

May 7, 2026

Representative Calvin Schrage

House Finance Committee

Alaska State Capitol

120 4th Street, Rm 3

Juneau, Alaska 99801

Transmitted by email to rep.calvin.schrage@akleg.gov

Hello Chairman Schrage,

Thank you for inviting Alaska Housing Finance Corporation (AHFC) to present before the House Finance Committee last Friday, May 1. In response to questions posed by the committee to AHFC, I respectfully offer the following responses:

Q: “Please provide data specific to Alaska’s first-time homebuyers.”

A: AHFC’s mortgage portfolio consists of more than 16,000 loans. Based on data from the most recent Quarterly Survey of Lenders, AHFC’s loans represent approximately 40% of the total surveyed market.

At the end of last month (April 30, 2026), 8,201 representing 51% of the portfolio participate in AHFC’s First Home or First Home Limited programs. The median age of borrowers in these first-time homebuyer programs dating back to 2010 is 36 years old.

Q: “Please provide specific examples of federal restrictions impacting housing challenges.”

A: The United States Department of Housing and Urban Development (HUD) requires any project built after Aug. 2024 costing more than \$1 million comply with Build America, Buy America (BABA).



BABA requires proof that all materials used in the maintenance and upkeep of properties utilizing HUD funds have a certificate of U.S. production. Many off the shelf products do not meet this requirement. This requires specific review and approval from HUD via a waiver.

AHFC must seek out parts and supplies that meet BABA requirements. This requirement, absent a waiver, requires purchase agreements with vendors outside of Alaska. That in turn increases both the shipping cost and time to complete repairs, particularly in remote-rural communities that have a narrow barge schedule. AHFC plans to increase its inventory of available materials, which will be stored at the Anchorage warehouse that, thanks to legislative approval granted via Senate Bill 205 in 2024, was acquired the following year.

While AHFC shared both in the committee hearing and through this reply impacts of compliance, impacts on housing are not confined to AHFC. For the committee's awareness, the Associated Press highlighted the challenges with BABA in an article from March 30, 2026. That article is attached for reference.

Q: “What are the capital gains impacts on homeowners who sell their home, and what exclusions exist under federal law?”

A: For this response, AHFC relies on guidance from the U.S. Internal Revenue Service which says, in part, *“If you have a capital gain from the sale of your main home, you may qualify to exclude up to \$250,000 of that gain from your income, or up to \$500,000 of that gain if you file a joint return with your spouse...*

In order to qualify, you must meet both the ownership test and the use test...

- *If you or your spouse owned the home for at least 24 months (2 years) out of the last 5 years leading up to the date of the sale, you meet the ownership test.*
- *If you and your spouse owned the home and used it as a residence for at least 24 months (2 years) of the previous 5 years, you meet the use test.*

You can meet the ownership and use tests during different 2-year periods. However, you must meet both tests during the 5-year period ending on the date of the sale. Generally, you're not eligible for the exclusion if you excluded the gain from the sale of another home during the two-year period prior to the sale of your home. Refer to (IRS) [Publication 523](#) for the complete eligibility requirements, limitations on the exclusion amount, and exceptions to the two-year rule.”

U.S. NEWS

A Build America, Buy America law is causing construction delays amid the US housing crisis

Schematics for an affordable housing project are posted Tuesday, March 17, 2026, in Bidd

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BY **CHARLOTTE KRAMON**

Updated 2:34 PM AKDT, March 30, 2026

It has a catchy name — Build America, Buy America — and the lauded goal of bringing manufacturing jobs back to the United States.


But the law has spurred a bottleneck for [affordable housing](#).

Nearly everything from HVACs and lighting to sink hooks and ceiling fans in affordable housing projects that get federal dollars must be produced in the United States. But, developers say, numerous products do not, as they have long been imported from overseas markets with cheaper labor costs.


Although builders can apply for waivers, the process has been at a near standstill as the [Department of Housing and Urban Development](#), which has had its [staff slashed](#) by the Trump administration, has only greenlit a handful of projects.

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The waiver process has caused construction delays and hundreds of thousands of dollars in extra costs as the country faces an [affordable housing](#) crisis.



Tyler Norod, from the Westbrook Development Corporation, stands for a photo at a development site Tuesday, March 17, 2026, in Biddeford, Maine. (AP Photo/Patrick Whittle) [Read More](#)

“They need to be treating this like the fire that it is,” said Tyler Norod, president of Westbrook Development Corporation, which builds affordable housing in Maine.

“We’ve sort of resigned ourselves that we’re just gonna build less units across the entire country during a [housing crisis](#).”

Facing a standstill

Diana Lene has been on affordable housing waitlists for the past five years. The 75-year-old loves living close to her daughter and grandchildren in Fargo, North Dakota, but her apartment is too expensive on her [Social Security](#) income.

Diana Lene poses for a selfie photo at her home in Fargo, North Dakota on March 13, 2026. (Diana Lene via AP)

“It’s just maxing my budget down to pennies,” she said. To save money, she avoids driving often and buys food on sale.

“I’m just trying to keep a roof over my head, but it’s getting more and more difficult,” Lene said. “I don’t like to live in fear, and yet sometimes it jumps in there.”

