



Trump Wins the White House

Republicans Hold
the Senate and House

What do the Election Results Mean for Housing?

One of the most divisive election campaigns in our nation's history is finally over. Defying pollsters and election prognosticators, the Republicans, now led by President-elect Donald J. Trump, control the White House and both chambers of Congress for the first time since 2005-2006.

While the House was predicted to remain in GOP hands, the fate of the Republicans' four-vote majority in the Senate was very much in doubt. Despite the unbalanced Senate map, the GOP held on to its majority by at least two seats. Still, judging by the electoral vote, the nation remains deeply divided. Lacking a 60-vote veto-proof super majority in the Senate, Republicans will have to work with the Democratic minority to advance their legislative agenda.

For NAHB, this presents great opportunities. Our association has a long-standing tradition of reaching out to both sides of the political aisle to work on important housing issues that affect the livelihood of our members and millions of households across the land.

When the new Trump administration celebrates its inaugural and members of the 115th Congress convene in Washington early next year, we know there will be plenty of unfinished housing business, and we plan on being there to make sure they get the job done.

We need to reduce the costly burden of excessive government regulation. We need to ensure that any tax reform efforts protect small businesses and recognize the

importance of vital housing tax incentives such as the mortgage interest deduction and the Low Income Housing Tax Credit. We need to ease tight credit conditions for home buyers and ensure small businesses can get loans. We need to advance comprehensive housing finance reform with the federal government acting as a backstop in times of crisis to protect the 30-year mortgage and bring private capital back into the marketplace.

During this campaign, NAHB took unprecedented steps to elect pro-housing candidates to Congress by elevating housing as a national issue. NAHB honored deserving

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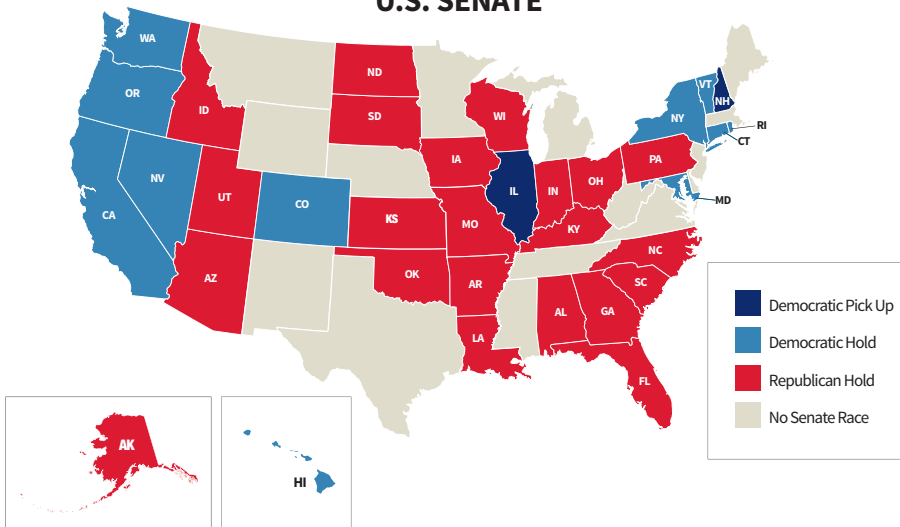
members of Congress with Defender of Housing awards, and for the first time endorsed congressional candidates for office. We will be visiting our old friends in the Congress and meeting new advocates to ensure that we translate our political support for them into legislative accomplishments that will benefit the entire nation.

While the 2016 elections have brought new leaders to the forefront, NAHB remains steadfast in its mission to keep housing a national priority and to seek common ground on which our nation can build a brighter future.

Jim Tobin

Executive Vice President
Government Affairs and Communications

U.S. SENATE



REP. HOLD

AK: Murkowski
 AL: Shelby
 AR: Boozman
 AZ: McCain
 FL: Rubio
 GA: Isakson
 IA: Grassley
 ID: Crapo
 IN: Young (*Coats retiring*)
 KS: Moran
 KY: Paul
 LA: Kennedy (*Vitter retiring*)
 MO: Blunt
 NC: Burr
 ND: Hoeven
 OH: Portman
 OK: Lankford
 SC: Scott
 SD: Thune
 PA: Toomey
 UT: Lee
 WI: Johnson

