H.R. 2895, THE NATIONAL AFFORDABLE HOUSING TRUST FUND ACT OF 2007

HEARING

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

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THURSDAY, JULY 19, 2007

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H.R. 2895, THE NATIONAL AFFORDABLE HOUSING TRUST FUND ACT OF 2007

Thursday, July 19, 2007

U.S. House of Representatives,
Committee on Financial Services,
Washington, D.C.

The committee met, pursuant to notice, at 10:04 a.m., in room 2128, Rayburn House Office Building, Hon. Barney Frank [chairman of the committee] presiding.

Present: Representatives Frank, Waters, Velazquez, Watt, Moore of Kansas, Capuano, McCarthy, Baca, Lynch, Green, Cleaver, Sires, Ellison, Klein, Boren; Bachus, Castle, Royce, Gillmor, Biggert, Shays, Miller of California, Feeney, Hensarling, Garrett, McHenry, and Bachmann.

The Chairman. This hearing of the Financial Services Committee will come to order. For those of you who were paying attention to yesterday's hearing, I'm going to deviate from the precedent set yesterday, and wait for the opening statements before I ask my first question. That will be a change from yesterday's procedure.

In fact, I may not even be here for the first question because this is an issue, the National Housing Trust Fund, on which the gentlewoman from California, the chairwoman of the Housing and Community Opportunity Subcommittee, and I have been very much engaged in an equal partnership, and she will be presiding over the hearing.

I will in fact be going over to stop in at the press conference being held by the Homeless Coalition, which recognizes this bill as an important part of their program since the main cure for homelessness is a home, the absence of which is hard to overcome.

I do want to say that this bill is, in my mind, one of the most important we will be considering. I think expanding the Children's Health Insurance Program is the single greatest contribution this Congress can make to improving the quality of life for some of our fellow citizens who are most in need of compassionate assistance. But I believe if we get this bill done it will be the second most important institutional response.

In any one year, the number of units may not look huge, but housing units, as well-constructed as we believe they will be under this program, will last for 30 and 40 and 50 years so that at the end of a dozen or 15 years this bill will have made a significant contribution to alleviating one of the great shortages in this country, which is affordable housing.

I will leave all the details for later. I do want to acknowledge Commissioner Montgomery, and he is the appointee of an Administration with whom we have some philosophical differences. Within that framework we have been able to cooperate with the Commissioner in ways that I think have been mutually beneficial. I want to acknowledge the assistance he has given, and I want to say that even on areas where I know we might have had some ultimate policy disagreement, we've been able to trust fully what he told us, and we appreciate that.

I do want to comment on one point which is that some have suggested that one of the contributions to the fund—and let me just talk about the money for the fund, not from appropriations, but from other housing related activities, some of it comes from Fannie Mae and Freddie Mac. Now I do find a great inconsistency on the part of some who have been arguing for years that Federal legislation gives Fannie Mae and Freddie Mac an undue advantage, that they are able to borrow cheaply in the marketplace because of this perception of a Federal backup that I think is an inaccurate perception, and that Fannie and Freddie benefit too much from this and don't do enough for the public.

Agreeing with that, we responded by saying, yes, we will take a small percentage of the money that they make, far less than they get from these advantages, and require it to go to affordable housing. Having done that, some of the same people who told us we were letting Fannie and Freddie get away with murder now say we are being unfair to the murderers.

Somehow it is no longer a case of Fannie and Freddie getting too much from these advantages, but us preying on these poor, unsuspecting private corporations. They are not wholly private corporations. They are quasi-public entities and we think that the alternative of reducing the advantages they get and diminishing the amount of money that's available for housing is not a good one. The other choice, of course, is to leave the status quo in which they get more benefit than they should and that they pay back.

And we've taken what we think is the middle course. We leave the benefits, although with greatly increased regulation, but we use some of that money for good public purpose. Similarly with the FHA, our bill, contrary to suggestions that it's going to lead to FHA fee increases, in the bill that our committee passed we seek to prevent the Bush Administration from increasing FHA fees not because there is a need to do that to do FHA business but to help benefit the general Treasury.

And section 30 of the bill would prohibit HUD from increasing any FHA premium above the level that was in effect at the beginning of this fiscal year unless the Secretary shows that in the absence of an increase the program would require a subsidy from the Congress. So we, in fact, strengthen the resistance to FHA fee increases, and that applies to what we're doing here.

If anything in this legislation that we have passed on the FHA that would get incorporated here were to cause a fee increase that would kick in. So we in fact prohibit fee increases. In fact our bill says no money goes to the housing fund if it were threatened, a fee increase. So the truth is that the bill that we passed already on the FHA, and it's all part of one package conceptually, prevents a fee increase that is being contemplated.

And I will say, and I don't ask for any comment on this, that my sense is that the desire for this fee increase did not come from the FHA and that it did not come from HUD, but it came from OMB. That is to be the FHA's contribution to the war in Iraq. And we make it very clear that the FHA fee should increase only if there was a need to do that for FHA business.

With that, I am going to move on. I do want to say that I can appreciate that within these differences we've been able to work with the Commissioner. I am sorry that I will have to miss our former Secretary, Secretary Cisneros. I had a privilege of working as a committee member under the regime of the two Henrys, Henry B and Henry C; Henry B. Gonzalez, who is up here, and Henry Cisneros, our two Texas housing champions, whose very fruitful collaboration continues to benefit this country today.

I thank the witnesses in advance for all that they have done, and I will now turn the hearing over to the gentlewoman from California. First, I'll recognize the gentleman from Alabama.

Mr. BACHUS. Thank you, Mr. Chairman, for holding today's hearing on your legislation to establish a National Affordable Housing Trust Fund. We truly do have an all-star lineup of witnesses, and expect this to be a very good hearing. This is not the first time that this committee has had occasion to consider creating a National Affordable Housing Trust Fund.

Our other hearings on that matter—and I want to say again today, no one questions the chairman's commitment, nor the majority or members of the minority's commitment to affordable housing needs of low-income Americans. I certainly share the chairman's belief that for many of our citizens those needs are going unmet currently.

In our debates on creating a National Housing Fund in the past, in those debates—we had them when the GSE reform bill came before us, which included creating a National Affordable Housing Fund. When the FHA modernization legislation came before us it also had provisions creating a National Affordable Housing Fund.

During those debates members on this side of the aisle questioned the wisdom of diverting resources from middle-class homeowners and from the surplus generated by FHA programs to fund other housing needs. And while these arguments certainly apply to the legislation that is the subject of today's hearing, I want to direct my concerns on this legislation to a different set of concerns.

The chairman and I do not differ on outcomes. We both—as I said earlier in my statement, and I think the FHA and most of the witnesses, we all agreed that the needs of low-income housing citizens need to be addressed, and in some cases they are unmet. But what the chairman and many of the majority and those of us on this side of the aisle—and there are those with different opinions. We have some on this side of the aisle who are actually cosponsors of the chairman's legislation but many of us—we don't differ on the outcome or the goal, what we differ on is the means of achieving the goal, of meeting the needs of our low-income citizens.

Rather than creating yet another housing bureaucracy or another housing program, I believe that our focus ought to be on increasing the efficiency of the existing programs. In this regard it is worth remembering that HUD already administers over 30 separate Federal programs designed to promote affordable housing opportunities for lower-income Americans and that these programs consumed the bulk of HUD's $35 billion budget during the last fiscal year.

Indeed, the Affordable Housing Trust Fund outlined in Chairman Frank's bill is modeled to a great degree on one of those HUD initiatives, the Home Investment Partnership Program.

The latest Federal Block Grant for States—I mean, I'm sorry, the largest Federal Block Grant for State and local government, HOME is designed to create affordable housing for low-income households. It is a successful program. It has a proven track record.

Establishing another, a new housing trust fund, separate and apart from HOME and promulgating new regulations and rules at HUD could take months or years to properly implement. HOME is already up and running with 50 States, 585 local governments, and four insular areas presently administering the existing successful program.

Rather than reinventing the wheel, I believe a better approach would be to take this opportunity to make an already successful Federal program work better by using HOME to increase production and preservation of mixed income and rental housing affordable to very-low and extremely-low-income families.

