

Testimony of Emily DiVito

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House Committee on Small Businesses

“Building the Future: How Small Home Builders are Closing America's Housing Gap”

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Chairman Williams, Ranking Member Velázquez, and Members of the Committee,

Thank you for the opportunity to testify on increasing the supply of affordable housing. My name is Emily DiVito. I am the Senior Advisor for Economic Policy at Groundwork Collaborative, an economic policy think tank in Washington, DC.¹ I previously served as a policy advisor at the Treasury Department.

The Housing Affordability Crisis is Severe and Worsening

Housing is one of our most basic needs. The type of housing accessible to you can dictate the job you take, the city you live in, the school or other public services you can access, and the choice of whether to start a family.

But in the United States, housing costs are at all-time highs, and housing availability is at all-time lows. For the last 20 years, housing prices have risen far faster than the general cost of living² – making homeownership a virtual impossibility for millions of families, especially first-time homebuyers. In the first quarter of 2026, the median home price was \$403,200 – roughly five times median household income.³ The average 30-year fixed rate mortgage remains near 6.5%,⁴ driving up average total monthly payments to over \$2,300 and as high as \$5,700 in some areas.⁵

Rents have also risen faster than household incomes over the past two decades, forcing half of all renters – over 22 million households – to have no choice but to spend more than 30% of their income on rent. As of May 2026, average monthly rent was \$2,000, while in some metro areas, average monthly rents are as high as \$3,300.⁶

The housing affordability crisis we face is worsened by existing housing shortages and a failure to build more homes of all types. Home construction in the U.S. fell sharply after the Great

¹ Special thanks to Agatha Pinheiro for research support.

² Longtermtrends. "Home Price vs. Inflation." Accessed May 18, 2026.

<https://www.longtermtrends.com/home-price-vs-inflation/>.

³ Federal Reserve Bank of St. Louis. "Median Sales Price of Houses Sold for the United States [MSPUS]." FRED. Accessed May 18, 2026. <https://fred.stlouisfed.org/series/MSPUS>.

⁴ Freddie Mac. "Primary Mortgage Market Survey." Accessed May 18, 2026. <https://www.freddiemac.com/pmms/>.

⁵ Zillow. "What Is the Average Mortgage Payment?" Accessed May 18, 2026.

<https://www.zillow.com/learn/what-is-the-average-mortgage-payment/>.

⁶ Zillow. "Rental Market Trends: United States." Accessed May 18, 2026.

<https://www.zillow.com/rental-manager/market-trends/united-states/>.

Recession and still has not returned to pre-2008 levels.⁷ The U.S. needs to build an additional 4 million to 5 million homes to fix the supply shortage relative to demand, according to some estimates.⁸

Small Builders, the Backbone of Residential Construction, Are Under Serious Strain

Small and medium-sized homebuilders play a hugely important role in housing construction. According to the Small Business Administration, there are over 3.6 million small business construction firms in the U.S., employing nearly 6 million workers.⁹ In residential construction, nearly 80% of home builders and specialty trade contractors are small, self-employed independent contractors, according to the National Association of Home Builders (NAHB). Even so, the industry is rapidly consolidating: In 2024, the top 10 builders captured a record 45% of all new single-family home closings – up from just 19% in 2000.¹⁰

The largest builders by volume, including D.R. Horton and Lennar, are experiencing large surges in legal costs stemming from cost-cutting compromises and shoddy construction, according to recent reporting from the *Wall Street Journal*.¹¹ In Florida, litigation alleges that Lennar built more than 450 defective homes with improperly installed roofs.¹² In Louisiana, thousands of homeowners allege that their D.R. Horton-built homes failed to keep out moisture, leading to mold infestations and health problems.¹³

Additionally, the small businesses that power the U.S.'s residential construction markets have been severely hampered by the Trump Administration's mismanagement of the economy, tariffs imposed on core homebuilding materials, including the components that make up everything from electrical wiring to wood flooring to air conditioning units, persistent and rising inflation,

⁷ Meghan Miller, "Trump Administration Tariffs Could Result in 450,000 Fewer New Homes through 2030," Center for American Progress, December 16, 2025, <https://www.americanprogress.org/article/trump-administration-tariffs-could-result-in-450000-fewer-new-homes-through-2030/>.