DEM. HOLD

CA: Harris (*Boxer retiring*)
 CO: Bennet
 CT: Blumenthal
 HI: Schatz
 MD: Van Hollen (*Mikulski retiring*)
 NY: Schumer
 NV: Cortez Masto (*Reid retiring*)
 OR: Wyden
 VT: Leahy
 WA: Murray

DEM. PICK UP

IL: Duckworth
 NH: Hassan

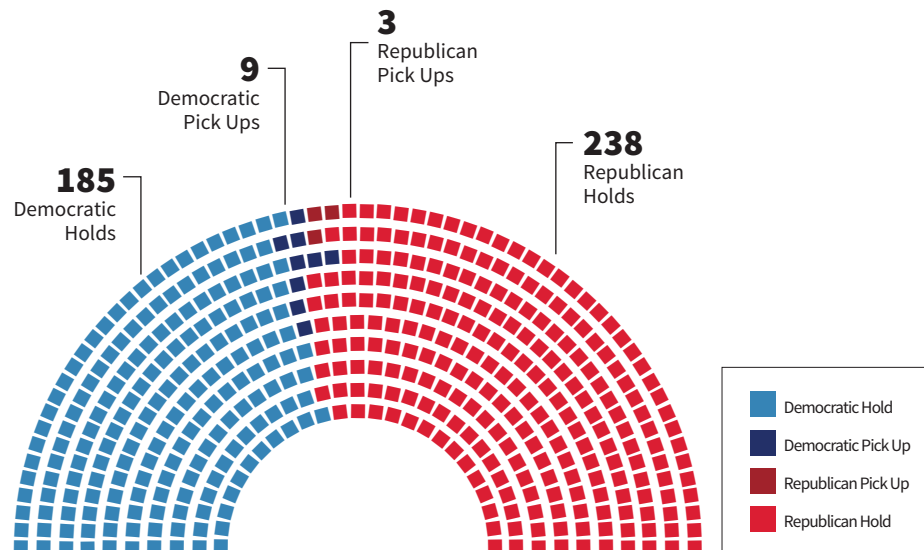
Republicans Retain Control

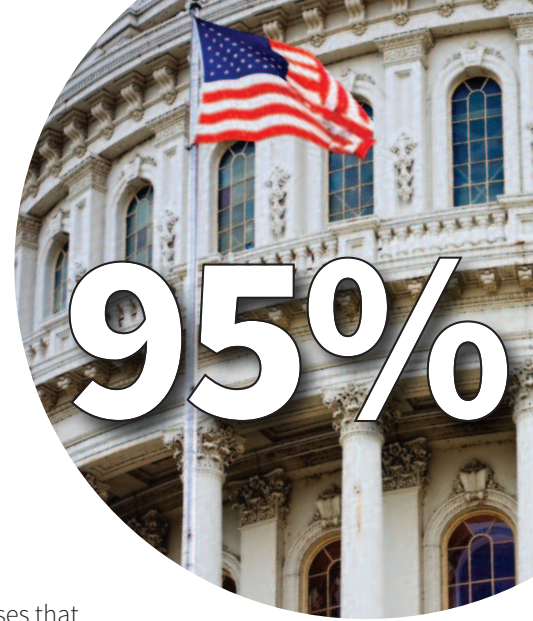
Prior to Nov. 8, Republicans held a 54-46 majority. With Republicans defending 24 seats to just 10 for Democrats, the Democrats emerged with a net gain of two seats, leaving the GOP with a 52-48 majority. Looking ahead, Republicans will be on favorable political ground in 2018 when Democrats will be defending 25 seats to only eight for Republicans.

U.S. HOUSE OF REPRESENTATIVES

Republicans Keep a Firm Grip

While the Democrats picked up six seats, Republicans maintained their solid hold on the House. Prior to the elections, Republicans held a 246-186 lead, with three vacancies. The House breakdown now stands at 241 Republicans and 194 Democrats.





BUILD-PAC

BUILD-PAC, NAHB's Political Action Committee, helps elect the most qualified pro-housing, pro-business candidates to federal office. By supporting candidates on both sides of the aisle, Democrats and Republicans, BUILD-PAC opens doors on Capitol Hill and ensures housing remains a top priority in Washington.