Mr. Chairman, members of the committee, let me conclude by once again reiterating that I believe most of the members of this committee, both Republican and Democrat, are committed to finding resources to help low- and very-low-income families. However the difference is in whether we create a new program or utilize an existing program. I thank the chairman and the subcommittee chairman for holding this hearing, I thank our witnesses for taking time to be with us this morning, and I look forward to your testimony.

Ms. WATERS. [presiding] Thank you very much. I will recognize myself for 5 minutes.

I'd first like to thank Mr. Barney Frank for holding this hearing and for all of his work on this critical piece of legislation. It is truly his vision that has brought us to this point. What Mr. Frank has done in bringing this bill to the House and to the Congress of the United States has opened up new opportunities to increase the housing stock for low- and moderate-income people, and I'm very grateful for his vision, his leadership, and the opportunity to work with him.

I want to mention briefly the event I just came from because it is relevant to the hearing today. Over in the Cannon Building, a few of us joined national homeless organizations and some formerly homeless individuals helped by the programs of the McKinney-Vento Homeless Assistance Act, an event marking the 25th anniversary of that bill's enactment in July of 1987.

I say the event marked the 20th anniversary of the McKinney-Vento Act because this is hardly a birthday that calls for celebration. Indeed there is more stinging indictment of recent Federal housing policy than the fact that widespread homelessness persists in the wealthiest nation on the planet 20 years after the Federal Government officially recognized its first reoccurrence since the Great Depression.

I don't mean to suggest that no progress has been made in addressing homelessness in the last 2 decades, as we will explore in depth in a series of Housing Subcommittee hearings on homelessness, which I will convene after Congress returns from the August recess. We know much more about the how to meet the needs of various homeless households with different needs. We will build on that knowledge in the subcommittee.

But the bottom line on homelessness is the bottom line, which is that we haven't made demonstrable progress in reducing the number of households experiencing homelessness nationwide since 1987. Indeed, despite lots of heartwarming individual success stories and a dedicated nonprofit field across the country, we may very well have lost ground.

Homeless people are notoriously difficult to count for obvious reasons but there is little evidence that the 800,000 or so people whom we know pretty reliably to be homeless on any given night, over 10 percent of them in Los Angeles alone, are a lower number than the day the McKinney-Vento Act was past. And it's almost certainly not a reduction compared to the first rigorous national homeless count conducted in 1996.

Sadly one reason for this is easy to identify. While some homeless people face personal challenges like mental illness, HIV/AIDS, or histories of trauma that require social services, health, or other support, every homeless individual and family shares one need in common, housing they can afford, and there simply is not enough of it right now.

To give one example, there are 9 million renter households who earn less than 30 percent of area median income, but only 7.2 million affordable units are available to them. You don't need to have the math skills of Federal Reserve Chairman Bernanke, who joined us yesterday, to know that the inevitable results of subtracting these figures is widespread homelessness.

For too long, the Federal Government has abdicated this responsibility to close this gap. I'm going to read to you a sentence from the Congressional Record, a quote, "If we in Congress had not succumbed to the administration's efforts to slash, cut and terminate our assisted housing programs many of the people on our streets today would not be there."

This might well have been plucked randomly from most of the homelessness and housing hearings over the past 7 years. In fact, it is a quote from the late Housing Subcommittee and later full committee chair, Henry Gonzales, rising on the House Floor on March 5, 1987, to speak in support of the bill that would become the McKinney-Vento Homeless Assistance Act.

He goes on to call for the Federal Government to couple emergency homeless assistance with restoration of cuts to major Federal housing production programs. To all of the members who are present today, I think we should all really thank Chairman Frank for introducing legislation that finally gets the Federal Government back in the affordable housing production business.

And I share the chairman's insistence that we invest in affordable housing stock creation and not simply more demand-side or tenant-based subsidies. As badly needed as such subsidies are, they just don't get the job done alone, especially in tight rental markets like Los Angeles. In such places, it is difficult to get private landlords to accept vouchers at HUD's fair market rent, particularly if you're someone with a troubled housing credit or other history as many homeless individuals and families are. These households need access to housing specifically targeted to them, and the only way for that to happen is to have cities, States, and nonprofits develop it.

Like the chairman, I recognize that the bill merits further conversation, and I look forward to hearing from our panels of witnesses. A lot of thought has already gone into balancing priorities and its targeting of resources, eligible uses, control over distribution, and other heavily discussed provisions. But I'm very interested in the witnesses' perspectives.

I do though want to make sure that we keep our eye on the ball. Simply put, if the Federal Government does not reengage on affordable housing at the scale of the National Affordable Housing Trust Fund and more, one of my successes as Housing Subcommittee Chair will be attending an event marking the 40th anniversary of the McKinney-Vento Act in 2027.

I yield 5 minutes to Representative Biggert, the ranking member of the Subcommittee on Housing and Community Opportunity.

Mrs. BIGGERT. Thank you Chairwoman Waters, and thanks to Chairman Frank for holding this hearing today. Madam Chairwoman, as you'll recall from the number of hearings this committee held earlier this year on H.R. 1427, the Federal Housing Finance Reform Act, and H.R. 1852, the Expanding American Homeownership Act, I have a number of concerns with the creation of a National Housing Trust Fund.

While I commend this committee's goal of increasing the amount of available, affordable housing, I do not believe that H.R. 2895 is an efficient means to achieve it. And I'll make three quick points to expand on this. First, because the trust fund is financed through self-defeating provisions in both the GSE reform bill and the FHA reauthorization bill, low- and middle-income Americans, including the elderly, will have to foot the bill.

Specifically, it's estimated that Fannie Mae and Freddie Mac, two entities that purchased or securitized almost 80 percent of American families' mortgages, will be taxed more than $3 billion over a 5-year period to help pay for the trust fund. As publicly traded companies accountable to their shareholders, Fannie Mae and Freddie Mac will inevitably seek to pass along these new assessments to their customers, America's low- and middle-income homeowners.

This is unacceptable and will result in what amounts to a mortgage tax on these hardworking low- and middle-income Americans seeking to secure, maintain, or refinance their home mortgages. To me, it's robbing Peter to save Paul.

And then second, CBO has estimated that FHA reauthorization bill could result in a $370 million surplus in 2008 and a $2.1 billion surplus over the 2008 to 2012 period. Now normally we would say that the surplus is a good thing, but not in this case. In this case the surplus would come through overcharging seniors on their reverse mortgages, and I don't think that's right.

By far the majority of this FHA surplus would come from reverse mortgages premiums paid by our seniors, suggesting that they have been overcharged. As you know I have supported the ideas aimed at giving the surplus back to our seniors in the form of reduced premiums, which this committee rejected. By using the reverse mortgage product as a moneymaker to finance a National Housing Trust Fund, this bill instead instructs FHA to continue overcharging and essentially taxing our seniors. Our seniors deserve better.

At the same time, this bill removes all surplus funds out of FHA, which I believe threatens the solvency of the FHA fund and its ability to pay out on insurance claims.

Third, a National Housing Trust Fund unnecessarily adds another Federal housing program to the over 100 programs that already exist. The National Low Income Housing Coalition cites nearly 600 housing trust funds that have been created in cities, counties, and States of this country generating more than $1.6 billion per year to support housing needs.

For example, the Affordable Housing Trust Fund in Illinois allocates approximately $16 million to $20 million each year to benefit low- and very-low-income households. Additionally, the Illinois Rental Housing Support Program provides rent subsidies for an estimated 4,000 rent burdened households.

I think that these regionally tailored programs work best because they allow funds to be tailored to localized housing and community development needs. Also, to the extent that Federal programs fall short in some way, I must point out the existing federally administered program designed to serve the housing needs of low-income Americans, the Home Investment Partnership Program. This program already has the personnel, systems, and regulatory oversight in place to accomplish the same objectives as the National Housing Trust Fund.

Rather than create a new Federal bureaucracy to address low-income housing availability, we should instead focus our efforts on improving the HOME program.

Madam Chairwoman, again, thank you for holding this hearing. I am pleased that we are finally holding a hearing on this matter even though the committee has twice already, preemptively, moved legislation on the issue, and I look forward to hearing from today's witnesses and thank them for their time and expertise. I yield back.

Ms. WATERS. Thank you very much. I will recognize the gentleman from Texas, Mr. Green, for 3 minutes.

