



Biden Administration's Fiscal Year 2024 Budget Proposal

On March 9, 2023, President Joseph R. Biden submitted his annual U.S. Government budget proposal to Congress for Fiscal Year (FY) 2024—beginning on October 1, 2023.¹ It is important to emphasize that, like any Presidential budget, this proposal² is a detailed statement of policy about the Administration's agenda, but Congress will consider it in parts and may accept, decline, or modify however it sees fit. Given the contentious atmosphere in Washington, we can expect a spirited debate on both the broad framework—lowering deficits by nearly \$3 trillion over 10 years primarily through increased tax on corporations and the ultra-wealthy—and the specific program spending levels.

Please see below for a high-level summary of areas of primary interest to the residential real estate finance industry within President Biden's FY 2024 budget proposal.

Tax Policy:

- The Budget highlights a \$1.7 trillion dollar deficit reduction since Biden's inauguration and praises the new 15 percent minimum tax on billion-dollar corporations.
- Proposes to further reduce the deficit in the coming years by imposing a "billionaire minimum tax", requiring Americans with a net worth exceeding \$100 million to pay at least 25 percent of all income including on appreciating assets. It also proposes increasing taxes assessed on corporate stock buybacks to 4 percent, from 1 percent.
- Proposes capping the amount of taxable gain that can be deferred in a 1031 "like-kind" exchange at \$500,000 per individual, or \$1 million for a joint return.
- Proposes increasing the Net Investment Income Tax (NIIT) from 3.8 percent to 5 percent, which applies to most non-wage passive income for taxpayers with income over \$200,000 (or \$250,000 on a joint return).
- Provides \$28 billion in additional Low-Income Tax Credits (LIHTC) in order to boost the supply of affordable housing. The Budget also reduces the private

¹ FY 2024 begins on October 1, 2023, and ends on September 30, 2024.

² See Budget of the U.S. Government, available at <https://www.govinfo.gov/content/pkg/BUDGET-2024-BUD/pdf/BUDGET-2024-BUD.pdf>



activity bond financing requirement from 50 percent to 25 percent and repeals the qualified contract provision and right of first refusal provision for LIHTC properties.

- Creates a new Neighborhood Homes Tax Credit and provides \$16 billion over ten years to cover the gap between the cost of construction and the sale price for rehabilitated or newly constructed single-family homes that are occupied by low- or-middle income homeowners.

U.S. Department of Housing and Urban Development (HUD), including the Federal Housing Administration (FHA) and Ginnie Mae:

- The Budget requests \$73.3 billion in gross discretionary funding for HUD, a \$1.1 billion or 1.6 percent increase from the FY 2023 annualized CR level.

FHA-Residential

- Provides \$10 billion in mandatory funding for a new First-Generation Down Payment Assistance program to help address racial and ethnic homeownership and wealth gaps.
- Dedicates \$100 million to the HOME Investment Partnerships Program (HOME) down payment assistance pilot to expand homeownership opportunities for first-generation and/or low wealth first-time homebuyers and \$15 million to increase the availability of FHA small balance mortgages.
- Provides over \$1 billion to fund the expansion of affordable housing, improve housing conditions and infrastructure, and increase economic opportunities for low-income tribal families.
- Proposes \$85 million to a competitive program to reward State, local, and regional jurisdictions that make progress in removing barriers to affordable housing developments, such as restrictive zoning, as well as \$10 billion in mandatory funding to incentivize the next group of jurisdictions to make similar zoning and land use reforms.

FHA-Multifamily

- Provides \$3 billion in mandatory funding for competitive grants to promote and solidify State and local efforts to reform eviction policies by providing access to legal counsel, emergency rental assistance, and other forms of rent relief.



- Proposes \$10 million for the Eviction Protection Grant program, which provides legal assistance to low-income tenants at risk or subject to eviction.
- Supports legislative action to update the base statutory loan limits for Multifamily Housing Programs and implementation of an alternate inflation index that better reflects the cost of residential construction.
- Supports legislative action to authorize Ginnie Mae to securitize HFA-Risk Share loans.

Ginnie Mae

The proposed funding for administrative/personnel costs at Ginnie Mae is \$61 million, to be offset by Commitment and Multiclass fees, an increase from the \$43 million level in FY 2023. The Budget predicts the Ginnie Mae staff will reach an estimated 269 employees. The cap on Ginnie Mae's loan commitment authority is requested at \$550 billion in FY 2024.

Housing Counseling

- Calls for \$90 million to support State and local fair housing enforcement organizations and to further education, outreach, and training on rights and responsibilities under Federal fair housing laws.
- Includes \$66 million for grants to HUD-approved Housing Counseling agencies for direct services and to develop training for HUD-approved housing counselors.

Consumer Financial Protection Bureau (CFPB):

- The primary Budget document's only reference to the CFPB lies in the foreword, *Delivering Results to the American People*, where the President applauds the CFPB's "crack down" on banking fees. The document references an estimated \$1 billion dollar reduction in fees assessed annually.
- In the Analytical Perspectives, the President references the Federal Reserve's obligation under Dodd-Frank to transfer a portion of its excess earnings to the CFPB.
- In the Appendix, the Budget proposes a 30 million dollar increase in the CFPB's Budget authority from FY 2023 to FY 2024.



U.S. Department of Agriculture (USDA) and Rural Housing Service (RHS):

- For FY 2024, RHS Section 502 single-family housing guarantees are requested at a \$30 billion annual volume level. The subsidy rate for FY 2024 continues to be negative with the combination of annual and upfront fees, meaning that the program is a net revenue generator for the federal government.
- The FY 2024 Budget requests:
 - \$1.5 billion for Section 502 single family housing direct loans
 - \$200 Million for Section 515 multi-family housing direct loans
 - \$50 Million for Section 504 very low-income housing repair loans
 - \$75 million for the multi-family housing preservation and revitalization pilot program which is included in this account to facilitate preservation loan modifications on post-credit reform multi-family housing loans.
- The Budget proposes new appropriation language in the single-family direct loan program to eliminate the requirement that borrowers repay subsidy costs.

US Department of Veterans Affairs

- The FY 2024 Budget proposes \$137.9 billion in discretionary budget authority for the Department of Veterans Affairs, a \$3 billion increase over the 2023 enacted level. \$316.7 million of this amount would be allocated to the VA Loan Guarantee program.
- Provides an additional \$619 million above the FY 2023 enacted level, for a total of \$6.4 billion, for VA's Office of Information Technology to continue upgrades to the VA IT systems.
- Estimates default claim payments of \$2.484 billion in FY 2024, an over fivefold increase over the estimated \$473 million in FY 2023. This likely accounts for the fact that VA's Refund Modification option is scheduled to sunset on July 1, 2023.

Federal Housing Finance Agency (FHFA) and the Government-Sponsored Enterprises (GSEs):

- The Budget Appendix estimates a \$16 million increase in Budget authority for FHFA from FY 2023 to FY 2024.



MORTGAGE BANKERS ASSOCIATION

- There are no recommendations or suggestions for GSE reform or exiting conservatorship, other than an expressed willingness to work with Congress.
- The Budget continues to reflect the GSEs as non-budgetary entities, though their status will continue to be reviewed. All of the current federal assistance being provided to the GSEs, including the Senior Preferred Stock Purchase Agreement, is shown on-budget.

U.S. Department of the Treasury:

- The Budget includes \$360 million in gross discretionary budget authority for the Department of the Treasury, a \$58 million dollar increase from the FY 2023 estimated level.

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