

MAKING IT EASIER FOR DEVELOPERS TO FINANCE NEW HOUSING

THE ISSUE

Like home buyers seeking a mortgage, home builders and developers rely on banks for financing to build new homes and housing developments.

Banks posted a decline in the volume of total outstanding acquisition, development and construction (AD&C) loans during the fourth quarter of 2023 as interest rates increased and financial conditions tightened.



The current amount of existing residential AD&C loans now stands 52% lower than the peak level of residential construction lending of \$204 billion reached during the first quarter of 2008.

Alternative sources of financing, including equity partners, have supplemented this capital market in recent years.

THE SOLUTION

Fannie Mae, Freddie Mac and the Federal Home Loan Banks should be encouraged to support a secondary market for AD&C financing that would expand financing options for builders to increase the housing supply.