Mr. GREEN. Thank you, Madam Chairwoman and I thank the chair of the full committee for his outstanding efforts. I'm also honored to welcome again Mr. Montgomery, who has been a real friend, and been very helpful to us, as well as Secretary Cisneros, always good to be in his company, and of course Hilary Shelton with the NAACP.

Madam Chairwoman, it is my belief that the greatness of a country will not hinge on how a country builds skyscrapers, but rather on how it shelters people. It won't be measured by how many tractors it constructs or how many farmers in the field but how many people it will feed.

The greatness of a country will be measured by how it treats the least, the last, and the lost, not by how it treats the well-off, the well-heeled, and the well-to-do. The well-off, the well-heeled, and the well-to-do will always fare well. It is those who are in the streets of life that we have a duty to help.

So I understand and I sympathize greatly with a lot of what has been said, but I also understand that right now we have 141,000 homeless veterans, and there's a proposal to cut $450 million from public housing. We have 170,000 homeless children and there's a proposal to cut Section 8 vouchers by $500 million. We have 754,000 homeless sheltered and unsheltered people, and there's a proposal to cut CDBG by $736 million. We have 189,000 disabled homeless people, and there's a proposal to cut Section 811, disabled housing, by $112 million.

We are the richest country in the world. One out of every 110 Americans is a millionaire. We spend $329 million not per year, not per month, not per week, but per day on the war. We can afford to help the least, the last, and the lost. That is what this bill proposes to do.

If we did not need it, the statistical information and empirical data would not indicate that we have this homeless problem in this country as well as a problem with affordable housing, so I'm honored to support this legislation because I believe in the final analysis, on the infinite continuum that we know as time, we will each have to give an accounting for the time that we spent on this island that we know as earth. And I want to say that I was there for the least, the last, and the lost. I thank you and I yield back my time.

Ms. WATERS. Thank you. I will now recognize the gentleman from California, Representative Royce, for 3 minutes.

Mr. ROYCE. Thank you, Madam Chairwoman. Madam Chairwoman, I must again express my adamant opposition to this legislation and the idea here of creating what is called the Affordable Housing Fund. As I have expressed since its inception, this fund is straight out of Central Planning 101. This is really a step in the wrong direction.

There appears here to be a clear conflict of vision. I think past government housing programs have actually done very little, if you look at the record, to increase homeownership levels in this country. We do not have much to show for the tens of billions of dollars we spent on housing through HUD and FHA, but there is a way to improve homeownership rates.

They improve when real interest rates are low and when consumer incomes are high. Under that kind of an environment people can afford to frankly get into a position where they can buy their own home. I believe limited government and free market policies will generate these results; creeping socialism will not. It will work more as an anchor on the economy and prosperity. It will keep the private sector from becoming as vibrant and creating the opportunities for people so that they can move up.

This fund will waste resources. It's going to provide false hope for those who wish to increase homeownership. Additionally this fund will create a terrible precedent, a terrible, terrible precedent for other industries in this country. As I said during the GSE and

FHA debates, I hope that other financial institutions are watching this debate because you're going to be the next targets.

Proponents of this concept are not going to stop at just assessing or taxing GSEs and the Federal Housing Administration. They're going to try to confiscate money once they set up this fund from any source they can get it.

So again, thank you for holding this hearing, and I yield back the balance of my time, Madam Chairwoman.

Ms. WATERS. Thank you very much. I recognize the gentleman from New Jersey, Mr. Sires, for 2 minutes.

Mr. SIRES. Thank you, Madam Chairwoman. I'm here in support of this legislation. As a former mayor of a community where about 73 percent of the student body fell below the poverty level, one of the biggest issues I confronted in my 12 years as mayor was affordable housing. And it's beyond me how people in Washington keep insisting on cutting programs for the people who need it the most. I don't know where they get their information, but not necessarily everybody wants to be a homeowner. All these people need is a helping hand so their children can get educated in a decent home. And I don't know who advises this Administration on cuts of Section 8 on affordable housing, but the problems that I confronted certainly had to do with affordable housing. And I certainly think that as the richest country in the world, we could do a little bit more than we've been doing. All they need is a helping hand to access the American dream, and this is why I'm supporting so strongly this legislation.

Thank you, Madam Chairwoman.

Ms. WATERS. Thank you very much. Now I will recognize the gentleman from Delaware, Representative Castle, for 2 minutes.

Mr. CASTLE. Thank you, Madam Chairwoman. I'm pleased also to be here and pleased to see us taking up this legislation, the concept of which I certainly favor. I, too, am somewhat concerned about existing programs and other things that may need to be straightened out, and I'm delighted that we have the various witnesses and panels that we have here today, you know, the balance of rental versus ownership, and a variety of other things that need to be answered.

I've looked at the panels, and there are three panels. I've looked at my schedule. I'm not sure I'm going to be here the entire time, so I'd like to talk about Joe Myer, on the last panel, who is from Delaware. I worked with Joe on housing issues for many, many years in a variety of capacities, and he is the executive director of the National Council on Agricultural Life and Labor Research (NCALL). He was one of the founders of that organization in 1976, and for the last 30 years since then, he has provided financial and technical assistance for nonprofit housing developers in the Delmarva Peninsula. Under his direction, NCALL has assisted 6,000 first-time home buyers in mortgage closings in Delaware through homeownership education and counseling, leveraging $581 million in attractive mortgages and assistance and apartment communities as well.

Joe is a very important player, and he and I have cut a lot of ribbons together and done a lot of things of that nature. He is an extremely significant player in this whole business of dealing with housing. And if anyone believes that the Federal Government or State governments or local governments can really make the difference in housing, they don't understand the importance of the role of the nonprofit agencies and the difference they have made in terms of low-income housing and needed housing throughout our country.

I think Joe represents those interests as well as anybody, and I hope when it's time for Joe to testify that people will listen carefully to what their needs are and what they have to do. We have to make our programs tie into programs such as that, which have worked so extremely well. So we welcome Joe here, and I'm delighted to be able to participate to the extent that I can today. And I yield back, Madam Chairwoman.

Ms. WATERS. Thank you very much. I recognize the gentleman from Missouri, Mr. Cleaver, for 3 minutes.

Mr. CLEAVER. Thank you, Madam Chairwoman. I won't take 3 minutes. I would like to express my appreciation to you, and of course to the chairman, Mr. Frank, and I think our ranking member, Mrs. Biggert, has been very cooperative even if we have some disagreements. I think this committee has perhaps been the busiest of any of the committees in Congress, and it's because we're trying to deal with issues of importance to the people in this country who need it the most.

A couple of years ago, I think most observers of our society would have said that we're having one of the greatest housing booms ever. But as is always the case, that has dropped. We are now looking at an alarming drop in the number of homes purchased by citizens of our country. And of course the poor are always going to suffer the most. I am very, very supportive of the affordable housing fund, like my colleague, having served as Mayor of Kansas City, Missouri, one of the things I wanted to have as a legacy was the creation of housing so that people who grew up like I did in public housing would have the opportunity to live in a single family dwelling and become a part of the American dream.

This housing fund is not perfect. The only thing I've seen perfect is Dick Clark's hair. But I am absolutely convinced that it is in the right direction and there is not—and we need to stop doing this in Congress because it hurts the body. There is no underlying scheme. There is no plan to bring in other funds. That is not on the table. Nobody is discussing that in the dark rooms of Congress.

I think this is a good opportunity. If someone has an amendment to make it better, I will certainly support it. Thank you to Mr. Montgomery. We appreciate your spirit and, as we have been working with this, and, of course, my former colleague and Secretary, Mr. Cisneros, thank you.

Ms. WATERS. I will now recognize the gentleman from California for 2 minutes, Representative Miller.

Mr. MILLER OF CALIFORNIA. Thank you, Madam Chairwoman.

Many hardworking families are unable to find decent affordable housing in communities where they work today. We need to consider new approaches to revitalizing neighborhoods so that working families can find affordable rental and homeownership opportunities in the communities where they're employed.

If the Federal Government does not provide positive solutions to the lack of affordable housing opportunities the waiting list for Section 8 housing assistance will continue to grow. While I might not agree with 100 percent of the policy that has been proposed, Chairman Frank and Ranking Member Bachus have brokered compromise on many occasions and have produced legislation that Democrats and Republicans alike have ultimately strongly supported.

