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CHLA WHITE PAPER

GEN Z HOMEOWNERSHIP MOON SHOT CHALLENGE

A Challenge to the Baby Boomer Generation to Take Bold Action to Help Homebuyers in their 20s & 30s

Tax Changes to Unlock Assets for Down Payments

Focus on Entry Level Homeownership Options

Expand the Most Effective Down Payment Programs

A National Commitment to Financial Literacy

Community Home Lenders of America (CHLA)
Communitylender.org
2101 Wilson Boulevard, Suite
Arlington, VA 22201
(571) 527-2601

PREFACE

An 11/2025 National Association of Realtors ***Profile of Home Buyers and Home Sellers*** concluded ***"the typical age of first-time buyers climbed to an all-time high of 40 years."*** and ***"The share of first-time home buyers dropped to a record low of 21%."***

To quote Charles Dickens*, **"It was the best of times, it was the worst of times."*** At the same time that young families and individuals unable to achieve homeownership are being deprived of the wealth building and stability that homeownership brings, record home prices and bulging 401(k) accounts from a stock market boom mean the Baby Boomer generation - and older persons in general - are amassing assets. We are experiencing an unprecedented intergenerational wealth imbalance.

What can be done about this? The same NAR Profile notes that ***"The historically low share of first-time buyers underscores the real-world consequences of a housing market starved for affordable inventory."*** President Trump's recent ***Executive Order on Affordable Housing Construction*** made increasing our housing stock a priority. But it also acknowledged there is only so much the federal government can do, since success in boosting housing supply is largely up to states and localities.

Yet there are actions the federal government can take to have an impact. In addition to this Housing Construction Executive Order, the President also recently issued an ***Executive Order on Mortgages*****.** Separately, the House and Senate are currently negotiating the *"21st Century Road to Housing Act*" – 41 separate provisions designed to boost affordable housing.

CHLA applauds these developments. But it is important to acknowledge that these actions are by their nature very limited - constrained by robust jockeying for scarce resources of a federal government with a host of other priorities - like health care, national defense, and retirement security. By themselves, these developments will not arrest the 40 year old NAR stat above.

In the 1960's, faced with the challenge of Communism and the fear of falling behind technologically, President Kennedy issued a Moonshot challenge, pledging ***"to go to the moon in this decade" – "not because it is easy but because it is hard."***

Setting priorities and making financial commitments is about making choices. We just sent a manned-mission to the other side of the moon – with an estimated cost to taxpayers of the Artemis program of around $93 billion between 2012 and 2025.

A similar commitment is needed to fully restore the American Dream of Homeownership. We should set a goal that the average age of a 1st time homebuyer should actually fall - so all qualified young families that want to buy a home can do so.

We should start by assuming that Baby Boomers or academic studies or D.C. think tanks do not necessarily have all the answers. We should start by talking with persons in their 20s and 30s trying to buy a home, to ascertain their home purchase objectives, reservations, and challenges. For this, CHLA is appreciative of the significant work of our Members, particularly Veterans United, Guild Mortgage, and Homewise, which have shared their findings in this White Paper. CHLA also recently conducted interviews of our own with homebuyers in their 20s and 30s, in order to get an on-the-ground assessment.

A Moonshot Commitment means vigorous advocacy with Members of Congress and federal housing officials to press them – and the nation at large - to make homeownership a top priority. To think boldly. To act boldly. To change the trajectory.

CHLA has some ideas of our own. See page 3 of this report for "**CHLA Recommendations: Gen Z Homeownership**."

We acknowledge we do not have all the answers to the homeownership crisis in which individuals in their 20s and 30s find it increasingly challenging to buy a home. **But as mortgage lenders, we know there is a problem – a problem that won't be solved just by tinkering around the edges, by small bore ideas that only affect a small subset of people. A problem that won't be solved just by press releases or National Homeownership Month speeches in June.**

So, CHLA challenges everyone - with children or grandchildren in their 20s or 30s – or with children younger than that – or anyone who cares about the next generation – to join us in this call for bold action on homeownership.

CHLA RECOMMENDATIONS: GEN Z HOMEOWNERSHIP

Congress and federal agencies with jurisdiction over housing and mortgages should make homeownership for Gen Z individuals and families a top priority by adopting bold, targeted policies to address homeownership challenges:

1. Reduce Tax Costs of Accessing Trillions in Investment Assets for Down Payments

Regulatory: More Flexibility for Gen Z Homebuyers to Access Their Own 401(k) to Buy a Home

- **Make 401(k) Loans for Down Payments More Flexible**: (a) Require 401(k) firm sponsors to allow loans to stay in place after an employee leaves a firm. (b) Allow 30 year loan term. (c) Allow rates as low as the mortgage rate.