⁸ Katie Jones and Lida R. Weinstock, "Estimates of a 'Housing Shortage,'" Congress.gov, December 15, 2026, <https://www.congress.gov/crs-product/IN12628>.

⁹ Small Business Association, "2025 Small Business Profile Share of Employees Working at Small Businesses by State Employer and Employment Dynamics," 2025, https://advocacy.sba.gov/wp-content/uploads/2025/06/United_States_2025-State-Profile.pdf.

¹⁰ Sarah Caldwell. "Top Ten Builder Share Rises Again in 2024." Eye on Housing (National Association of Home Builders), July 8, 2025. <https://eyeonhousing.org/2025/07/top-ten-builder-share-rises-again-in-2024/>.

¹¹ Nicholas G. Miller "Home Builders Are Getting Buried in Claims of Shoddy Construction." Wall Street Journal, May 18, 2026. <https://www.wsj.com/real-estate/home-builders-are-getting-buried-in-claims-of-shoddy-construction-346e4a05>.

¹² Nicholas G. Miller "Home Builders Are Getting Buried in Claims of Shoddy Construction." Wall Street Journal, May 18, 2026. <https://www.wsj.com/real-estate/home-builders-are-getting-buried-in-claims-of-shoddy-construction-346e4a05>.

¹³ Nicholas G. Miller "Home Builders Are Getting Buried in Claims of Shoddy Construction." Wall Street Journal, May 18, 2026. <https://www.wsj.com/real-estate/home-builders-are-getting-buried-in-claims-of-shoddy-construction-346e4a05>.

recent spikes in energy prices, and broad economic uncertainty.¹⁴ These conditions are especially challenging for small firms, which often do not have the same resources or scale as large developers to adjust supply chains to mitigate tariff costs or pass through rising transportation costs to customers.

Recent data indicate just how much damage is being done to the residential construction sector: In May, the Home Builder Confidence Index marked 37 points, significantly below the 50-point threshold that indicates the majority of builders feel confident about the current and near-term outlook for housing.¹⁵ This figure reflects an industry fighting headwinds from multiple angles. To help reinvigorate the construction and homebuilding sector and reverse years of underbuilding, Congress must address the high costs to build head on. I would like to highlight several proposals in that aim.

Zoning Reform Is Necessary But Not Sufficient

In order to reduce some of the barriers to building and unleash more construction, policymakers, industry, and advocates have proffered various zoning, land-use, and administrative reforms. These regulations – including things like height and lot restrictions, minimum parking requirements, and fragmented permitting processes – can delay construction timelines and increase project costs for developers, which in turn can drive up the prices charged to tenants and families. Ensuring that these regulations are streamlined such that they do not create unnecessary time delays or impose burdensome red tape, while still ensuring that the highest health and safety standards are met is very important. The bipartisan *21st Century ROAD to Housing Act* pending before Congress currently includes many provisions to mitigate some of these regulatory barriers and is a critical first step toward increasing the supply of housing.¹⁶

Restrictive zoning is a real problem. However, relaxing zoning and cutting red tape alone will not fully resolve the constraints to building enough housing at prices families can afford. Even in many dense metropolitan areas, more new housing is already allowable under existing zoning regulations: In New York City, for example, one recent study found that even existing zoning restrictions would allow an additional 390,000 housing units to be built as of right now, suggesting that in much of the New York City metro area land-use rules are not the binding constraint on new development.¹⁷ In some rural areas with cheap land and few zoning

¹⁴ National Association of Home Builders. "How Tariffs Impact the Home Building Industry." April 4, 2026. <https://www.nahb.org/advocacy/top-priorities/building-materials-trade-policy/how-tariffs-impact-home-building/>; National Association of Hispanic Real Estate Professionals. "Building Barriers: How Rising Construction Costs Impact the Housing Affordability Crisis." October 21, 2025. <https://nahrep.org/housinghub/2025/10/21/building-barriers-how-rising-construction-costs-impact-the-housing-affordability-crisis/>.