I know there is a strong feeling on both sides of this housing trust fund legislation that we are here to consider today. As a fiscal conservative, I welcome ideas to promote affordable housing in ways that do not increase spending and that effectively leverage scarce Federal dollars for billions of private dollars.

To be clear, the bill before us today is not about funding sources. The sources of GSE and FHA funds have been dedicated in previous legislation and have been considered in the past.

The GSE bill passed the committee and the full House by a strong bipartisan vote. The FHA bill also passed in this committee by a strong bipartisan vote. It is no secret that I opposed the affordable trust fund in the GSE bill, but at the end of the day the fund was supported by a majority of my colleagues.

It is also no secret that I supported the FHA bill to create the fund. I only supported this bill after an amendment I offered was accepted by the committee that essentially says that HUD must ensure FHA insurance premiums are as low as possible, that the insurance fund is solvent, and that any FHA needs are met before the excess dollars are sent to the housing fund.

After that I firmly believe that the FHA fund should be used and dedicated to housing. We did this with the highway trust fund. We should also do it for FHA. The FHA money we are talking about is money that currently is going to the Treasury. So while I oppose the GSE fund, but support the FHA fund, the debate of whether we should set aside funds to create a national affordable housing trust fund is over for this committee.

Today we are at this hearing to discuss how to allocate those dollars that will be set aside by the housing GSE and excess FHA funds. What we must now decide is how to allocate the dollars that have been set aside for affordable housing. Just as we offered amendments to both the GSE bill and the FHA bill to change the way housing fund dollars in this bill were distributed or how they were used, the bill before us today proposes solutions to those very questions.

I must say that I strongly believe that we must ensure that this fund is geared towards development of quality mixed-income communities. We must target not only low-income families but moderate-income working families as well.

I also firmly support the concept that we can help limited funds go further to help complete neighborhood revitalization efforts if we pursue a public-private partnership approach in this effort.

We have an opportunity today to work together as Republicans and Democrats and hopefully the outcome of this legislation will benefit those in this country who have housing needs. I yield back the balance of my time.

Ms. WATERS. Thank you very much. I now recognize the gentleman from Texas, Mr. Hensarling, for 3 minutes.

Mr. HENSARLING. Thank you, Madam Chairwoman. In a little over 10 years, Federal housing assistance has almost doubled from $15.4 billion in 1995 to more recently $30 billion in 2007. The rate of increase is higher than the Federal commitment that we have seen to veterans, education, energy, transportation, international affairs, or even Social Security over the same period.

The Federal Government runs, I believe, over 80 different housing and community development programs through HUD, as our ranking member said, over 30 specifically geared towards affordable housing programs.

And so today our committee response is not necessarily to improve or reform the old programs but instead to create a new program on top of the 80 that already exist. The second response of this committee apparently is to raise taxes on hardworking American people. Make no mistake about it. This bill would impose a very creative de facto mortgage tax on hardworking Americans trying to pay for their homes.

Although I do not question people's motives and I believe their hearts and motives are pure, many on this committee with their votes have made housing less affordable. If we truly want to make housing more affordable, we need to realize there is no greater housing program in American than a good job. And since we have enacted pro-growth tax policies in 2003, we have had 8.2 million new jobs created. And yet many in this House and many on the committee want the tax relief to go away. And, as you take away the tax relief, you begin to take away the jobs.

Secondly, if we truly care about affordable housing, we need to realize how the single largest tax increase in American history contained within the Democrat budget resolution, how that impacts families who are trying to make their homes affordable.

I hear from constituents in my district. I hear from the Brucker Family in Wills Point who writes, "No increase in taxes. My family is only one breath away from losing our home as it is."

I hear from the Stevens Family in Forney, Texas, "If our taxes increased $2,755, we would not be able to pay our mortgage." And the list goes on and on and on. We need to realize that more spending fuels more taxes which makes homes less affordable.

Third, it seems ironic to me that we would increase taxes on some, make housing less affordable for many low- and middle-income Americans because we know that Fannie Mae and Freddie Mac are an effectively a government protected duopoly. They have great economic power to simply pass along these fees or taxes, if you will, ultimately to the consumer. And so this is a mortgage tax, pure and simple.

And last but not least—I have to have 10 more seconds to close. Although I suspect we disagree on many issues, as a former resident of San Antonio, as a Texan, and as a fellow Texas Aggie, I did want to wish a very sincere welcome to former Secretary Cisneros.

With that, I yield back.

Ms. WATERS. Thank you very much. Having exhausted the opening statements, I will now move to our first panel. And I would like to introduce our first panelist, Mr. Brian Montgomery, Assistant Secretary for Housing and the Federal Housing Commissioner at HUD.

I would like to welcome you to the committee, Mr. Montgomery, and you will be recognized for 5 minutes for an oral summary of your written testimony to the committee which will be made part of the hearing record in its entirety. Let me just say that I would like to thank you for the tremendous cooperation that you have exhibited as you have worked with my subcommittee on the FHA Housing Reform Bill, on our Section 8 work that we have done, and I am particularly pleased about the hearing that we had in New York on the Starrett Housing Development and the decision that was made by the HUD Secretary and you to help save that development.

Having said all of that, I am not so sure we are going to remain friends for long, because while we welcome all of your cooperation, I am just afraid you are going to say something that is going to displease me today but if you do, you will know it. Thank you.

With that, I would like to call on the Secretary for his 5-minute statement. Thank you.

STATEMENT OF THE HONORABLE BRIAN D. MONTGOMERY, ASSISTANT SECRETARY FOR HOUSING-FEDERAL HOUSING COMMISSIONER, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. MONTGOMERY. Well, thank you for that kind introduction, I hope. Madam Chairwoman, Ranking Member Bachus, and distinguished members of this committee, thank you for inviting me to testify on H.R. 2895. It is a pleasure to be with you this morning.

I want to state at the outset that Secretary Jackson and I share your strong commitment to providing families with safe, decent, and affordable housing. That is why I am going to begin my testimony this morning by reminding the members of this committee that HUD, as you know, already has a number of programs aimed at providing affordable rental housing as well as homeownership opportunities.

As you mentioned, Madam Chairwoman, I appeared before your field hearing in Brooklyn, New York, last week. By working together, we helped preserve the 16,000 units of housing occupied there at Starrett City. As you may recall, in my testimony I discussd the importance of preservation in general, and specifically, HUD's mark-to-market program which, as you know, has preserved more than 125,000 units of housing to date. And with the 5-year reauthorization passed by Congress earlier this year and signed into law by the President, we expect to preserve an additional 50,000 units of housing. I do want to thank the members of this committee, in particular, Congresswoman Waters and Congressman Price, as well as Chairman Frank, for supporting this legislation.

In addition to preserving the existing affordable housing projects, the Department is committed to increasing the supply of new affordable housing. The majority of affordable housing projects today are built in part through the Low Income Housing Tax Credit. We have begun an initiative to identify and address ways in which

HUD's financing programs including FHA 202 and 811, can work more effectively and more efficiently with the Tax Credit program.

We are streamlining our subsidy layering and processing procedures to improve the timing of HUD approvals so we can better meet the tax credit deadlines. And I am pleased to report to the committee that we will soon be releasing this updated document that has gone from 100 pages written in 1995, to just 7 pages today.

We are also committed to funding the HOME Investment Partnership Program. Each year HOME allocates approximately $2 billion in grants that allow communities, often in partnership with local groups, to fund a wide range of activities that build, buy and/or rehabilitate affordable housing for rent or home ownership as well as directing rental assistance to low-income families.

Our Fiscal Year 2008 budget asks for $1.97 billion, which is a $200 million increase over the current year. The American Dream Downpayment Program is another successful initiative and I hope this committee continues its support for this program which has helped 24,000 low-income families purchase their first home.

I mention all of the above programs because in addition to duplicating many of the services they provide, the trust fund under consideration today would actually compete. Let me stress, it would actually compete with our existing efforts to secure scarce resources.

As you know, the trust fund would derive its funding from two sources. The first is the GSE bill passed by the House. The other is the pending FHA bill. As FHA Commissioner, I have to admit that I am a bit selfish and therefore I am very concerned about the latter.