Congressional Tax Actions - Accessing Parents' Assets to Help Their Child or Grandchild Buy a Home

- **Starker Exchange for Child/Grandchild Down Payment:** Deferral of up to $50,000 in capital gains on the sale of investments or a principal residence for gifts to child/grandchild for down payment on a 1st time home purchase.
- **Accessing 401(k)/IRA Funds for Child/Grandchild Down Payment:** Tax deferral or reduction for a 401(k)/IRA withdrawal (or 401(k) penalty waiver ages 50-59 ½) for a gift to a child or grandchild for a 1st time home purchase.

2. Focus on Entry Level, Affordable Homes for 1st Time Homebuyers

- **Condominiums:**
  (1) Fannie Mae and Freddie Mac should eliminate LLPAs (fee add-ons) for condo loans.
  (2) FHA should insure condos in any project approved by Fannie Mae or Freddie Mac.
  (3) Fannie Mae and Freddie Mac should restore limited review approvals for condominium projects.
  (4) Congress and HUD should find ways to encourage the retrofitting of vacant office space to condos/townhomes.
- **Manufactured Homes:**
  (1) Fannie Mae & Freddie Mac should eliminate LLPAs (fee add-ons) for real property manufactured home loans.
  (2) FHA should make reforms to its Title 1 chattel loan program - to get lenders back into the program.
  (3) Fannie Mae and Freddie Mac should purchase all chattel loans that meet sound underwriting guidelines.
- **Homes in High Cost Home Areas:**
  - Fannie Mae and Freddie Mac should eliminate LLPAs (fee add-ons) for "high balance" loans.
- **Homes in Rural, Lower Cost Home Areas:**
  - Congress should adopt a $5,000 a year mortgage interest credit for 1st time homebuyers who don't itemize.

3. Maximize Impact of Down Payment Assistance

- **Create a Federal Inter-Agency Task Force** – to:
  (1) Identify and analyze all spending programs (e.g., HOME, CDBG), tax expenditures (e.g., MRBs, Mortgage Credit Certificates), and private sector programs that provide down payment assistance to 1st-time homebuyers.
  (2) Identify the programs that are the most cost effective and efficient in boosting homeownership.
  (3) Make recommendations to reform, consolidate, and expand the most effective federal programs.

4. Increase Financial Literacy of Prospective Gen Z Homebuyers

(1) All high schools nationwide should require two semesters of financial literacy courses – covering homebuying, mortgages, credit cards, investments, retirement planning, auto and education loans, and personal checking. Colleges and adult education classes should also offer and encourage the use of such financial literacy courses.
(2) Federal agencies that now post disparate homebuying/mortgage guides (e.g., CFPB, HUD, USA.gov, Fannie Mae, Freddie Mac) should work with realtors and lenders to develop a unified, practical homebuying/mortgage Guide.
(3) Congress should fund dissemination of this Guide to prospective Gen Z homebuyers on social media - and encourage educational institutions, HUD counseling agencies, and the private sector to promote its availability.
(4) Congress should continue funding for pre-purchase homeownership counseling and should find ways to augment those efforts with more streamlined guidance to reach more Gen Z homebuyers earlier in the homebuying process.

CHLA MEMBER GEN Z HOMEOWNERSHIP RESEARCH

CHLA is grateful for Gen Z homeownership research feedback we received from CHLA Member lenders – particularly from Veterans United Home Loans, Guild Mortgage, and Homewise. Following are excerpts from their research findings:

Veterans United Home Loans.

Veterans United specializes in serving veteran and military homebuyers and has originated more Veterans Administration (VA) loans than any lender over the last two decades. Veterans United recently released a **Survey** highlighting their key finding that "**6 in 10 Parents are Helping their Kids Buy Homes." Additional findings included:**

- *Helping their children afford a down payment was the most common reason parents cited for stepping in (43%).*
- *37% said they want to help their child qualify for a mortgage, while 33% cited helping with closing costs.*
- *"Nearly two-thirds (65%) said they're using checking or cash accounts. Half said they are tapping investment accounts, while 35% pointed to home equity through a HELOC, cash out refinance or property sale. Another 32% said they are using retirement accounts, and 27% cited inheritance or trust funds.*
- *Thirty percent of parents say they have provided or expect to provide between $25,000 and $49,999, while 23% say they plan to contribute between $50,000 and $99,999. Another 12% expect to provide between $100,000 and $199,999, and smaller shares say they will provide even more.*
- *A third said they want to help their child build equity and long-term wealth, while 27% said they want to reduce their child's monthly payment. One-quarter said they want to help their child afford a home in a better neighborhood or school district.*

Guild Mortgage

Guild Mortgage is a national mortgage lender, operating since 1960, helping borrowers through initiatives like Homebuyer Readiness Fairs, down payment assistance programs, and locally embedded loan officers. In early 2026, Guild Mortgage set out to better understand the next generation of homebuyers, partnering with YouGov, a global market research firm, to **Survey** over 1,100 U.S. adults ages 18 to 29. **Following are key findings from the research**:

- *One thing is unmistakably clear: Gen Z wants to own homes. What stands between them and that goal is a combination of affordability pressure, process uncertainty, and an industry they do not yet trust to guide them.*
- *65% of Gen Z cite high home prices as their biggest barrier to homeownership, while 31% say they simply do not know where to start, and 18% do not understand what a lender does. Affordability is still a big concern for this generation, but it is a market condition. The knowledge gap is one the industry can address right now.*
- *Nearly half of Gen Z (48%) is currently living with parents or family members, with 52% of those ages 22 to 25 and 29% of those ages 26 to 29 still at home. This is a generation making practical decisions in a difficult market, often saving with the intention to buy.*
- *Only 21% of Gen Z trusts the mortgage industry overall, while 75% say friends and family are their most trusted source of financial advice when it comes to buying a home. The research findings indicate that trust in this industry is not assumed, it has to be earned through transparency, education, and genuine investment in the buyer's success before any transaction begins.*
- *59% of Gen Z needs help understanding the homebuying process. 60% specifically need help understanding property taxes and insurance. One respondent captured the sentiment of many, saying: "It feels embarrassing to say I don't understand the process, and that anxiety pushes me away from getting help." Survey responses suggest when the homebuying process feels more approachable, free of judgment, Gen Z buyers are more likely to ask questions and engage.*
- *68% of Gen Z would consider co-buying or co-borrowing a home with a friend, partner, or family member. Awareness of flexible financing options like down payment assistance, temporary buydowns, and co-borrowing programs remains critically low. 67% have never heard of rate buydowns and 39% are unaware down payment assistance programs exist.*

Homewise

Homewise is a non-profit Community Financial Development Institution (CDFI) that provides comprehensive services to potential homebuyers that include financial literacy and counseling, home selection services, and affordable mortgages. Working with borrowers through their integrated, education-first model, **following are their findings**:

The importance of down payment assistance is exploding

- *96% of Homewise borrowers received some form of down payment assistance in 2025.*
- *The amount of assistance Homewise provided per borrower has more than doubled from $25,700 in 2020 to $65,400 in 2025.*
- *Homewise employed 9 sources of downpayment assistance in 2020 and 27 sources in 2025.*
- *Median sales price in our primary markets (Albuquerque and Santa Fe) increased by 50% from 2020 to 2025.*

Homebuyer education and counseling is effective

- *Only 30% of our clients are mortgage ready at first contact with Homewise, while 70% require assistance from our team of Home Purchase Advisors.*
- *The average time we work with our long term clients is over a year (average is 437 days).*
- *For those with a FICO score below 640 at intake, the average increase was 91 points.*
- *For those with less than $5,000 in savings, the average increase was $2,700.*
- *For those with non- housing debt greater than 10% of income, the average reduction was $179 per month.*
- *Only 1.9% of $850 million of Homewise-serviced loans are 30 days or more delinquent, which is lower than industry averages.*

CHLA GEN Z HOMEOWNERSHIP FINDINGS/CONCLUSIONS

DOWN PAYMENT CHALLENGES

- Accumulating the cash necessary for a down payment is the single greatest Gen Z homeownership challenge:
  (1) It is hard to save for a down payment, especially in high cost areas where you may need as much as $100,000.
  (2) Whether or not you can make a down payment is often based on whether parents can assist financially.
  (3) Many people in their 20s and 30s live with their parents to save money for a down payment on a home.
  (4) Many persons entering the workforce start off making contributions to their 401(k) – then realize 5 or 10 years later they need savings for a home down payment – but tax rules make it difficult to access these funds.

HOMEOWNERSHIP COST AFFORDABIBLITY IS ALSO A CHALLENGE

(1) Wages that have not kept up with escalating home prices have made homeownership less affordable.
(2) As a result, many younger families are unable to qualify for or afford a mortgage for a suitable home.
(3) For many who can afford a home, the housing cost burden is an unacceptable burden or financial risk.

PARENTAL FINANCIAL ASSISTANCE PLAYS A MAJOR ROLE IN GEN Z HOMEOWNERSHIP

(1) Parental financial assistance plays a significant role in helping their children buy their first home, particularly in helping with a down payment, but also in co-signing a mortgage loan or helping with closing costs.
(2) Parents have significant investment assets to help - but are discouraged from using them due to tax consequences.

INTANGIBLES ARE OFTEN DETERRANTS TO HOMEOWNERSHIP

- Intangibles deter many Gen Z individuals from buying a home even when they qualify for a loan, such as:
  (1) Higher monthly housing payments can result in a lower standard of living or giving up lifestyle priorities.
  (2) Increasing job mobility discourages the homeownership commitment to a fixed location.
  (3) Increases in the number of two earner households magnifies mortgage payment risks if one loses their job.
  (4) The only home a person can afford may be a less desirable accommodation than their current apartment.