During the 2015-2016 election cycle, BUILD-PAC supported 356 U.S. congressional candidates and is projected to meet its \$3 million fundraising goal. Additional successes that BUILD-PAC experienced over the last two years include:

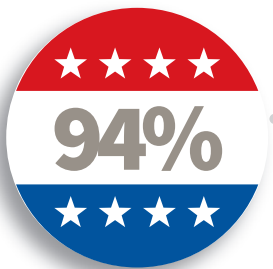
- Raising significantly more money this election cycle compared to the previous cycle
- Increasing participation from NAHB members contributing to BUILD-PAC
- Holding a record number of fundraising events around the country
- Growing all three high donor clubs

"BUILD-PAC has made great strides in this election cycle," said Eugene Graf IV, the 2016 BUILD-PAC chairman. "We disbursed more than \$2.8 million to federal candidates and committees – an 18% increase over the last cycle. BUILD-PAC's support of pro-housing candidates is shaping the political landscape."

95% of the candidates supported by BUILD-PAC won their races on Nov. 8.

Success Starts in the States

SOUTH DAKOTA	Largest number of contributors
CONNECTICUT	Most money raised per capita
TEXAS	Most money raised overall
SOUTH DAKOTA	Highest dollar amount increase over previous cycle
CONNECTICUT	Most money raised above state fundraising goal
OREGON	Highest increase in participation rate



NAHB Endorsements

For the first time in its 74-year history, NAHB this year endorsed candidates for the U.S. Senate and the U.S. House of Representatives.

NAHB endorsed candidates who have shown a commitment to policies that promote homeownership and rental housing opportunities for all Americans. NAHB made all of its endorsement decisions in concert with the state and local associations of the lawmakers under consideration.

Of the 139 candidates NAHB endorsed, 131 – or 94% – won their races.

Congressional Housing Agenda

In Congress, those who wield the committee gavel set the agenda. With Republicans retaining control of the House and Senate, below is a snapshot of committees with oversight over key housing issues in the 115th Congress:

Senate Finance Committee

Chairman Orrin Hatch (R-UT) has quietly been building bipartisan consensus on the need for tax reform. Unlike the House, where the push for tax reform has been very public, Senate Finance Committee members have maintained the Senate tradition for quiet deliberation. Across the aisle, Hatch finds a willing partner in his ranking member, Ron Wyden (D-OR), who arguably has been the most vocal proponent for tax reform of anyone on the committee. Wyden has introduced two bipartisan tax reform bills in the past, and he has a reputation for taking a pragmatic approach to deal making. At the same time, this pragmatism will butt up against the resurgence of progressive influence in the Senate, led by Bernie Sanders (D-VT) and Elizabeth Warren (D-MA). The far left will likely put as much pressure on Wyden not to compromise as the TEA Party will place on Orrin Hatch to hold the conservative line. But the Hatch and Wyden partnership puts tax reform into the realm of the possible, although the road remains steeply uphill.

House Ways and Means Committee

Rep. Kevin Brady (R-TX) begins his third year as chairman of Ways and Means with one mission on his mind: tax reform. Building on the GOP Tax Reform Blueprint released in the spring, Brady has been steadily crafting a new tax reform bill that he intends to move through the committee in 2017. That plan will focus on lowering tax rates and simplifying the code. The GOP plan will maintain some of the current housing tax incentives, such as the mortgage interest deduction, but within a framework that reduces the number of home owners itemizing their taxes.

In the months leading up to the election, President-elect Trump began to move his tax reform plan into closer alignment with the GOP blueprint in a clear signal for his desire to pursue tax reform. Expectations will be high for a comprehensive overhaul of the tax code, and Republicans will be looking for a Treasury secretary nominee with the political skill and congressional relationships to lead the push forward.

Senate Banking, Housing and Urban Affairs Committee

With Sen. Richard Shelby (R-AL) term-limited as chairman of the Senate Banking, Housing and Urban Affairs Committee, it is expected that Sen. Michael Crapo (R-ID) will take the chairman's gavel in the new Congress. As ranking member of the committee in the 113th Congress, Crapo was instrumental in moving NAHB-supported bipartisan housing finance reform legislation through the committee. While this legislation ultimately was not considered by the full Senate, NAHB believes that it represented the true middle ground in the debate on the future of Fannie Mae and Freddie Mac. While Shelby did not advance the housing finance reform debate during his latest term as chairman, NAHB expects Crapo to once again focus the committee on bipartisan efforts to reform the U.S. housing finance system.