The FHA Modernization Bill authorizes appropriations equal to the sum, and I quote, "The net increase in the negative credit subsidy for the mortgage insurance programs." This means that the source of funding would not be dedicated but rather subject to the regular appropriations process and all its competing demands and offsets. In other words, yes, I fear that we would be robbing Peter to pay Paul.

You see, FHA receipts are already credited toward HUD appropriations and by authorizing a new program, you would be creating competition with other discretionary programs. Any deposits to the trust fund would have to be offset. And under H.R. 2895, we could find ourselves in the position where the affordable housing trust fund is funded but other higher priority programs including Project-based Section 8 might be cut.

I mentioned the HOME program before and I want to come back to it for just a minute. They say imitation is the sincerest form of flattery because H.R. 2895 is clearly modeled after HOME. And I think a review of HOME's history and what it has produced might be instructive.

In the 15-plus years of the HOME program, participating jurisdictions have expended $18.7 billion of $24 billion appropriated to date and produced more than 780,000 units of housing as well as assisting 165,000 families with tenant-base rental assistance. Now I do applaud the goal of this legislation. I have to say that with lower income funding levels, deeper income targeting, and longer affordability periods, I think it is unlikely that the trust fund would come close to producing 1.5 million units of affordable housing.

I want to conclude my testimony by saying that almost all housing programs are discretionary. Short of creating a new entitlement program, we are all left only with the difficult choices of allocating scarce funding for many worthy programs. I know that is not an easy task.

As the committee looks for ways to address the issue of affordable housing, as you know, we could immediately address and help millions of people without any additional cost to the taxpayers through the FHA Modernization bill, which this committee has done excellent work on. Thank you again for inviting me to testify here today. I will be happy to try to answer any questions you may have.

[The prepared statement of Assistant Secretary Montgomery can be found on page 109 of the appendix.]

Ms. WATERS. Mr. Montgomery, without objection, your written statement will be made a part of the hearing record. I will now recognize myself for 5 minutes for questions.

Let me start with your concerns about our GSEs. Help me to better understand your concerns about using funds generated under H.R. 1427 and H.R. 1852 to provide deposits to the trust fund. Why should we worry that the affordable housing fund in H.R. 1427 is tied to the GSE's mortgage portfolio? Is it not the case that H.R. 1427 and an incentive counterpart will set portfolio limits based on some public policy concerns quite apart from the affordable housing fund provisions?

Mr. MONTGOMERY. I will speak to the GSE portion first. Again, I share some of the concerns that would put downward pressure on both of these entities. And I might be fearful they would move beyond their mission. These are private corporations with shareholders and stock, and I think there would be, again, downward pressure put on them to produce. They have to find that money somewhere.

As you know, we are conducting a financial activity review that we will be sharing soon, and we remain concerned. Getting back to the FHA for a second, again, while I laud the goals of this fund, I have to be a little selfish in saying those receipts offset HUD programs.

If you look in the budget, you will clearly see that there is a bracket whereby FHA receipts are used to offset that. I just do not want to face the prospect where I am looking at taking funds from Section 8 or another program to fund an affordable housing fund.

Ms. WATERS. So you basically argue that to tie deposits to the trust fund to FHA's negative credit subsidy in part because this might create an incentive for FHA to overcharge its traditional customers higher premiums than is prudent. At the same time you argue that FHA receipts are critical to funding other HUD programs in the appropriations process, programs you say might be higher priority than a trust fund.

Do not public policymakers already face whatever incentive they may have to overcharge FHA bars just in order to plug holes in each fiscal year's HUD budget?

Mr. MONTGOMERY. Well, speaking of FHA receipts, again this committee has done great work on the FHA bill and I appreciate it, but as it stands today, no FHA bill, I am looking at being $143 million in the red for the first time in FHA's history in Fiscal Year 2008. Now we all know why that has happened. That die was cast many years ago and I know this committee is trying to fix it.

Ms. WATERS. No, we do not. Would you explain that?

Mr. MONTGOMERY. Well, it is due in part to the Gift Downpayment programs which I know we had previous discussion about that are 2.3 times more likely to fail. And because a lot of hardworking families who have trouble saving money for a downpayment have to rely on that so-called gift downpayment, many families find themselves in a position of negative equity in their homes. And the truth is GAO has recognized that they are far more risky whereas an FHA product obviously with what the bill would offer with some downpayment assistance would not put families in that position.

Ms. WATERS. Your "no downpayment" aspect of the FHA program would not be synonymous to the gift downpayment?

Mr. MONTGOMERY. Not, not at all.

Ms. WATERS. Why not?

Mr. MONTGOMERY. Well, for one, the Gift Downpayment programs, unlike those last go-around, have an IRS Revenue ruling hanging over their heads. You do not have to take what I say about it, but the IRS has said these so-called gifts violate the detached and disinterested clause. When all of us write a check to charity, whether it is the American Cancer Society or the Girl Scouts, we do not expect anything in return except a good feeling. And it is clear through the IRS that these gift downpayments violate that detached and disinterested clause because there is obviously an expectation in there.

Ms. WATERS. What percentage of your portfolio came from those programs?

Mr. MONTGOMERY. Well, about 30 percent of our current borrowers rely on some assistance for downpayment through a government program or through a family member, but about 25 percent are through these gift downpayments which again for the need that some people need some assistance on the downpayment again which this committee recognizes and has supported.

Ms. WATERS. Do you not have the ability to either support or not support the programs that you are referring to that make up 25 percent of your portfolio? The gift downpayment? I mean there is nothing in law or regulation that would force you to accept their participation. Is that right?

Mr. MONTGOMERY. Well, there is—we have to go through rulemaking. As you know, I cannot just withdraw a rule overnight. These gift downpayment programs have been around for 10 years.

Ms. WATERS. Yes, but you have been using them. They have been utilizing FHA.

Mr. MONTGOMERY. Our law clearly states that our downpayment assistance has to involve nonprofits. Until the point in time that the IRS determines that "XYZ" foundation is not a bona fide 501(c)(3), then we have to continue to accept that at this time.

Ms. WATERS. I do not think there is anything in the law that would have prohibited you from not involving them, but you readily accept their participation, and they make up 25 percent of your portfolio. So what has caused you to change direction?

Mr. MONTGOMERY. Well, again, getting to the point of the IRS Revenue ruling, and if they are not a bona fide 501(c)(3) at what point in time, then we can no longer accept that form of assistance. HUD has previously tried to move to, during the previous Administration, move toward rulemaking to not accept that sort of assistance but was not successful.

Ms. WATERS. Thank you very much. We will talk about that some more a little bit later on. I would now like to recognize Ranking Member Bachus for questions.

Mr. BACHUS. Thank you, Madam Chairwoman. Commissioner, you—in my opening statement I talked about reservations about creating a program very similar to the HOME program. But as I understand it the program that is now before us would actually target or tend to go—have more emphasis on affordable rental property for the lowest income Americans. It sort of moves the target down; is that your analysis?

Mr. MONTGOMERY. Yes, this bill, as I understand it, would target 75 percent at 30 percent of AMFI and below. And HOME, while not having any written targeting, currently 40 percent of HOME funds go toward 30 percent of AMFI and below.

Mr. BACHUS. We talk about, you know, Federal housing programs. We talk about where the need is. One thing that I am struck by from time-to-time we do talk about programs for low-income Americans is that I have a home in Birmingham that's worth well over half-a-million dollars, and I have a home up here that's worth about half-a-million dollars, and I do receive a pretty hefty tax deduction on my home mortgage interest, so it's not as if even higher income Americans are not receiving what some could call a subsidy or a tax break.

My concern is truly for the lowest income Americans, so—and I believe I can say that as a conservative. I think there's a debate among conservatives as to this whole question, but I make no apology for being both conservative and saying that if we're going to—if we're going to have Federal housing programs, we have all sorts of programs to create homeownership, but I think maybe what we've even found with some of the subprime situation is that not every American is suited or even wishes to own their own home. And I think the greatest need is in rental income for a rental housing, for extremely-low-income families. How can we do a better job on that or do you think it's necessary?

Mr. MONTGOMERY. Yes, I do think it's necessary. In fact, I will say up front that HUD's own worst case housing needs analysis shows that the number of low-income—and many of the families who will be targeted by this fund, the number of families who need that sort of assistance has gone up.