GEN Z DOES NOT SEE HOMEOWNERSHIP AS THE HOLY GRAIL THAT BABY BOOMERS DID

- Changing attitudes about the American Dream of Homeownership have diminished Gen Z interest in home buying:
  (1) Conventional wisdom that homes are a good investment has been replaced for many Gen Z individuals by a belief that it is more lucrative to invest in the stock market or crypto than use cash for a home down payment.
  (2) The 2017 Tax Act boost in the standard deduction and cap on SALT deductions curtailed a powerful meme that buying a home made financial sense because of significant tax advantages compared to renting.

CHLA applied these findings to arrive at the following conclusions with respect to federal tax and mortgage policies:

- The inability of our nation's housing supply of single family homes to keep up with demand is a major factor in the rapid escalation of home prices over the last decade - and the resulting homeownership affordability challenges.
- However, the ability to increase housing supply to meet demand is largely up to states and localities.
- There is an unprecedented level of interest in housing affordability – but the ability of the federal government to have a significant impact is constrained by budget limitations and an unwillingness to act boldly.
- There are $10 trillion in 401(k) accounts, serving 70 million participants [see ICI **401(k) Resource Hub**] – but 401(k) withdrawals result in significant tax consequences (and a 10% penalty for those under 59 & ½ years old).
- There are over $32.6 trillion in unrealized capital gains [**Americans for Tax Fairness**] – but tax laws (including the lure of capital gains step-up at death) discourage stock sales to help children with a down payment.
- Federal tax policies disproportionately benefit stock investments compared to 1st time home purchase – even though homeownership is comparable in overall asset size and personal wealth building to stock investments.
- Federal mortgage policies are not sufficiently focused on entry level, affordable home purchase options – like condominiums, manufactured housing, homes in high cost areas, and the special challenges of rural areas.
- More analysis is needed on the myriad of existing federal down payment assistance programs, to assess their relative effectiveness, ways to reform them, and which programs should be expanded to have the greatest impact.
- Too many Gen Z individuals are not knowledgeable about the home buying process, mortgage options, low down assistance and loan programs, and other critical aspects of buying and financing a first time home purchase.

TAX FIXES TO UNLOCK ASSETS FOR DOWN PAYMENTS

CHLA RECOMMENDATIONS

- **Make 401(k) Loans for Down Payments More Flexible**: (a) Require 401(k) firm sponsors to allow loans to stay in place after an employee leaves a firm. (b) Allow 30-year loan term. (c) Allow rates as low as the mortgage rate.
- **Starker Exchange for Child/Grandchild Down Payment:** Deferral of up to $50,000 in capital gains on sale of investments or a principal residence for gifts to child/grandchild for down payment on a 1st time home purchase.
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BACKGROUND

Two conclusions about Gen Z homeownership challenges are clear. **First, the biggest hurdle is the down payment:**

- *"For first-time buyers, a major challenge is coming up with a down payment, which can be exacerbated by rising home prices."* **[Office of Comptroller of the Currency On Point 9/24]**

- Countless articles have highlighted the significant financial challenges younger families and individuals face in saving up cash for a down payment: [**NY Times**; **CNET**; **WSJ**: and **WSJ**]

Second, parental assistance plays a major role in helping Gen Z homebuyers, particularly with down payment help:

- Veterans United **Survey**: **"6 in 10 Parents are Helping their Kids Buy Homes.**

Housing plays a key role in the economy contributing 15% to 18% of GDP [per ***National Association of Homebuilders***] The combined value of all single family homes in the U.S. is $55 trillion vs. a combined value of all stocks of $69 trillion.

Thus, the total nationwide value of these two asset classes is roughly comparable.
However, total tax breaks in the Tax Code for stocks are more than 4 times the tax breaks for homeownership!

[5-year estimated tax expenditures of single family homes are $584.6 billion – vs. $2,640 trillion for investments.
[Source: Joint Committee on Taxation]. [See pages 36-42]
[**5-year tax expenditures for homeownership = $584.6 billion**: By category: (1) *Exclusion of capital gains on sales of principal residences = $313.1 billion. (2) Deduction for mortgage interest on owner-occupied residences = $261.1 billion. (3) Exclusion of interest on State and local government qualified private activity bonds for owner-occupied housing = $5.5 billion. (4) Deduction for premiums for qualified mortgage insurance = $4.9 billion].*
[**5-year tax expenditures for investments (mostly stocks, but also bonds, real estate) = $2.64 trillion**. By category: (1) *Net exclusion of pension contributions and earnings = $1.220.3 trillion +$758.2 billion +$91.1 billion.* (2) IRAs = $105.4 billion + $86.2 billion. (3) Exclusion of capital gains at death = $379.3 billion].

Congress should move toward equalizing this disparity - to make homeownership more of a priority – by helping Gen Z persons access their 401(k)s and helping parents access their investments to help their Gen Z children.

