legislation is a “*smorgasbord of policies designed to help increase the supply of affordable housing...The legislation represents a combined effort by Senate Banking Committee Chairman Tim Scott (R-SC) and Ranking Member Elizabeth Warren (D-MA) to coalesce around proposals that can pass the Congress and be signed into law with speed...Policy changes include reforms to zoning rules, home*

appraisals, environmental regulations, preserving existing housing stock, administrative compliance, and measures designed to increase the supply of rural housing and facilitate disaster recovery, among other changes—40 reforms in total.”

In a key victory for the manufactured housing industry, the legislation removes a roughly 50-year-old requirement for manufactured housing (“mobile homes”) to be built on a chassis, a legislative change supported by the bipartisan [National Housing Crisis Task Force](#), among others.

According to 2 researchers at the University of Texas–Austin, Jesús Fernández-Villaverde, also an economics professor at the University of Pennsylvania, and Lee Ohanian, also an economics professor at the University of California–Los Angeles, [“Creating Affordable Housing Requires Just One Simple Legislative Change”](#)—removal of the chassis requirement.

According to the authors, manufactured housing has never regained its pre-1974 market share since Congress first instituted the chassis requirement and in part because of this, the housing industry has not shared in the precipitous productivity gains enjoyed across the economy since then:

“Imagine purchasing a new car in which all the components (from the headlights to the transmission to the steering wheel) were delivered in a pile to your driveway and then hiring skilled workers to assemble them into a finished automobile. That process would, of course, be far more expensive and take much longer than building a car in modern factories...”

The productivity implications of modern manufacturing compared to artisanal building are enormous. A special study by the Bureau of Labor Statistics on traditional housing construction found that worker productivity rose by only 11 percent between 1987 and 2016. By comparison, BLS data show that worker productivity in durable goods manufacturing rose by about 150 percent over the same period. The efficiency gains enjoyed by consumers of manufactured durables are largely absent from residential construction because traditional building practices have not adopted the cost-saving technological advances common in manufacturing.”

ACG Analytics is quoting the authors generously who maintain that manufactured homes cost approximately ½ as site-built homes but account for only about 10% of

new U.S. housing today, in stark contrast to pre-1974 levels when manufactured homes accounted for about 1/3rd of the market:

“It was not always like this. Before the 1974 chassis requirement, manufactured homes were taken off their trailers upon delivery, set on foundations, and resembled other single-family houses in the neighborhood. In the early 1970s, nearly one in three new homes was manufactured. But after the rule was implemented, production dropped sharply, decreasing 60 percent from 575,000 units in 1972 to 222,000 in 1980, or about one in ten homes. Manufactured housing has never regained its previous market share.”

As zoning rules in many jurisdictions can attest, the perception of manufactured homes as down-market stems in large part from the requirements Congress imposed in 1974:

“The chassis rule...established under the 1974 Mobile Home Construction and Safety Standards Act...mandates that manufactured homes be built on a chassis (a fixed steel frame with wheels), which raises costs, blocks access to conventional mortgage financing since the house can be moved, and, perhaps most importantly, reinforces the “mobile home” image that fuels zoning resistance. As a result, manufactured housing, forced to sit on its unsightly permanent trailer, has been largely relegated to mobile home parks over the past 50 years.”

The authors’ arguments have been echoed in influential DC publications including *The Washington Post* and *Politico*.

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