Sadly that has gone up by 800,000 families between 2003 and 2005. It's one of the reasons why we have proposed as part of our 2008 budget a demonstration program at least in the case of low-income seniors and persons with disabilities, the way that we can leverage our limited resources through tax credits and private activity bonds to use those funds, to spread them out perhaps as bridge funds so HUD is not the only funding source impossible.

One of the areas that again is of most concern to me is housing for seniors and for persons with disabilities, and I do share in that goal of what the fund would try to do, and that is to help more families at the extremely-low-income figure, at 30 percent and below.

Mr. BACHUS. Did you say the elderly and disabled are particularly two groups that—if anyone is deserving of Federal assistance or subsidy it would be those and very-low-income Americans, who often have large families. We do have a situation in this country that we'd all be blind if we didn't know that we can't have working households with two wage earners and they're still struggling to survive and to provide shelter for their children.

I would say that with all the programs that the government funds, many of them are not directed at low-income Americans. Many of them benefit very high-income Americans, in fact. We should come together and try to find long-term solutions, long-term funding solutions for rental income, for extremely-low-income American families.

Thank you, sir.

The CHAIRMAN. Let me just ask on that, Mr. Montgomery, for families—I know we have some money for the elderly and some money for the disabled in terms of housing. I would note that the President has proposed to reduce those amounts every year from year-to-year; Congress has resisted that. So over the President's objection there has been more money for the disabled and elderly programs. But how much money is available annually—do you have a sense of this, if not you can get it to me later—for housing for families in which nobody is disabled? That would include single parents and children. How much Federal assistance is available for the construction, not Section 8, year-by-year vouchers, for the construction of housing for families who would be, say, at 50 percent of the median and below? Do you have any top-of-the-head notion?

Mr. MONTGOMERY. You said other than the 202 and 811 programs?

The CHAIRMAN. Right, I'm talking about for families without any disabled persons.

Mr. MONTGOMERY. Which is about a billion.

The CHAIRMAN. Those are—yes, thanks to Congress. And the Administration has tried to cut those and we've resisted that. But how much is available for construction for families other than the elderly and the disabled?

Mr. MONTGOMERY. From Federal sources outside of tax credits, from pure production, as you know there's very little, if any, Federal commitment towards producing construction of affordable housing.

The CHAIRMAN. Whatever you can kind of get out of the home, maybe. So I think that's the point we make is that when there's virtually no construction money for family housing available and even the tax credit as you know—and I was glad to see in your statement that we're working on parallel paths here, I've been working with the chairman of the Ways and Means Committee, by making the Low Income Housing Tax Credit Program interoperable easily with the appropriations-based programs. We can do a lot of good, save a lot of time and money, and get housing without any budget hit. We're both working on that

But in my part of the country and many others, unaided, unsupplemented by another program, the Low Income Housing Tax Credit is not going to get rental levels down low enough for that segment of the population. So we are talking about in this bill whether or not the Federal Government ought to get back in the business of helping build affordable units for family rentals.

But let me ask you a couple of other questions. One of the issues here is that while we might be causing the FHA fees to increase and I know you have not, but I assume you haven't accused us of that—statement because as you're aware the Administration has asked us, has announced, not even asked us that they're going to use the existing authority to raise the FHA fees. Would you describe the pending proposal to raise FHA fees and give us the rationale for it, since my understanding is that the FHA is already now generating a surplus for the Treasury. So what is the pending proposal to raise FHA fees and what's the rationale?

Mr. MONTGOMERY. Are you referring to the single family FHA fees?

The CHAIRMAN. Yes.

Mr. MONTGOMERY. Well, our premiums right now are the same; we're at 1½ percent.

The CHAIRMAN. Is there not a proposal pending to raise them?

Mr. MONTGOMERY. Well, the 2008 budget—so we can prevent from going positive on our credit subsidy—does note that we need a modest increase in premiums.

The CHAIRMAN. You're acting like this is a surprise, Mr. Montgomery. You know what we're talking about.

Mr. MONTGOMERY. It's not a surprise. I've been talking about this a lot.

The CHAIRMAN. What's the current request by the Administration for an increase? It's only for single-family, you're not asking for a multi-family increase?

Mr. MONTGOMERY. Let me address the single-family, 1.5 percent. We would increase it to 1.66 so we don't go positive on the credit subsidy, which none of us want. Let me speak to what that dollar amount represents. Our average mortgage is about $129,000. That .66 increase is about $7 a month.

The CHAIRMAN. All right. So you—is that something you're asking us to legislate or that you can do on your own?

Mr. MONTGOMERY. Well, the statutory cap for the premium is 2¼ percent. Two predecessors ago, Mr. Abgar, right before he actually left office, lowered the premium to 1.5 percent, which the Commissioner can do, and it has stayed at 1.5 percent since October of 2000.

The CHAIRMAN. So you are not asking Congress to do this. This is something that the Administration proposes to do to undo this?

Mr. MONTGOMERY. The Commissioner has the authority to raise that premium—

The CHAIRMAN. I understand, but can we get a little more direct in our answers here?

Mr. MONTGOMERY. That was pretty direct.

The CHAIRMAN. Are you planning to do it?

Mr. MONTGOMERY. Sir, I have made a commitment, not before this committee but before the Senate Appropriations and House Appropriations Committees that the fund will not go positive under my watch. When it comes time—

The CHAIRMAN. That may seem direct to you, but it doesn't to me. Are you planning in the near term to increase the FHA single family premium?

Mr. MONTGOMERY. So I don't have to ask Congress for $143 million in appropriation. Yes, sir. That's what—

The CHAIRMAN. You are planning to raise it? Okay. I cite that because we talk about where the fee increases. How about multifamily?

Mr. MONTGOMERY. Again, as part of the 2007 budget as well, a proposed increase on some multifamily programs. As you know, that rule was withdrawn. It came back. Some of the programs that would have been part of the original rule, as you know, were no longer part of the second.

The CHAIRMAN. So what is the current status now of that proposal? It came back, that's an interesting sort of—

Mr. MONTGOMERY. Yes, it walked its way back—

The CHAIRMAN. Yes. We have rules, we have autonomous rules, apparently. They walk, they talk, they feed. They come back, nobody—we'll do a movie now of the rule that walked and came back to us. What is that rule proposing itself to do right now?

Mr. MONTGOMERY. Well, the rule right now which is actually not out for public comment yet but will be soon—

The CHAIRMAN. It's a shy rule.

Mr. MONTGOMERY. Yes, sir. It is, but it will appear before the end of the fiscal year. The increase would be for 221 D–3s and 221 D–4s; it would exempt tax credits in hospitals.

The CHAIRMAN. And how much of an increase would you be talking?

Mr. MONTGOMERY. Well, the proposal last year, as you know, was 32 basis points. This year it is half of that. It would only be 16 basis points. But sir, I just want to make sure as last year there will be plenty of time for public comment.

The CHAIRMAN. There is nothing pending on that now. All right, I appreciate it.

Mr. MONTGOMERY. That has not gone into effect, sir.

The CHAIRMAN. I appreciate that. So we do have a potential for that to come forward. The next is Mr. Miller, a nice segue to Mr. Miller on the subject—

Mr. MILLER OF CALIFORNIA. Just to follow up on that because, Commissioner, the budget proposal that you're requesting is 35 percent on most of the multi-family housing programs. I mean that's what your budget proposal requests—a 35 percent increase.

Mr. MONTGOMERY. OMB subsequently issued an errata sheet which corrected that.

Mr. MILLER OF CALIFORNIA. Was that after 100 of us mailed you guys a letter saying it is ridiculous that you guys make a profit every year? Was it maybe—

Mr. MONTGOMERY. Well, I just want to make sure you understand the proposal.

Mr. MILLER OF CALIFORNIA. You cut it from 35 percent of what, 35 percent of what, how low did you—

Mr. MONTGOMERY. Two years ago, it was 32 basis points. We withdrew that. In 2008 the proposal is 16 basis points.

Mr. MILLER OF CALIFORNIA. Okay. So now it's going to be half of 35 percent, let's say 17.5 percent. And yet you're making a profit.

Now I know that in your testimony you're concerned about pressure on FHA premiums to provide money for the affordable housing fund, but you're wanting the 17.5 percent increase on the multifamily, which is increasing it, and yet every year FHA makes a profit and it goes to the Treasury basically.

