



### **Testimony in Opposition to LD 2077:**

**“An Act to Reduce the Cost of Purchasing a Home by Providing Grants to Reduce Mortgage Rates”**

Senator Curry, Representative Gere, and distinguished members of the Joint Standing Committee on Housing and Economic Development, my name is Montana Towers, and I serve as policy analyst for Maine Policy Institute. Maine Policy is a free market think tank, a nonpartisan, nonprofit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to submit testimony in opposition to LD 2077, “An Act to Reduce the Cost of Purchasing a Home by Providing Grants to Reduce Mortgage Rates.”

### **Short Term Subsidies Do Not Work**

While the desire to increase housing affordability is admirable, LD 2077's mechanism of a one-time grant of up to \$15,000 to reduce mortgage rates represents another unsustainable government intervention in a complex housing market. Housing affordability in Maine is indeed a pressing issue, but direct subsidies distort true market signals, drive up demand artificially, and often benefit a limited group of recipients at significant expense both to taxpayers and home buyers.

History shows us that well-meaning housing subsidies can have unintended consequences. As MPI's March 2025 Under Construction report demonstrates, linked at the bottom of our testimony, Maine's housing crisis stems not from a lack of government subsidies, but from decades of restrictive local policies such as zoning laws, minimum lot sizes, parking mandates, and complex permitting processes that artificially suppress the supply of new housing.

According to the Under Construction report, towns with zoning laws saw home prices 7% higher on average than those without, and a 10,000 square foot increase in minimum lot size correlates with a 4% increase in home prices. These policies, not a lack of subsidies, are what constrain supply and drive up prices across Maine. Government intervention got us into this mess, more of it won't fix the problem.

### **Grants Won't Solve Supply Constraints**

Instead of subsidizing demand, Maine should address the underlying supply problem. Policymakers must reduce regulatory barriers to new construction, reform zoning laws to allow for more housing density and mixed-use development, and unleash private investment by streamlining the permitting process. These measures have been proven in other states to lower housing costs without ongoing taxpayer burden.



Government grants may slightly ease costs for a select few, but they do nothing to change the major forces driving unaffordability. Worse, such grants may actually drive prices higher by inflating buying power without corresponding increases in inventory. The outcome is predictable, LD 2077 could lead to more price inflation, more public dependency, and greater exclusion of families who don't qualify.

### **Fairness and Market Neutrality**

LD 2077 also raises serious concerns about fairness and market neutrality. Grant programs of this kind effectively pick winners and losers in the housing market. Homebuyers who fall just outside the program's income limits, or who do not meet the bill's definition of eligibility, will receive no benefit, even though they face the same high prices and limited housing supply.

This approach distorts market behavior by favoring a narrow group of buyers at the expense of others. Taxpayers who may never qualify for these grants are nonetheless asked to subsidize them, despite receiving no relief themselves.

A healthy housing market should be neutral and responsive to supply and demand, not shaped by government programs that redistribute costs and benefits unevenly. Maine should pursue policies that lower housing costs for everyone rather than selectively subsidizing a few buyers while leaving the broader affordability crisis unresolved.

For these reasons, Maine Policy Institute strongly urges this committee to vote "Ought Not to Pass" on LD 2077. Thank you for your time and consideration.