¹⁵ National Association of Home Builders. "NAHB/Wells Fargo Housing Market Index (HMI)." Accessed May 18, 2026. <https://www.nahb.org/news-and-economics/housing-economics/indices/housing-market-index>.

¹⁶ U.S. House of Representatives. *21st Century ROAD to Housing Act*, H.R. 6644. May 18, 2026. https://docs.house.gov/billsthisweek/20260518/HR6644_RES4_xml.pdf.

¹⁷ Thomas DiNapoli and Rahul Jain, Housing Production in New York City (Office of the New York State Comptroller), <https://www.osc.ny.gov/files/reports/pdf/report-24-2025.pdf>.

regulations, lack of enough new demand keeps builders away, driving up prices on existing homes.

Cost of capital is one of the biggest constraints to new construction. Building the “capital stack,” or the specific blend of debt and equity required for a given project, can be costly for firms raising capital from investors seeking returns. Because the U.S. depends on thousands of private construction and development companies that need to turn profits to stay in business, a project’s expected returns are a key determinant to overall costs – and therefore, what price is ultimately charged to homebuyers or renters.

Small developers operating on thin margins are even more likely to be constrained by challenges with raising sufficient capital. For small businesses, securing construction loans is harder because lenders will prioritize loaning to developers with strong balance sheets, while they also lack the investors' networks and relationships in finance that make larger firms more suited to find capital for a project. And even when small developers find an investor, they often impose strict repayment schedules and high return expectations, which ultimately will result in higher costs for consumers.¹⁸

One small developer reported his own experience trying to secure a loan:

Lenders don't lend 100 percent. They want you to have some skin in the game, so depending on the project type, you're responsible for bringing 20 to 30 to 40 percent to the table. That's the thing. We just don't have that access. We can get it. It's going to take us a while, but by the time we get it, we missed an opportunity.¹⁹

Not surprisingly, high interest rates were the most often cited problem faced by homebuilders in 2025, according to the NAHB/Wells Fargo Housing Market Index, chosen by 84% of survey respondents.²⁰ High interest rates affect both demand for housing – as home buyers are unable to afford mortgage payments – but also increase costs for builders to secure loans. As a comparison, environmental regulations and zoning restrictions ranked 10th and 11th respectively, cited by nearly 55% of builders in the same survey. These already challenging market conditions are being made worse by the Trump Administration’s mishandling of the economy.

¹⁸ Brett Theodos, Jorge González-Hermoso, and Noah McDaniel, “The Challenges Facing Small or Emerging Multifamily Housing Developers and Strategies to Overcome Them,” Urban Institute, September 2025, https://www.urban.org/sites/default/files/2025-09/The_Challenges_Facing_Small_or_Emerging_Multifamily_Housing_Developers_and_Strategies_to_Overcome_Them.pdf.

¹⁹ Brett Theodos, Jorge González-Hermoso, and Noah McDaniel, “The Challenges Facing Small or Emerging Multifamily Housing Developers and Strategies to Overcome Them,” *Urban Institute*, September 2025, https://www.urban.org/sites/default/files/2025-09/The_Challenges_Facing_Small_or_Emerging_Multifamily_Housing_Developers_and_Strategies_to_Overcome_Them.pdf.

²⁰ National Association of Home Builders, “Housing Market Index (HMI): Special Questions on Builders Challenges/ Problems Faced in 2025 and Expect to Face in 2026 ,” January 2026, <https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics/hmi/special-survey-reports/hmi-january-2026-special-survey-report.pdf?rev=4b8b9edc26494413b38dee103ac8b706&hash=B2812B2ADD8958CB7A15EBCD2BBF3953>.