I guess one problem I have is—I'm not arguing but I have a real problem with the comment you made on the downpayment assistance program that it's very risky, and that's the private sector helping with downpayment assistance for an individual. Yet the American Dream Downpayment Assistance Act, which is the government giving people for a downpayment is good.

It seems like if you use the same underwriting criteria that you would use for zero downpayment or the American Dream Downpayment Act, same criteria. Why would one be more risky than the other if the underwriting criteria is equal?

Mr. MONTGOMERY. Sir, there's a difference between apples and pineapples.

Mr. MILLER OF CALIFORNIA. Well, no. The difference between the downpayment assistance program in the private sector that they currently face is that HUD changed the ruling on what was considered a charity. Prior to HUD changing that ruling—

Mr. MONTGOMERY. It was the IRS.

Mr. MILLER OF CALIFORNIA. Well, the IRS had no problem with them prior to you guys changing the ruling, but once you changed the ruling that they were not a charity, per se, then they were in violation of the law and the IRS. But the point is that if you have $5,000 or $3,000 given to an individual from the government for downpayment assistance or you have $5,000 from the private sector given to an individual for downpayment assistance, what's the difference?

Mr. MONTGOMERY. First and foremost, in the so-called gift downpayment programs, you repay that gift. The cost of that downpayment is put on your note. Sometimes it's done and families don't even know it. And a lot of those gifts are used in stagnating or declining markets where there's very little house appreciation. And as a result of that—

Mr. MILLER OF CALIFORNIA. Well, I know many of the—the committee, those were gifts, those were not put on somebody's notes, and nobody had an argument with that.

Mr. MONTGOMERY. I think the proof is in the pudding how those loans perform and they are almost 2½ times more likely to fail.

Mr. MILLER OF CALIFORNIA. But why?

Mr. MONTGOMERY. And that is one of the reasons that we are forced to raise our premiums.

Mr. MILLER OF CALIFORNIA. Please answer me. Why? Are you applying the same underwriting criteria? If you apply the same underwriting criteria on a $100,000 house if somebody got a $3,000 downpayment to buy, so they owe $97,000, versus somebody who bought through a zero downpayment, and they owe $100,000, if you apply the identical underwriting criteria, how can you convince us that somebody is better off owing $100,000 than they are owing $97,000 if the same underwriting criteria has been applied? You're skirting my—I'm not arguing; you're skirting my question.

Mr. MONTGOMERY. No, I'm not, sir. I'm just saying it's—in the case for that downpayment, the gift downpayment I only use the term "gift" because it's descriptive, is paid back, and a lot of families don't know that. Again, they're in stagnant or declining markets. They're in a negative equity position, and they're repaying it.

Mr. MILLER OF CALIFORNIA. So they're in the same position somebody with a zero downpayment is in?

Mr. MONTGOMERY. I'm sorry, sir?

Mr. MILLER OF CALIFORNIA. Are they in the same position as somebody with a zero downpayment?

Mr. MONTGOMERY. No, because it is clearly known at the outset that the family is in a certain equity position. The family may or may not elect to do that. Certainly the underwriting is there, but the truth is that a lot of families don't realize that they are paying this gift back. They thought it was, in fact, a gift. And sir, that is why the proof is in how they perform, and they fail 2½ times more often than the non-gift downpayment programs, and that is why I have to raise premiums.

Mr. MILLER OF CALIFORNIA. We'll continue to debate that. On targeting, where are most HUD funds currently targeted? To low-income or moderate-income families?

Mr. MONTGOMERY. Are you talking about FHA or all of it?

Mr. MILLER OF CALIFORNIA. Yes, HUD funds in general.

Mr. MONTGOMERY. It would depend on the program, but most of them are at 80 percent of AMFI and below.

Mr. MILLER OF CALIFORNIA. Most of them are low?

Mr. MONTGOMERY. The vast majority of them are.

Mr. MILLER OF CALIFORNIA. Do you see success in pursuing mixed income developments as might be proposed in this legislation?

Mr. MONTGOMERY. Oh, I think mixed-income developments have a place, dependent on the community and certain other demographics.

Mr. MILLER OF CALIFORNIA. Do you think that this fund should be mainly targeted heavily to low-income or give existing HUD programs that deal with it or should we maybe look at this program to service more the needs of even moderate-income working families if we're going to have a program?

Mr. MONTGOMERY. Well, as I mentioned previously, I think the goal of the fund, to help more families at 30 percent of AMFI and below, is a very good goal. Again my problem is just in the case that I now have to help fund that fund but I'm facing the prospect of whether I fund Section 8 or I fund an Affordable Housing Trust Fund, and that's a difficult decision.

Mr. MILLER OF CALIFORNIA. You mean you're funding it through the FHA excess premiums?

Mr. MONTGOMERY. All FHA receipts are credited toward HUD, but that's the point—

Mr. MILLER OF CALIFORNIA. Where do the excess premiums go today?

Mr. MONTGOMERY. They go to offsetting HUD's budget, every penny of them.

Mr. MILLER OF CALIFORNIA. And the language we've included in the bill allows that—but it says the excess funds, above solvency and those types of things that normally would go to the Treasury would go to this fund. But the appropriators use that excess and they credit it to our budget.

Mr. MONTGOMERY. Well, it would be either through—it would be us or Transportation. But the point, sir, is that since they credit those funds toward our budget, toward HUD's budget that we would face the prospect, do I fund Section 8, HOME, or do I give the funds to a trust fund? And as I reference in my remarks, I would selfishly want to fund HUD's programs first, and I would hope that everybody on this committee would share in that.

I can make one last point. I think the reason State housing trust funds work well—some would say they refer to them as sort of benign revenue sources, but that's the coin of the realm of making trust funds work. States use document recording fees. They use real estate transfer taxes. They use interest from escrow accounts that have been returned to a State entity. That's a big jump from now taking on a Federal level, the possibility of taking funds out of a housing agency to go fund a housing trust fund.

And again, I just want to be selfish that I am going to try to protect HUD's resources first. I would hope people would expect me to do that, and that's what I referred to earlier.

Mr. MILLER OF CALIFORNIA. Thank you very much.

The CHAIRMAN. I recognize the gentleman from New York and I say we certainly are glad to work with you to protect HUD's resources, and the next time OMB comes calling, we'll be there.

The gentlewoman from New York.

Mrs. MCCARTHY. Thank you, Mr. Chairman. I guess the questions that I basically want to ask is what is HUD's—what are you looking at to the future? We are talking about housing for certainly the lowest of the incomes, those with disabilities, and our seniors.

I happen to agree that we have a lot of middle-low-income families on Long Island. The problem is the jurisdiction on Long Island. Nobody wants low-income families in their neighborhoods, which is really a shame.

I do not want to see warehousing of the lowest incomes into one area either, which I already have. I have a 23 percent minority area. I will be very honest with you. On the rentals in one of my areas, I would not put anybody in that. Those are Section 8 housing. I would not put anybody in those homes, in those particular apartment rentals. Looking at New York State, we have a shortage of 336,000 units of rental.

Is HUD looking to the future with a bill like this that we could have like almost mixed rentals, where you would have young middle-income families or low-middle-income families with seniors, and people with disabilities, so there is a mixed community in one building?

It seemed to work 20 or 30 years ago, versus what we are seeing today, warehousing the poorest of the poor in one area.

Would that be more acceptable to say my villages, my towns?

Mr. MONTGOMERY. That is one of the primary goals of the demonstration program I referenced earlier with our Section 202 and 811 programs. By blending them with the tax credit program, which is targeted at 80 percent of AMFI and below, using the economies of scale, we can better spread out our resources, combine them with State and local resources, whether it be a mixed income, as long as it is below that certain AMFI number, then we can produce more housing.

I know it is a tough budget environment. That is one of the reasons that we moved to offer these two demonstration programs, which I want to add many of the folks who were here in this room today have helped us draft that pilot program, and I appreciate their effort.

Again, Congresswoman, that is one of the goals of the program.

Mrs. MCCARTHY. One of the concerns I have, my working poor, because they live on Long Island, I will even speak for myself, our utilities, our taxes, are extremely high. Even though the county has started helping with $10,000 downpayments—I think we have renovated maybe five or six homes in the last 5 or 6 years. We pick one house a year, renovate it, and hopefully get a family in it. We work with our local groups that are trying to educate them.