RECOMMENDATION: Make 401(k) Loans for Down Payments More Flexible

Many persons starting out in the workforce start accumulating 401(k) assets and only years later realize they want to buy a home and need these savings for a down payment. But accessing the funds results in significant taxes and a 10% penalty.

One option that allows access for this purpose - without tax or penalty – and without reducing retirement account assets – is a 401(k) loan. However, google *"401(k) loans for home purchase down payment"* and you get a consensus warning that you run a significant risk that you will have to repay the loan on short notice if you change jobs.

Federal rules require companies to allow individuals to keep their 401(k) at a firm after they leave employment. This same requirement should apply to 401(k) loans for a down payment (allowing a fair administration fee). Additionally, the maximum repayment term should be increased from 15 to 30 years, and the rate should be allowed as low as the mortgage rate. All these changes are low hanging fruit to help Gen Z access their own assets to make a down payment on a home.

DOL recently made it easier to invest 401(k) funds in crypto. Shouldn't it do the same for homeownership?

RECOMMENDATION: Starker Exchange Option for Child/Grandchild Down Payment

Older Americans with appreciated stock commonly hold stock until they die, to get the capital basis step-up and avoid paying capital gains altogether. Instead of waiting for a parent to die for the children to inherit these funds, this proposal facilitates gifting assets now when a child/grandchild needs them the most to buy a home. The cost will be limited to some degree, as gifting is likely to be with discretionary funds, often otherwise held to death, thus avoiding capital gains.

DETAILS OF CHLA PROPOSAL

- Deferral of long term capital gains on a sale of up to $50,000 [or lesser amount to limit revenue impact] in stocks/bonds/mutual funds/REITs and/or taxable gain on the sale of a principal residence (over the exclusion).
- The capital gain that is excluded is subtracted from the basis of the 1st time home purchase [creating a deferral] This creates a new type of Starker (1031) Exchange, with a tax deferral where the homebuyer would later pay a capital gains tax if the $250k/$500k principal residence exclusion is exceeded.
- To limit costs, taxpayers in the 37% tax bracket pay a 10% tax and taxpayers in the 32% bracket pay a 5% tax.
- Sale proceeds must be gifted to a child or grandchild and used as a down payment on a 1st-time home purchase.
- An eligible child or grandchild must be a "first-time homebuyer" – using the same definition that applies to a penalty waiver for an IRA withdrawal for a first-time home purchase.
- The purchase price of the home cannot exceed the FHA single family loan limit in the local area.
- The $50,000 cap is a lifetime cap for each taxpayer. However, the exclusion may be taken for more than one child or grandchild, subject to the $50,000 cap.
- Mutual fund capital gains distributions would not be eligible, as these are not voluntary sales.
- For wealthy families, the full amount of the gift should be included in the Unified Gift and Estate Tax exemption.
- **TARGETING.** This proposal is targeted, to limit revenue impact and focus on middle income families. It could be further targeted by changes like: (1) reduce $50k cap, (2) limit to middle income taxpayers (e.g., exclude 37% or even 32% tax bracket payers, (3) require child/grandchild to pay capital gains tax on actual home sale appreciation even if under $250k/$500k exemption, or (4) use a 5% capital gains tax instead of zero/deferral.

RECOMMENDATION: Some Type of Tax Deferral or Reduction or Penalty Waiver For Withdrawal of 401(k) or IRA Funds for a Gift to a Child/Grandchild for a Down Payment:

Finally, Congress should explore targeted proposals to defer, reduce, or exclude income taxes (or waive 401(k) penalties for those under 59 ½] on withdrawals of 401(k) or IRA funds when the funds are gifted to a child or grandchild for a down payment on a first-time home purchase. CHLA acknowledges such changes could have a revenue impact, so Congress should explore what changes might have the biggest impact in incentivizing 1st time home purchases – while limiting the revenue impact. We note that such a tax incentive is likely to be a last dollar withdrawal from the IRA or 401(k) in the absence of the incentive – so the revenue impact may be more limited that it might otherwise seem.

POTENTIAL REVENUE OFF-SETS

Tax expenditures for investments in stocks dwarf tax expenditures for home buying - and studies (eg., Bipartisan Policy Center] show that the former benefit the nation's wealthiest taxpayers. Congress could shift priorities from helping high wealth and upper income individuals accumulate assets to targeted tax relief to unlock investments for down payment use. Options for tax offsets to pay for tax changes to access investments for home purchase might include options such as:

- **Reduce the allowable $83,250 in annual individual 401(k) tax contributions**. The tax code permits some individuals to shelter up to $83,250 a year in income [$166,500 for a couple) through their 401(k). One option to raise revenues to help offset the cost of homeownership tax incentives is to lower these ceilings (e.g., to $50,000). Put simply, accessing stocks or 401(k)s for a home down payment has a bigger impact per dollar of tax expenditure than letting well off individuals shelter large amounts of income they were likely to save without the tax benefit.

