

## POLICY BRIEF: Increasing Housing Supply for First-Time Buyers

*Policy Directions to Expand the Supply of Homes Average Americans Can Afford*

### Top Recommendations

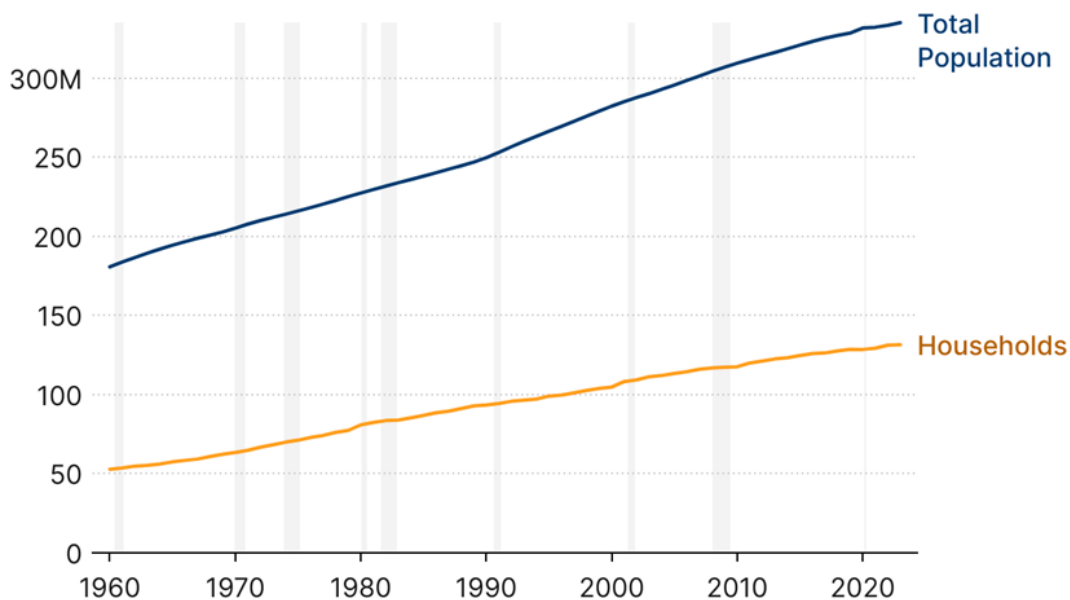
- Require ROI assessments and federal approval for any state or local mandate that adds requirements beyond the International Residential Code (IRC).
- Cap total permitting, approval and inspection costs.

These reforms would protect affordability and consumer choice by stopping the legislating of building codes, while also driving down the costs of permitting and approval, ensuring that any requirement beyond established safety standards must be justified by measurable return and approved through a federal waiver.

### The Homeownership Challenge

Across the country, there is broad agreement: The United States faces a homeownership affordability crisis that is pushing the American dream further out of reach. The nation remains underbuilt by millions of units (National Mortgage Professional, 2025; Zillow Group, 2025; Urban Institute, 2025).

#### Population and households, 1960-2023



Source: World Development Indicators and Housing Vacancy Survey

BROOKINGS

Note: Shaded areas indicate periods of recession

The average list price of a home exceeds \$400,000, while the typical first-time buyer can afford only \$200,000 to \$250,000 (CBRE Investment Management, 2025; NAHB, 2025).

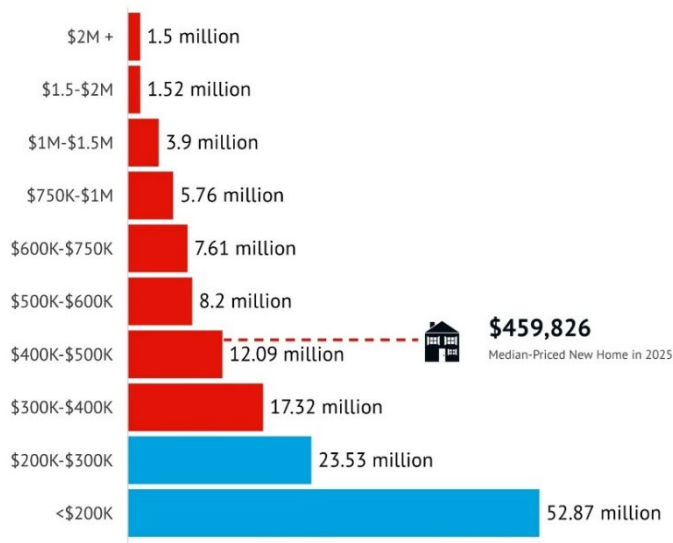


In the \$300,000-and-under range, where demand is strongest, 76 million families could afford a home, yet only 37 million homes exist in that price bracket (CBRE Investment Management, 2025; J.P. Morgan, 2025).