Lene is on a waitlist for one of nonprofit developer Beyond Shelter’s apartments. CEO Dan Madler is building a 36-unit building for people like Lene, but he had to postpone lumber orders to verify they comply with the law and can’t find ceiling fans made in America. He doesn’t know when HUD will approve a waiver.

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U.S. President Joe Biden signed the Build America, Buy America Act as part of the [Infrastructure Investment and Jobs Act](#) in 2021, building on longstanding efforts to boost American manufacturing at a time when the

U.S. economy was emerging from a pandemic-era recession. Known as BABA, it applies to infrastructure projects funded by federal agencies, not just affordable housing.

Denver developer Julie Hoebel says she has spent over \$60,000 just on a consultant to comb through websites and call suppliers to try to find American-made materials, not to mention the additional labor costs involved.

But the waivers she submitted to HUD in November for around 125 materials in an 85-unit building haven't been approved.

"If they take much longer then we'll come to a standstill," she said.

Julie Hoebel, director of development and real estate assets for Grovewood Community Development, poses for a portrait in the courtyard of the Sapling Grove Apartments, an affordable housing complex, in Aurora, Colo., on Friday, March 20, 2026. (AP Photo/Thomas Peipert)

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A cumbersome process

HUD is taking at least six months to approve many waivers.

Even BABA advocates agree HUD must grant waivers more quickly and give the industry clearer instructions on how to prepare them, which they note other federal agencies are doing.

HUD did not address questions from The Associated Press about waiver approval delays developers say increase costs, as well as concerns about making the process more transparent. In a statement it said it's committed to "ensuring that federal spending supports America's industrial base" while "closely monitoring how compliance with these policies impact costs for builders."

Asked in January about whether the delays and cost increases mean affordable housing should be exempt from BABA rules, HUD Secretary Scott Turner said the agency was looking into the issue, but did not provide details. "We are looking at this ... with BABA as it pertains to HUD to provide flexibility to certain projects in certain places around our country," Turner said, adding that HUD is committed to assuring developers get "the flexibility they need as it pertains to building."

The law itself isn't the problem, supporters say.

Unions representing the steel and manufacturing industries say taxpayer dollars should fund American-made materials and suppliers will adjust to meet demand for products that aren't available.

"You've got a system in place that leans heavily on using imported materials to make a better profit," said Scott Paul, president of the Alliance for American Manufacturing. "I don't know if that serves the public good."

Jennifer Schwartz, director of tax and housing advocacy at the National Council of State Housing Agencies, said there's no national data on how much BABA is increasing costs. But the waiver process is "failing," she said, because requirements were put in place before assessment of domestic manufacturing capacity.

It won't be as challenging for suppliers to produce more raw materials in the U.S., but it will take time for [manufactured products](#) — such as appliances and elevators — to become available, said Kaitlyn Snyder, managing director of the National Housing and Rehabilitation Association, an affordable housing industry group.

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"I don't know that it economically, financially makes sense for people to be producing door hinges," Snyder said. "We are an advanced country and we've outsourced a lot of that stuff."

The [housing bill](#) that passed the Senate in March did not require HUD to address problems with implementing BABA.

"The process isn't working for affordable housing," said Jessie Handforth Kome, who spent nearly 40 years working at HUD until 2024. "People want to comply, but it's unclear how to."

Vermont-based Developer Jessica Neubelt estimates she spent an additional \$150,000 just to verify iron and steel she used in a project was American-made. She's just as frustrated over the hundreds of hours that takes, which, she said, could be spent on another project.

"I would like every member of Congress to sit in on a construction meeting," Neubelt said. "The amount of detail that goes into figuring out if a specific thing is compliant or not is enormous."

Vehicles pass by the Sapling Grove Apartments, an affordable housing complex, in Aurora, Colo., Friday, March 20,

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Debates over solutions

U.S. Rep. Mike Flood, a Nebraska Republican, has advocated to exempt some HUD funding from BABA.

“Owning a home is the American dream, but it’s out of reach in a very big way and anything that adds cost to that isn’t allowing hardworking Americans to achieve the dream,” Flood told the AP.

Roy Houseman, legislative director at United Steelworkers, said complaints about cost increases are overblown.

“A lot of developers seem to have tried to throw things in and make statutory changes to policies that have been in place for basically five years now instead of making a good-faith effort to really push HUD,” Houseman said.

Union leaders note the law offers some leeway.

Developers can get exemptions for an American-made product if it increases the project’s overall cost by more than 25%. A very small percentage of a project’s total material cost is also exempt. But most developers say that percentage isn’t enough to cover all items not made in the U.S.

Some developers are looking for ways to avoid federal funds altogether. But that is challenging. Even though federal dollars often make up a small portion of funding for affordable housing projects, that sliver can make

or break whether there's enough money to build them.

Kentucky developer Scott McReynolds says that instead of applying for a federal grant to build 20 to 30 affordable homes, he plans to build two four-unit projects, small enough so that they aren't subject to BABA.

American-made materials are especially hard to find near the [rural areas](#) McReynolds serves.

"It's a nightmare," he said.

Kramon is a corps member for The Associated Press/Report for America Statehouse News Initiative. [Report for America](#) is a nonprofit national service program that places journalists in local newsrooms to report on undercovered issues.

CHARLOTTE KRAMON

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