With the Republicans keeping control of the Senate, this is the leadership lineup for the 115th Congress.

SENATE LEADERSHIP



Mitch McConnell, R-KY
Senate Majority Leader



John Cornyn, R-TX
Senate Majority Whip



Charles "Chuck" Schumer, D-NY
Senate Minority Leader



Richard "Dick" Durbin, D-IL
Senate Minority Whip



Patty Murray, D-WA
Assistant Democratic Leader

HOUSE LEADERSHIP

Debate over the 2010 Dodd-Frank law will remain a topic of importance to the committee. While Chairman Shelby pursued aggressive efforts to repeal parts of the law during the previous Congress, such comprehensive legislation did not advance beyond a vote in the full committee. Given Crapo's strong working relationship with Sen. Sherrod Brown (D-OH), the lead Democrat on the committee, regulatory relief efforts focused on community banks are expected to be a priority of the committee in the new year.

Finally, with the National Flood Insurance Program set for reauthorization in 2017, Chairman Crapo's efforts, along with his counterpart on the House Financial Services Committee, will be critical to ensure a long-term extension of this critical program.

House Financial Services Committee

Since Republican chairmen are term-limited to six years, Rep. Jeb Hensarling (R-TX) will serve his final two years at the helm of the House Financial Services Committee during the 115th Congress. Though legislation to advance comprehensive housing finance reform stalled during the current Congress, reform remains a key priority of the committee with Fannie Mae and Freddie Mac still under government conservatorship. While NAHB's advocacy was successful in preventing advancement of the PATH Act, citing the negative impact it would have on the 30-year fixed-rate mortgage, NAHB expects the PATH Act will remain as the chairman's baseline moving forward. NAHB will continue to strongly oppose the PATH Act should it be re-introduced, and will develop allies on the committee to support our views and positions while continuing to support movement on bipartisan reform legislation.

Hensarling's agenda is also expected to focus on reforms of the 2010 Dodd-Frank law, which he views as a burden on lending institutions and small community banks. While Hensarling advanced strong reform legislation through the committee in late 2016, the legislation did not advance to the House floor. NAHB will work with the chairman and continue to support legislation that addresses the challenging credit conditions that home builders and home buyers continue to experience as a result of the overly zealous regulatory response to the recent financial crisis.

Senate Environment and Public Works Committee

Sen. James Inhofe (R-OK) will relinquish the gavel of the Senate Environment and Public Works Committee due to committee term limits and will likely be replaced by Sen. John Barrasso (R-WY). Barrasso has been a staunch defender of the property rights of private land owners and has fought against the Obama administration's Lead: Renovation, Repair and Painting Rule; the greenhouse gas emissions rule for power plants; and EPA's widely criticized Clean Water Rule. Barrasso will provide several legislative options to fight these regulations. GOP control benefits NAHB as our environmental policy goals align with those of the Republican members of the committee. Sen. Thomas Carper (D-DE) will likely replace retiring Sen. Barbara Boxer (D-CA) as ranking member. Carper has been a strong opponent of NAHB's environmental policies.

House Transportation and Infrastructure Committee

Rep. Bill Shuster (R-PA) will continue to serve as chairman of the House Transportation and Infrastructure Committee. Shuster has worked to defeat several harmful environmental regulations that would negatively impact land development. Most



Paul Ryan, R-WI
Speaker of the House



Kevin McCarthy, R-CA
House Majority Leader



Steve Scalise, R-LA
House Majority Whip



Nancy Pelosi, D-CA
House Minority Leader



Steny Hoyer, D-MD
House Minority Whip



Jim Clyburn, D-SC
Assistant Minority Leader

The House leadership remains intact on both sides of the political aisle.

notably, he introduced legislation in the last Congress to roll back the administration's Clean Water Rule. Shuster will continue to push back against these regulations and keep housing affordable. Rep. Peter DeFazio (D-OR) will keep the committee's ranking member position. DeFazio has not been supportive of NAHB's positions and that is unlikely to change.

Senate Energy and Natural Resources Committee

The Senate Energy and Natural Resources Committee remains under the leadership of Sen. Lisa Murkowski (R-AK) as chairman and Sen. Maria Cantwell (D-WA) as ranking member. Murkowski has continually pushed for a comprehensive energy policy while Cantwell would prefer to focus on a clean energy economy. However, the two senators have a good working relationship and have been able to compromise on major legislation.