The Trump Administration's Policies Are Compounding the Housing Affordability Crisis

Instead of alleviating the economic burdens of families and businesses, the Trump Administration is exacerbating them by instituting chaotic tariffs and gutting federal government and housing agency capacity and funding. One of the most evident policies from the Trump Administration that has harmed small builders is tariffs. Nearly 59% of builders reported rising inflation in the U.S. economy as a significant problem faced in 2025, while 51% of builders reported building material prices as a significant problem.²¹ There is a clear divide in this issue among small and large builders, with small builders being the most harmed by higher material prices. Among builders who started 5 units or less in 2025, 62% reported building material prices as a significant problem faced in 2025, versus only 25% of builders who started 100+ units.²²

These tariffs have created steep and sustained increases in prices for building materials, from copper and electrical wiring to lumber and flooring. In the latest Producer Price Index (PPI), the price of goods used in new residential construction was up 1.2% over the last month and up 6.1% from last year.²³ While energy prices due to the war in Iran were a main driver of price increases in April's PPI report, building material prices, excluding energy, rose at their highest yearly rate in three years, up 3.7% from a year ago.²⁴

A recent analysis from the Center for American Progress estimates tariff-induced higher building costs will lead to 450,000 fewer homes being built over the next five years.²⁵ At current homebuilding rates, an extra \$27 billion in tariffs adds \$17,500 in costs per new home. These higher construction costs get passed on to home buyers in the form of higher prices, making it even more difficult for Americans who are already struggling with challenging economic conditions to afford new homes.

At the same time, a lethargic labor market and the Trump Administration's immigration crackdown is making it more difficult for firms to find and retain construction workers, adding

²¹ National Association of Home Builders. "HMI January 2026 Special Survey Report." January 2026. <https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics/hmi/special-survey-reports/hmi-january-2026-special-survey-report.pdf>.

²² National Association of Home Builders, "Housing Market Index (HMI): Special Questions on Builders Challenges/ Problems Faced in 2025 and Expect to Face in 2026," January 2026, <https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics/hmi/special-survey-reports/hmi-january-2026-special-survey-report.pdf?rev=4b8b9edc26494413b38dee103ac8b706&hash=B2812B2ADD8958CB7A15EBCD2BBF3953>.

²³ U.S. Bureau of Labor Statistics. "Producer Price Indexes." Last modified May 13, 2026. <https://www.bls.gov/news.release/ppi.nr0.htm>.

²⁴ Jesse Wade, "Residential Construction Input Prices Move Higher in April – Eye on Housing," Eyeonhousing.org, May 13, 2026, https://eyeonhousing.org/2026/05/residential-construction-input-prices-move-higher-in-april/?_ga=2.165556795.565804951.1779131516-356729759.1778778396.

²⁵ Meghan Miller, "Trump Administration Tariffs Could Result in 450,000 Fewer New Homes through 2030," Center for American Progress, December 16, 2025, <https://www.americanprogress.org/article/trump-administration-tariffs-could-result-in-450000-fewer-new-homes-through-2030/>.

further time delays and costs to the homebuilding process. The first year of President Trump's second term produced the weakest job growth outside of a recession since 2003, with only 181,000 jobs added in 2025 – down from almost 1.5 million in 2024.²⁶ Since the start of 2026, job gains have averaged just 76,000 per month and the unemployment rate is at 4.3%, near its highest level in four years.²⁷ Average wages grew by just 0.2% last month, while prices rose at 0.6%.²⁸