- **Reduce Capital gains Step-up for High Wealth Estates.** The current tax code allows a couple with up to $30 million in assets to escape estate taxes altogether. Couples and individuals with such levels of assets can also take advantage of the capital gain step up in basis, to avoid paying any taxes on such gains. One option to raise revenues to help offset the cost of homeownership tax incentives could be to close this double dipping of tax breaks – e.g., by subjecting estates over a certain threshold (e.g., couples with over $15 million in assets) to capital gains tax on their appreciated assets. Here too, targeted tax breaks to make it easier for individuals and their children to access their own assets for down payments has a bigger impact than this double tax break.

FOCUS ON ENTRY LEVEL HOMEOWNERSHIP

CHLA RECOMMENDATIONS

Condominiums:

(1) Fannie Mae and Freddie Mac should eliminate LLPAs (fee add-ons) for condo loans.
(2) FHA should insure condos in any project approved by Fannie Mae or Freddie Mac.
(3) Fannie Mae and Freddie Mac should restore limited review approvals for condominium projects.
(4) Congress and HUD should find ways to encourage the retrofitting of vacant office space to condos/townhomes.

Manufactured Homes:

(1) Fannie Mae & Freddie Mac should eliminate LLPAs (fee add-ons) for real property manufactured home loans.
(2) FHA should make reforms to its Title 1 chattel loan program - to get lenders back into the program.
(3) Fannie Mae and Freddie Mac should purchase all chattel loans that meet sound underwriting guidelines.

Homes in High Cost Home Areas:

- Fannie Mae and Freddie Mac should eliminate LLPAs (fee add-ons) for "high balance" loans.

Homes in Rural and other Lower Cost Home Areas:

- Congress should adopt a $5,000 a year mortgage interest credit for 1st time homebuyers that don't itemize.

NARRATIVE

A critical focus of federal housing policies to help boost Gen Z homeownership levels should be to adopt policies to make entry level homeownership options more affordable to young families and individuals.

CONDOMINIUMS

Condominiums play an underappreciated role as an affordable, entry level homeownership option. In 2005, the median condo price was $374,500, compared to $440,000 for a site-built home. This price disparity can be even more significant in high cost urban and suburban areas, where condos are often the only affordable option for many Gen Z homebuyers.

However, the condominium ownership model – with shared common areas, project management responsibilities, monthly assessments for taxes, insurance, and common areas, and even special assessments – can complicate mortgage loan financing. The most significant issue is the need for project-level approvals by programs like FHA and Fannie/Freddie.

These federal mortgage programs should adopt responsible condo unit and project underwriting approval criteria, to ensure program safety and soundness. At the same time, policies should be balanced, with requirements that are not too draconian (in areas like insurance replacement cost coverage and deductibles) and mortgage fees that accurately reflect loan risk.

CHLA has also made federal agency loans for condominiums a top priority - focusing in particular on advocacy for policies to expand approvals for qualified condo developments and for an end to Fannie/Freddie LLPAs on condos. CHLA also believes more can be done to retrofit office buildings in soft markets, to convert to affordable condos or townhomes.

MANUFACTURED HOMES

Manufactured housing is the nation's most affordable homeownership option. The average price of a manufactured home is $125,000 – vs. $400,000 for a site-built home. The average income for a manufactured home buyer is $60,000 – vs. $135,000 for a site-built home buyer. In rural and less urban areas, this is the critical entry level homeownership option.

The majority of manufactured homes are financed as personal property (chattel) loans. These loans are not secured by the land on which the property is placed – but instead are located in a manufactured home community, on land leased by a third party, or on land owned by the homeowner where the homeowner does not wish to pledge the land on the home loan.

Yet, despite a 2008 statutory Fannie Mae and Freddie Mac Duty to Serve (DTS) manufactured housing requirement (including considering chattel loans), neither Fannie nor Freddie has purchased a single chattel loan since 2008! So both GSEs should quickly establish underwriting standards for chattel loans and purchase all loans that meet such criteria.

FHA has for decades insured chattel loans through its Title 1 program. However, volume has fallen from over 1,000 loans a year a decade ago to zero in the last few years. FHA recently took a good first step of raising Title 1 loan limits. FHA should follow this up with other Title 1 program reforms to restore FHA's key role in manufactured home chattel loans.

Finally, Fannie and Freddie charge a 50 basis point LLPA for real property manufactured home loans. Both GSEs should eliminate this LLPA, since there is no apparent data showing that these loans are riskier than site-built homes.

ENTRY LEVEL HOMES IN HIGH COST AREAS

The Housing and Economic Recovery Act of 2008 (HERA) established a permanent loan limit formula for FHA, Fannie Mae, and Freddie Mac which permits these federal agency loans to exceed the GSE conventional loan limit in high cost areas (areas where median priced homes in the local area exceed the cap). The current conventional loan limit is $832,750.