With the Republicans retaining control of the Senate, the outlook for a compromise on two energy bills passed by both chambers is good. The bills are expected to be negotiated during the lame duck session. NAHB strongly supports language in the House version (H.R. 8) that would ensure residential energy codes remain affordable. Cantwell remains fervently opposed to this language, but NAHB is working to find a compromise that would allow this legislation to move forward.

House Energy and Commerce Committee

There will be a hotly contested race for chairman of the House Energy and Commerce Committee between Reps. Greg Walden (R-OR), John Shimkus (R-IL) and Joe Barton (R-TX). While Shimkus has seniority on the committee, Walden serves as chair of the National Republican Congressional Committee. NAHB has good relationships with the three candidates, who all supported the association on issues ranging from energy codes to energy efficiency regulations.

Rep. Frank Pallone (D-NJ) will remain as ranking member. While he worked positively with the Republicans on a number of issues, he opposed the comprehensive energy bill and tried to remove NAHB-supported language that aimed to ensure energy codes remain affordable. He is not expected to support the final energy bill, even if his Democratic counterpart in the Senate, Sen. Cantwell, does.

Senate Judiciary Committee

Sen. Chuck Grassley (R-IA) retains the chairmanship of the Senate Judiciary Committee. Like its House counterpart, the Judiciary Committee has jurisdiction over immigration and patent reform.

Grassley is reticent to prioritize comprehensive immigration reform. He is likely to focus on enhancing

immigration enforcement programs, such as mandatory E-Verify, and advancing major reforms to the EB-5 investor program, which is important to NAHB's multifamily and production builders. NAHB agrees with Grassley that security and fraud measures need to be updated in the EB-5 program, but the association is not supportive of changes the chairman would like to make that would hurt the ability of investors to partner with the real estate industry. NAHB will also seek to work with Grassley on areas pertaining to subcontractor liability and a market-based guest worker program.

Grassley remains committed to advancing patent reform and he will look to build on the significant progress achieved in the 114th Congress that nearly saw passage of a bill with NAHB-supported amendments.

House Judiciary Committee

Rep. Bob Goodlatte (R-VA) retains his chairmanship of the House Judiciary Committee. The committee's jurisdiction includes authority over a number of NAHB's top priorities: immigration, patent reform, and regulatory reform.