This imbalance drives builders toward luxury projects where margins are higher, leaving entry-level buyers with too few options (NAHB, 2025).

## Households by Highest Priced Home They Can Afford

Nearly 60% of U.S. Households are Unable to Afford a \$300K Home



Source: Calculations by NAHB's Housing Policy Department based on income data from the 2023 American Community Survey Public Use Microdata Sample File, U.S. Census Bureau.

## The Cost of Permitting and Approvals

Permitting, approval, and inspection processes have become a hidden tax on housing affordability. Fees, delays, and complex procedures now contribute significantly to a new home's cost—burdens easily absorbed in luxury markets but crippling for entry-level housing (Urban Institute, 2025; NAHB, 2025; Emrath, 2021).

Every \$1,000 added to a home's cost excludes roughly 106,000 households from qualifying for financing (National Association of Realtors, 2025). Reducing approval-related costs is one of the fastest ways to bring attainable homes back to market (NAHB, 2025).

## Policy Direction 1: Preserve the Integrity of the Building Code

### Stop Legislating the Building Code

ABMA urges the administration to protect affordability and consumer choice by preventing states and municipalities from legislating beyond the International Residential Code (IRC) unless they can demonstrate measurable benefit through a return-on-investment (ROI) analysis and obtain a federal waiver.



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The IRC and International Building Code (IBC) are developed through a rigorous, expert-driven process to ensure safety, quality and performance.

Adding mandates by legislation—such as all-electric requirements, solar mandates, fire sprinklers or stretch energy codes—undermines that process and inflates costs without consistent evidence of return.

### Federal Precedent Exists

The HUD Manufactured Housing Code (42 U.S.C. §§ 5401–5426; 24 CFR Parts 3280/3282) already preempts state and local codes for manufactured homes, ensuring national consistency and affordability. Extending this precedent to site-built housing would uphold the same principle: one national standard for safety, and local flexibility only where justified and approved.

### Require ROI Analysis and Federal Waivers

Under ABMA's proposal:

- Any mandate exceeding the IRC or IBC must first undergo a standardized ROI assessment under federal guidelines.
- The ROI assessment is a required step in the waiver request process — not an alternative to it. A jurisdiction must complete and submit the analysis as part of its application for a federal waiver.
- If the analysis shows higher costs without measurable benefit, the mandate cannot take effect unless a federal waiver is granted.
- ROI results must be publicly available, ensuring transparency and accountability for homeowners and builders.

This framework preserves local innovation but stops the unchecked escalation of housing costs through code-by-legislation.

## Policy Direction 2: Cap Permitting, Approval and Inspection Costs

ABMA proposes a nationwide \$30,000 cap on total permitting, approval and inspection costs for all new homes.

### Federal Framework for Consistency

The federal government would prescribe a consistent formula defining what contributes to the cap, including but not limited to:

- The cost of permits and associated fees.
- Costs of delays tied to approvals or inspections.
- Inspection and reinspection charges.
- Any other local administrative costs directly tied to construction authorization or completion.

This provides a clear, uniform benchmark while allowing states and municipalities to determine how they meet it.

### Local Tools to Reduce Costs

Local governments would remain free to manage their own systems. To stay under the cap, they could adopt efficiency measures such as but not limited to:

- **Inspection shot clocks:** Setting firm deadlines for inspections, after which builders may hire certified third-party inspectors.
- **Self-certification by licensed professionals:** Allowing engineers or architects to certify plans to reduce backlogs.
- **Electronic permitting systems:** Streamlining submissions, payments and tracking to reduce processing time.



These reforms encourage innovation while ensuring costs remain within reason.

## Policy Direction 3: Incentivize Compliance Through Federal Programs

Federal housing and infrastructure programs should reward states and municipalities that comply with the cap and demonstrate measurable progress in reducing permitting timelines and costs.

Priority access to federal grants and financing could serve as a strong incentive to modernize permitting systems and adopt best practices without federal overreach.

### Conclusion: A Reasonable Wall for Affordability and Choice

Permitting, approval and inspection delays, when combined with costly legislative mandates beyond the building code, have created an unreasonable barrier to housing affordability.

ABMA's proposals establish a reasonable wall:

- Local governments retain control, but within clear affordability limits.
- Building code integrity is preserved, ensuring safety remains the standard—not politics.
- ROI accountability ensures every added requirement delivers measurable benefit to homeowners.

By preserving affordability and consumer choice, we can restore balance to the housing market, support builders in delivering attainable homes and bring the American dream of homeownership back within reach.



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