Workers in residential building construction have been particularly affected, with nearly 7,600 jobs lost since Trump took office.²⁹ Immigrants make up a disproportionate share of the residential construction workforce: In 2024, foreign-born workers accounted for a record-high 26% of the entire construction workforce, and are disproportionately represented in the construction trades vital to homebuilding, like roofing, painting, and floor and tile installation.³⁰ It's estimated that over half are undocumented, and many are avoiding job sites out of fear of the Trump Administration's draconian ICE raids and mass deportation efforts, worsening existing construction labor shortages and further constraining the ability to build and remodel housing.³¹ Importantly, recent research shows that the Trump Administration's deportation efforts do not have positive spill-overs for native-born workers and in fact have resulted in a 1.3% drop in employment for male American-born workers without a college degree.³²

And due to the President's war in Iran, the 10-year U.S. Treasury note yield hit 4.6% last Monday, its highest level in 15 months, putting additional upward pressure on interest and

²⁶ Kennedy Andara et al., "A Year in Review: How the Trump Administration's Economic Policies Made Life Less Affordable for Americans," Center for American Progress, January 20, 2026, <https://www.americanprogress.org/article/a-year-in-review-how-the-trump-administrations-economic-policies-made-life-less-affordable-for-americans/>; "U.S. Bureau of Labor Statistics," Employment, Hours, and Earnings from the Current Employment Statistics Survey (National), April 2026, <https://data.bls.gov/dataViewer/view/timeseries/CES0000000001>.

²⁷ Groundwork Collaborative, "April Jobs Report Shows Uneven Labor Market Growth as Inflation Outpaces Wages," Groundwork Collaborative, May 8, 2026, <https://groundworkcollaborative.org/news/april-jobs-report-shows-uneven-labor-market-growth-as-inflation-outpaces-wages/>.

²⁸ U.S. Bureau of Labor Statistics. "Consumer Price Index Summary." Last modified May 12, 2026. <https://www.bls.gov/news.release/cpi.nr0.htm>.

²⁹ U.S. Bureau of Labor Statistics. "All Employees, Residential Building Construction [CES2023610001]." Retrieved from FRED, Federal Reserve Bank of St. Louis. Accessed May 18, 2026. <https://fred.stlouisfed.org/series/CES2023610001>.

³⁰ National Association of Home Builders. "The States and Construction Trades Most Reliant on Immigrant Workers." April 2026. <https://www.nahb.org/blog/2026/04/Which-States-and-Construction-Trades-Depend-the-Most-on-Immigrant-Workers>.

³¹ Isabel Brizuela et al. "Immigration Crackdown Likely Contributing to Weak Texas Job Growth." *Southwest Economy*, Federal Reserve Bank of Dallas, 2025. <https://www.dallasfed.org/research/swe/2025/swe2515>.

³² Elizabeth Cox and Chloe N. East. "Labor Market Impacts of ICE Activity in Trump 2.0." NBER Working Paper No. 35129. National Bureau of Economic Research, May 4, 2026. <https://www.nber.org/papers/w35129>.

mortgage rates.³³ The severe economic unease that the Trump Administration has caused has pushed consumers' sentiment about the economy to the lowest level in the survey's 74-year history.

Additionally, the President's budget request for Fiscal Year 2027 would end funding for several programs that help finance the construction of affordable homes, including the HOME Investment Partnership program (HOME) and the Community Development Block Grant (CDBG) program.³⁴ The HOME Program, in particular, provides low-interest loans to developers to construct affordable housing to low income families.³⁵ The program has contributed to the construction, rehabilitation, or acquisition of more than 1.3 million units of affordable housing, and could be ended if Congress accepts those cuts.³⁶ At the same time, the federal housing agencies are still contending with less workforce capacity after the so-called Department of Government Efficiency (DOGE) terminated tens of thousands of staff over the course of last year.³⁷

Congress Should Act to Lower the Cost of Capital and Make It Easier for Firms to Build

In order to address the affordable housing crisis head on and make it easier and cheaper for small builders and construction firms to build, I encourage Congress to target interventions that lower the cost of capital and make it easier for homebuilders to build to affordability.