Starting in 2020, FHFA started requiring Fannie Mae and Freddie Mac to charge LLPAs for high balance loans, which exceed the conventional GSE loan limit. Pricing is complicated, but the LLPAs can add as much as 200 to 300 basis points to the loan. As a result, jumbo (non-agency) loans are often priced better than GSE loans. This is problematic, since jumbo loans are harder to qualify for and require larger down payments and more reserves.

These LLPAs are not based on higher loan risk, as high balance loans have historically performed as well as or better than lower balance loans. Instead, the LLPAs were designed to deter Fannie/Freddie loans just because the loan amount is high.

While high balance loans may seem high to families living in many non-urban areas, it is not by the standards of the home itself. For example, in Arlington, Virginia, across the river from the nation's capital, a home for sale over $1 million can easily end up being a tear down - not purchased to live in, but to tear down and used as a lot to build a higher priced home.

Moreover, homes in lower cost markets can be much larger and much more opulent than homes in high cost areas. Consider for example, there is a 4,900 SF 5-bedroom, 4-bath home in Beaver Dam, Wisconsin is priced for sale at $769,000 - well below the conventional limit. In contrast, there is 1,134 SF 2-bedroom, 2-bath home in the San Fernando Valley in Los Angeles is priced for sale for at $864,500 - above the conventional loan limit.

Therefore, Fannie and Freddie should move expeditiously to eliminate LLPAs for high balance loans.

FIRST TIME HOME PURCHASES IN RURAL AREAS

Last year the White House issued a report **-** ***The Deterioriation of Housing Affordability in Rural Areas*** **-** showing rural homeownership challenges, with data showing that rural home prices rose 75.5% from 2000 to 2025, while median income rose only 12.3% in that period and concluding that *"Rural homeownership rates have declined at nearly all working ages."*

There are a wide range of rural homeownership challenges – laid out in reports by the ***Housing Assistance Council, Pew Charitable Trust,*** and ***Harvard's Joint Center for Housing Studies*** – that include difficulties in originating small balance mortgage loans, stagnant incomes and lack of jobs, and an aging housing stock that does not keep up with demand. Equally, there is a plethora of ideas to address these challenges – although no single one is likely to move the dial much.

CHLA Gen Z recommendations above to expand mortgage financing for manufactured homes focus on a critical rural homeownership option. The CHLA recommendations to access 401(k) and capital gain assets for down payments would also help rural Gen Z homebuyers. Finally, CHLA is focused on tax fairness for rural homebuyers, including Gen Z.

CHLA had commended the 2025 tax bill provision to increase the State and Local Tax (SALT) cap from $10,000 to $40,000. The 2017 tax bill had eliminated the mortgage interest deduction for many, due to the combined impact of the standard deduction increase and the low SALT cap. By raising the SALT cap to $40k, the 2025 tax bill restored itemizing for many homeowners – creating a tax benefit for mortgage interest paid and restoring a tax incentive to buy a home.

However, for 1st time homebuyers in rural areas, with lower home prices and property taxes, many homebuyers still do not itemize deductions. This means they get no tax benefit from the mortgage interest deduction. Therefore, Congress should create a mortgage interest credit (e.g., of up to $5,000 a year) for taxpayers that do not itemize deductions. Such a proposal could be scaled by size, targeted by income tax bracket, or limited by number of years to control revenue costs.

MAXIMIZE IMPACT OF DOWN PAYMENT ASSISTANCE

CHLA RECOMMENDATION

- **Create a Federal Inter-Agency Task Force** – to:

(1) Identify and analyze all spending programs (e.g., HOME, CDBG), tax expenditures (e.g., MRBs, Mortgage Credit Certificates), and private sector programs that provide down payment assistance to first-time homebuyers.
(2) Identify the programs that are the most cost effective and efficient in boosting homeownership.
(3) Make recommendations to reform, consolidate, and expand the most effective federal programs.

NARRATIVE

There are many federal spending, tax incentive, and private sector down payment assistance sources. Examples include:

SPENDING (APPROPRIATIONS)

- CDBG Block grants
- HOME Block grants
- Community Development Financial Institutions [Capital Magnet Fund)

TAX

- Mortgage Revenue Bonds
- State HFA Mortgage Credit Certificates
- Tax Deduction on Private Mortgage Insurance (PMI)

PRIVATE SECTOR

- Home seller assistance
- Lender assistance
- LIFT - a public-private partnership (25,000 families become first-time homebuyers in 12 years)

FEDERAL MORTGAGE LOAN PROGRAMS

- Fannie/Freddie – purchases mortgage loans with Private Mortgage Insurance (PMI) for as little as 5% down [or 3% down for first-time homebuyers or low/moderate income borrowers using HomeReady or HomePossible].
- FHA – insures mortgage loans with as little as a 3.5% down payment.
- VA– insures mortgage loans with no required down payment [but limited to veterans and active duty personnel].
- RHS – insures mortgage loans with no required down payment [but only in rural areas].