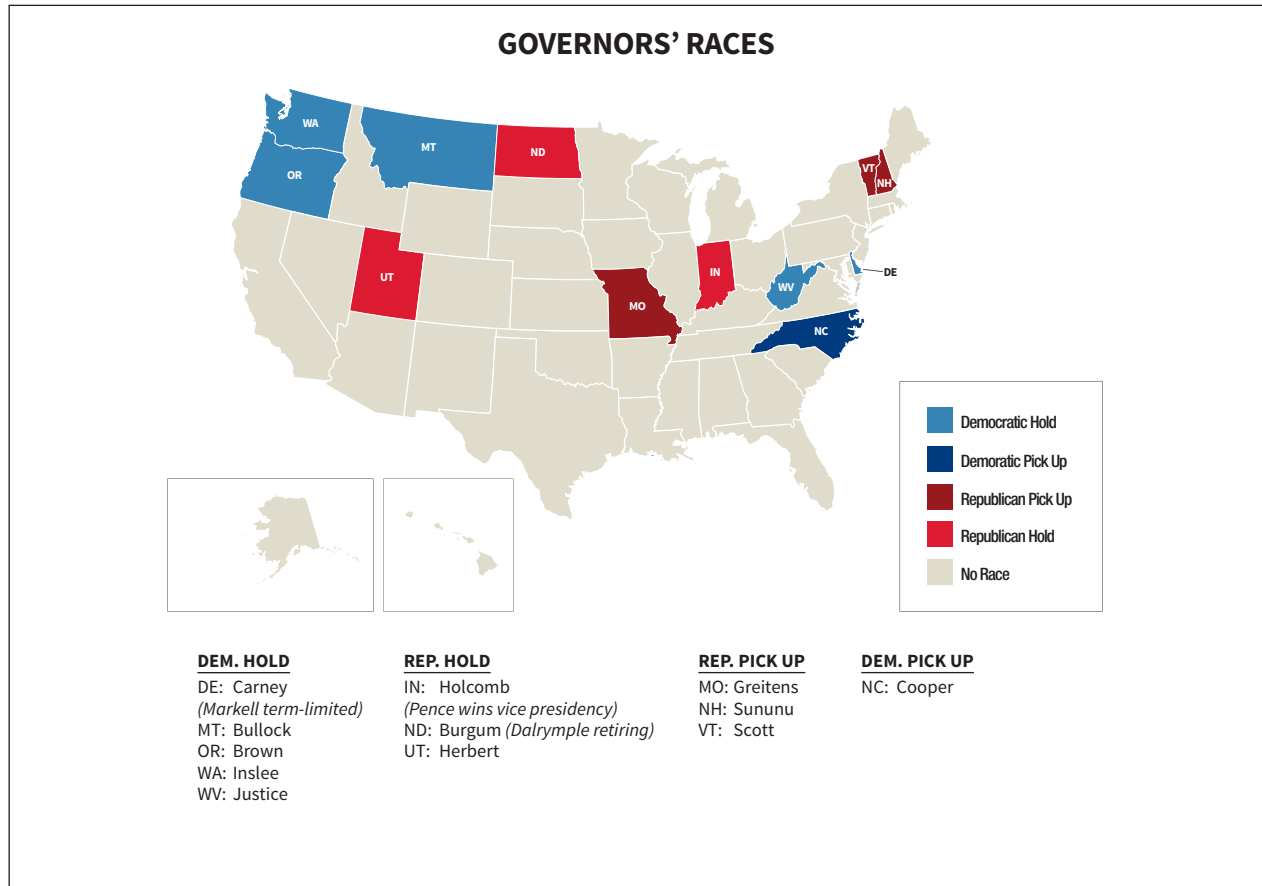
Goodlatte is reticent to prioritize comprehensive immigration reform and instead will focus on enhancing immigration enforcement mechanisms, such as mandatory E-Verify. He will also seek to advance major reforms to the EB-5 investor program. NAHB agrees with Goodlatte that security and fraud measures need to be updated in the EB-5 program, but the association is not supportive of changes the chairman would like to make that would hurt the ability of investors to partner with the real estate industry. NAHB will also seek to work with Goodlatte on areas pertaining to subcontractor liability and a market-based guest worker program.

Patent and regulatory reform remain top priorities for a Goodlatte-chaired Judiciary Committee. The 114th Congress represented a step back in the House on patent reform. Goodlatte and his team will need to make significant changes to proposed legislation to bridge the divide. Regulatory reform is a priority not only for the committee, but also for the House GOP leadership.

Senate Homeland Security and Governmental Affairs Committee

Sen. Ron Johnson (R-WI) retains the chairmanship of the Senate Homeland Security and Governmental Affairs Committee, which has jurisdiction over matters pertaining to regulatory reform. Johnson has demonstrated a preference for a piecemeal approach. However, with his re-election secured and Republicans in control of the White House, Senate and House, Johnson may be open to pursuing a more ambitious reform agenda.

State and Local Issues



GOVERNORS' RACES

There were 12 gubernatorial contests on Nov. 8, including a special election in Oregon. Eight seats were held by Democrats, four by Republicans. The big news of the night is that Republicans flipped control of state executives in three states – Missouri, New Hampshire and Vermont.

With two races still to be called, the GOP currently controls 33 of the 50 governors' offices, just one shy of their historical high of 34 governorships set in 1922.

Control of the statehouses is vital because many of the policy battles of importance to the housing community, including environmental and regulatory issues, begin at the local and state level. Moreover, with the congressional reapportionment process set to take effect in 2020, the parties that control the governorships can play an influential role in redrawing congressional districts.

BALLOT INITIATIVES

South Dakota's Amendment R

The South Dakota Home Builders Association received funds from the NAHB State and Local Issues Fund to promote public awareness of Amendment R. This amendment protects funding for technical institutions to better promote their unique educational offerings and receive necessary support to provide South Dakota's industries with the skilled employees they need. The measure passed.

California's Proposition 51

The California Building Industry Association partnered with the Coalition for Adequate School Housing and successfully qualified a school bond initiative (Prop. 51) for the ballot. The \$9 billion bond will replenish the state's school facility fund, ensuring the continuation of the current school facilities financing program where all partners -- the state, the district and developers -- contribute to modernize aging schools or build new facilities where necessary. The measure passed.