Incentivizing Housing Development for TN Working Families

As part of the Governor's ongoing commitment to expanding housing access, the administration is proposing a $30 million state investment to establish a targeted, zero-interest construction loan program to boost the production of entry-level homes for working families across the state.

Should this pass, Tennessee would join several other states deploying innovative solutions to meet their housing needs.

Enacted in 2025, Oregon's Moderate Income Revolving Loan program will provide no-interest loans to sponsoring jurisdictions that fund very low-, low- or moderate-income housing projects, who are then able to use the loan to award a grant to a developer with an eligible housing project in their communities.[8]

Since 2023, Oklahoma's Housing Stability Program has provided 0% interest construction loans for the new construction of single-family homes and for single and multifamily rental housing. Further down payment assistance is available to homeowners. [9]

Making 0% Construction Loans Work for Tennessee.

How this program could be designed to empower households and communities in our state.

Support working families and the missing middle
- Serve households earning up to 150% of Area Median Income (or mortgage revenue bond income limits), expanding access for working families who earn too much to qualify for traditional affordable housing but are still priced out of the current market.
- Prioritize energy-efficient construction to reduce long-term utility costs.
- Enable projects to qualify for complementary funding sources, such as rehabilitation grants or home repair assistance.
- Include manufactured housing on permanent foundations as eligible projects.

Accessible to smaller, community-based developers
- Set flexible home price limits that reflect the true cost of construction in today's economy, allowing developers to continue building for underserved markets despite rising materials and labor expenses.
- Extend loan terms to 36–38 months to give small builders sufficient time to deliver well-constructed homes without losing access to financing.
- Permit reimbursement of eligible costs, helping builders who lack the cash flow to front expenses while waiting for disbursement
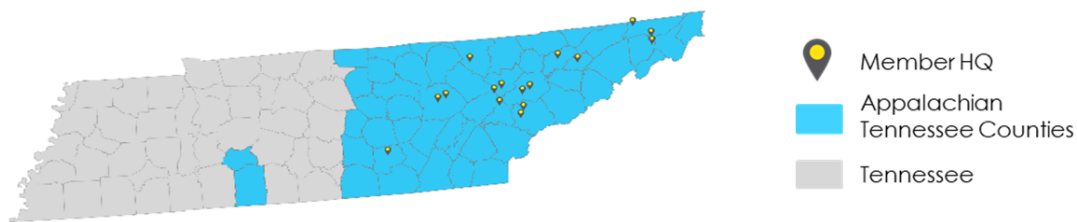
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Strength in Numbers

The need.

Rapid population growth and insufficient housing production has resulted in a gap of at least 90,000 housing units in Tennessee[1]. Consequently, home prices have risen 122% over the past decade, making Tennessee one of the states with the fastest-rising housing costs in the country [2]. Much of this price increase can be attributed to rising construction costs, which now make up more than 64% of the average home sales price - a record high [3]. Construction costs have risen 4% in the last couple of years, which is further driving up the price of new development.

Working Tennesseans are feeling the brunt of this shortage. For many families, the dream of homeownership is slipping out of reach: first-time homebuyers now make up one of the smallest shares of the market in decades, and the proportion of homeowners under 35 has declined sharply in 2024 [5,6]

Be a housing champion.

We urge you to support the Governor's request for this critical $30 million investment in the FY26 Budget. Connect with Fahe Members and Partners to learn more about the importance of this program and how it could alleviate Tennessee's housing challenges. For more information, please contact

Map of Caucus Footprint

📍 Member HQ

🟦 Appalachian Tennessee Counties

⬜ Tennessee

[1] Oregon Housing and Community Services, Moderate Income Revolving Loan. [2] Oklahoma Housing Finance Agency, Oklahoma Housing Stability Program.
[3] Tennessean, "Zoning Reform Could Be in Store for Nashville." [4] National Association of Home Builders, "Cost of Constructing a Home in 2024."
[5] 2025 East Tennessee Realtors State of Housing Report. [6] National Association of Home Builders, "Lowest Homeownership Rate for Younger Householders in Four Years." [7] National Association of Realtors, "First-Time Home Buyers Shrink to Historic Low."

Sources