[See also Freddie Mac's DPA One Initiative, a clearinghouse of downpayment assistance programs].

However, the federal government has done little to analyze how effective or efficient these programs are, measured per dollar spent. Therefore, the Administration should create an inter-agency task force to analyze these programs and make recommendations on how to reform programs and direct or re-direct federal assistance to the most effective programs.

We would note that federal down payment assistance programs have a dizzying array of requirements for income targeting, underwriting, and standards. While these may seem to serve public policy purposes, they can discourage use by the very lenders that originate mortgage loans to first-time homebuyers. CHLA believes program rules can be streamlined in a way that upholds program objectives. Innovation to meeting homeownership challenges is also needed. For example, Treasury could change the rules in its CDFI Bond Guaranty Program to fund second mortgages for down payment assistance.

One area that merits review is the declining percentages of flexible housing funds that are used for down payment assistance. The percentage of HUD HOME block grants to states and localities that are used for homeownership has declined from 70% in the 1990s to 30% in recent years. What are the reasons, is this the right mix, and what could be done to incentivize more use for homeownership, particularly among Gen Z homebuyers challenged by high down payments?

Similar questions exist with respect to the Housing Trust Fund and Capital Magnet Fund (funded by Fannie Mae and Freddie Mac), where only 10% of the $280 million in combined funds is used for homeownership.

INCREASE FINANCIAL LITERACY

CHLA RECOMMENDATIONS

- All high schools nationwide should require two semesters of financial literacy courses – covering homebuying, mortgages, credit cards, investments, retirement planning, auto and education loans, and personal checking. Colleges and adult education classes should also offer and encourage the use of such financial literacy courses.
- Federal agencies that now post disparate homebuying/mortgage guides (e.g., CFPB, HUD, USA.gov, Fannie Mae, Freddie Mac) should work with realtors and lenders to develop a unified, practical homebuying/mortgage Guide.
- Congress should fund dissemination of this Guide to prospective Gen Z homebuyers on social media - and encourage educational institutions, HUD counseling agencies, and the private sector to promote its availability.
- Congress should continue funding for pre-purchase homeownership counseling and should find ways to augment those efforts with more streamlined guidance to reach more Gen Z homebuyers earlier in the homebuying process.

NARRATIVE

The level of financial literacy in this country is a concern. A recent joint ***Study*** by the TIAA Institute and Stanford University's Global Financial Literacy Excellence Center published in June 2025 found that national financial literacy remains stagnant at 49% as generational gaps widen. It also found that **Gen Z averaged only 38% correct answers on the Personal Finance Index (P-Fin), the lowest of any generation studied,** with many of them demonstrating very low levels of financial literacy (i.e., they could correctly answer only up to seven questions out of the set of 28).

Financial literacy should be a top national priority. CHLA recommends that all high schools should require at least two years of financial literacy courses, covering a range of practical financial topics, include homebuying and mortgages.

In 2003, the ***Financial Literacy and Education Commission (FLEC)*** was established, *"to improve the financial literacy and education of persons through the development of a national strategy to promote financial literacy."* A home purchase is for most Americans their largest single investment and a mortgage their largest debt. Thus, homebuying and mortgage finance literacy should be a priority. Unfortunately, federal agency efforts to provide guidance are often fragmented:

- The ***HUD Weblink*** lists 9 different categories for borrowers to consider in buying a home along with links to 25 different resources and a recommendation to speak to a housing counselor.
- The ***CFPB Weblink*** offers a ***roadmap*** to help consumers navigate the homebuying process.
- The ***USA.gov Weblink*** has some basic information about the Federal Housing Agency program and approved lenders, state HFA programs, and housing programs for specific groups such as Veterans, American Indians and Alaska Natives, and Emergency Personnel and Teachers as well as rural areas.

Most prospective Gen Z homebuyers are not aware of and don't think to even check any of these federal agency weblinks – and would find it difficult to determine which one is the most useful to use even if they were aware of them.

Therefore, these federal agencies should work together, with input from the private sector, to develop one unified, comprehensive, easy to understand Guide covering basic knowledge, options, and recommendations for navigating both the home buying process and the mortgage process. Each agency should then prominently post this Guide on their website.

Since this Guide would be critically helpful to younger Gen Z homebuyers, just as the federal government spends money on military recruiting, it should spend money to advertise on social media to make Gen Z homebuyers aware of this Guide. The government should also reach out to educational institutions, the realty community, mortgage community, and housing counseling agencies to make them aware of this resource and encourage them to make younger homebuyers aware of it.

Finally, CHLA supports the continued federal funding of pre-purchase housing counseling by HUD approved housing counseling agencies. Unfortunately, potential homebuyers are often reluctant to avail themselves of this resource or often become aware of this option too late in the homebuying and mortgage financing process. Therefore, additional funding and delivery mechanisms should be developed to provide guidance to prospective homebuyers earlier in the process.