First, Congress could expand the role of entities like Fannie Mae and Freddie Mac and allow them to securitize construction loans, especially junior or mezzanine loans, which are currently more costly for developers. Existing programs in the Federal Home Loan Bank System should also be expanded. The Community Investment Program, for example, could be authorized to

³³ Valentina Romei et al., "Mortgage Costs Rise Sharply on Middle East Conflict," Financial Times, May 18, 2026, <https://www.ft.com/content/5e7f4da1-6cb4-44d8-9bce-4ddad53c7fd1?syn-25a6b1a6=1>; CNBC, "U.S. 10 Year Treasury," CNBC, May 18, 2026, <https://www.cnbc.com/quotes/US10Y/>.

³⁴ National Low Income Housing Coalition. "President Trump Releases FY27 Budget Request Proposing Significant Cuts to HUD Programs and Housing Assistance." April 6, 2026. <https://nlihc.org/resource/president-trump-releases-fy27-budget-request-proposing-significant-cuts-hud-programs-and>

³⁵ Florida Housing Finance Corporation. Florida Housing Finance Corporation. "HOME Investment Partnerships." Accessed May 18, 2026. <https://www.floridahousing.org/programs/developers-multifamily-programs/home-investment-partnerships>.

³⁶ Henry G. Watson, "An Overview of the HOME Investment Partnerships Program," Congress.gov, April 25, 2025, <https://www.congress.gov/crs-product/R40118>.

³⁷ Ben Metcalf, "Implications of Further HUD Staffing Cuts on the Housing Sector - Turner Center," Turner Center, March 13, 2025, <https://turnercenter.berkeley.edu/blog/implications-of-further-hud-staffing-cuts-on-the-housing-sector/>; Rebecca Schneid, "How the Department of Housing and Urban Development Is Faring under the Trump Administration," TIME (Time, March 20, 2025), <https://time.com/7270242/departments-of-housing-and-urban-development-funding-cuts-trump-administration/>; Kate Nalepinski, "Federal Government Layoffs Tracker 2025: Latest DOGE Cuts so Far," Newsweek, March 10, 2025, <https://www.newsweek.com/doge-layoffs-federal-government-tracker-2025-dod-cuts-2042525>.

issue loans that take a junior repayment position instead of the superlien position they currently take. Both of these proposals would significantly reduce the amount of equity developers need to raise before they start construction, which is typically the most costly and hardest form of capital to raise.

Second, governments can leverage their borrowing power to establish revolving loan funds that can extend financing with low interest rates at long maturities to facilitate new construction. In one proven model, Montgomery County, Maryland, issues long-term municipal bonds to seed short-term construction loans, which are then replenished as developments lease up and redeployed to new projects.³⁸

Third, Congress should play a bigger role in ensuring mortgages are affordable to home buyers. This could be achieved by providing low-rate direct federal mortgages, reducing mortgage insurance premium rates in government-backed mortgages, and allowing families to keep their mortgage rate when they buy another home, helping alleviate the lock-in effect that grinds the market to a halt. These policies are extremely popular with voters, with 83% of voters supporting lowering mortgage insurance rates, 75% supporting access to portable mortgages and 66% in favor of direct lending by the federal government.³⁹

We face a housing crisis, which is being made worse by the price increases and funding cuts under this Administration. But even if economic headwinds are reduced and zoning restrictions eased, homebuyers and small builders will still struggle with financing. If Congress focuses on improving access to financing for new housing construction and reducing the costs of homebuying for Americans, we can meaningfully expand housing supply, benefiting both consumers and small businesses alike.

Thank you, and I look forward to your questions.

³⁸ Paul E. Williams, "The Basic Logistics of Public Development," Analysis, Center for Public Enterprise, May 31, 2023, <https://publicenterprise.org/the-basic-logistics-of-public-development/>.

³⁹ Data for Progress and Groundwork Collaborative. "Housing Poll Crosstabs." January 2026. http://www.filesforprogress.org/datasets/2026/1/dfp_gwc_housing_crosstabs.pdf.