They can find the money for the downpayment on the homes, but then they find they cannot afford the taxes and they cannot afford the utilities. That is a problem.

Yet with the rental apartments, which we do not have—Nassau County is one of the oldest counties in the country, and unfortunately there was no planning going back when we all started.

Even to try to build the building and then have the community accept it, I will go back to should HUD also consider the percentage of affordable housing units in a jurisdiction when developing the formula for allowing the funding?

Mr. MONTGOMERY. That is some of what States do through their consolidated plans that help guide obviously where HOME funds go. Actually that is a lot of the goal of what the HOME program does. While I am sure there could be improvement in it, a lot of States are doing that currently as part of their consolidated plans.

Mrs. MCCARTHY. I can see in my area also maybe you could build one building for what it would cost to put that building up versus in other parts of the country where they might be able to put up three or four buildings.

It just seems that we always get caught not getting any, or as I said before, we are 336,000 units short. I am sure Long Island has a large proportion of that, even being close to New York City.

I think we have to start thinking outside the box on how we are actually going to deal with high cost areas: California; Texas is certainly short of housing; and Florida comes in fourth.

I think with everything that we have seen and certainly in my 11 years of trying to find housing for those who need it, even our young people when they first get out and have a job and it is a low-paying job, whether as a teacher or a nurse, they cannot stay on Long Island, and that is not good for the economy to keep the economy going on Long Island.

I support this bill. I am just concerned about whether it is going to help an area like mine. Is it going to help areas that have a higher income which make false readings as far as I am concerned for some of my minority areas.

Mr. MONTGOMERY. Again, it targets most of the funds toward 30 percent of AMFI or below. What you have described to me, it could be difficult, although I think we all agree that is a good goal, which is what we try to do under the HOME program as well.

Mrs. MCCARTHY. I yield back the balance of the time.

The CHAIRMAN. The gentlewoman from Minnesota.

Mrs. BACHMANN. Mr. Chairman, thank you for the opportunity to ask a question of the witness. I appreciate it and I thank you so much, Mr. Montgomery, for being here today. I appreciate it. It is an important issue that we are dealing with, affordable housing.

The goal is worthy of the chairman's bill, and that is to construct and rehab and preserve 1.5 million dwelling units over the next 10 years. It is an ambitious goal.

I am just wondering from your perspective—I was not here earlier and I apologize for that—do you think this is an achievable goal, first of all? I have other questions.

Mr. MONTGOMERY. We do have a good yardstick of comparison, the HOME program, which this is nearly identical to. Since 1990, it has produced about 787,000 units of housing, another 165,000 families have been assisted through tenant abates rental assistance, and that is about $18 billion of about $24 billion that has been appropriated, by the way. I would say that while it is a worthy goal, using the HOME program as a basis of comparison, it might be difficult.

Mrs. BACHMANN. I appreciate your answer. You are right. I see there is a very strong similarity between the program that is now being proposed and the current HOME program. That is nearly a doubling of what we have seen in terms of a goal. I was wondering how reachable you thought that is. Thank you for that background.

I am also wondering when we create a new program like this, it will necessitate that we create an entirely new bureaucracy, and that could take months, maybe even years to bring the necessary rules and regulations on line to put this program into practice.

What I am wondering is, if the existing HOME program could supplement the existing trust funds without creating a new bureaucracy? Could we do more with what we have by tweaking and fine tuning the program that we now have so that we could be more ambitious in reaching greater goals so we could take care of the needs of more people, disabled people, low-income people?

Mr. MONTGOMERY. As a Commissioner, I used to work at a State housing finance agency in Texas, which by the way, we tried to get more funding for our State housing trust fund back then.

I am fearful that some State housing finance agencies with a new program, as we would expect, it would take them a while to figure it out, so to speak. I think some States would go full speed ahead and spend it and hope for the best, relative to the compliance period and the monitoring of how the funds are spent.

I think other States on the other hand would say wait a minute, we are not quite sure how to go into this, and do the opposite thing, be very hesitant to spend the funds.

I suspect some States would say, is this not the HOME program? Again, recognizing the difference, which I want to be very careful to point out, between the target income levels.

I think you will have States doing all sorts of different things, but again, it gets back to my point—I do not want to take more of your time.

Mrs. BACHMANN. That is fine. If you would like to finish, that is fine. I have one more question.

Mr. MONTGOMERY. Go ahead.

Mrs. BACHMANN. One study that I was curious about, and I do not know if you are familiar with it, from the Reason Foundation, and they found that oftentimes programs like the one that is being proposed actually fail. I am wondering what your response is.

They said the reason why is not despite the housing trust fund's resources, it will fail because they said State and local land use restrictions result in less space and higher costs to build new units, which means that supply cannot meet demand.

What I am wondering is, do you see in the current legislation that is being proposed before this committee, incentives for the State and for the local governments that you just referred to, to reduce the amount of regulation that it then imposes on the housing construction?

Mr. MONTGOMERY. I think there is a proposal for States that lower some of the regulatory barriers to waive some match provisions and things of that nature, which I think is good. I am not familiar with that particular study that you are referencing, so I cannot really comment on that.

My own personal experience again with the Texas housing trust fund, which had an altogether different source of funding, that is the coin of the realm, where do you get the money, I think it was a successful program.

Mrs. BACHMANN. Do you think that is part of the reason for the success, the source of that funding, which is different from this proposal?

Mr. MONTGOMERY. Unfortunately, whether it is a State budget or Federal budget, there is no free lunch. To agree there is a—and I will use the term "benign," for lack of better—funding source, since everybody has to answer to the appropriators and to the authorizers, if they can find that source, which many States have done, Florida has been able to raise $200- to $300 million through a real estate transfer tax, and some other States you will hear from later have done a wonderful job through document recording fees and other sources.

I think it is very key. I think we all share in the goal of what the fund would do and what HUD does, but again, the key is what is the funding source.

Mrs. BACHMANN. Ten years from now if we all gather again for a reunion in this room, as we go review and do an audit of this bill, what are we going to find? Are we going to be talking about a success story?

Mr. MONTGOMERY. I do not know what is going to happen to the bill. That is not my job. I do not vote here. I would hope—

Mrs. BACHMANN. Based upon your experience with what you have done in the past, what do you foresee with what your knowledge is, how would you apply that to what you think the true success of this bill will be?

Mr. MONTGOMERY. I would say to the degree that it is HUD, State trust funds, or if there is a national housing trust, I would hope that at the end of the day, we are helping more people than we are today.

Mrs. BACHMANN. Could you be more responsive to my question? Do you foresee success or not?

Mr. MONTGOMERY. It is hard to say since this is just a proposal. Again, I would say since the bill does much of what is already in the HOME program, putting the funding issue aside, yes, I do think there would be some States that would do well, and other States that would not. You just cannot escape the argument that I made earlier, having us as a funding source, we are facing a difficult decision. Do we fund HUD programs or do we fund the trust fund?

Mrs. BACHMANN. Thank you, sir. Thank you, Mr. Chairman.

The CHAIRMAN. The gentlewoman from New York.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Assistant Secretary Montgomery, first and foremost, let me thank you for coming to New York, and the fact that you were there 2 weeks ago shows that we are facing a crisis when it comes to the shortage of affordable housing in New York City.

Members of Congress, every time we go to our districts, we become case workers or we go policing to see what is going on.

This last Saturday, I just held a housing town meeting, and more than 600 people showed up. It tells you that people are very concerned about the fact that we do not have affordable housing.

You come here and you praise the goals of H.R. 2895 but also you raise concerns about the proposal under consideration. I would like to ask you to give us specific recommendations of how can we make the housing trust fund a workable project.

Mr. MONTGOMERY. Since it mirrors much of what you see in the HOME program, which our Administration asked for $200 million more this year than last year, I would say beefing up the HOME program would be a good step.

I do not know—

Ms. VELAZQUEZ. How would you accomplish that?

Mr. MONTGOMERY. If I had a magic wand, it would be one thing. None of us do. There is a need for more funds for the HOME program.

Ms. VELAZQUEZ. Did the Administration request more funds?

Mr. MONTGOMERY. We did request more, which the House Appropriations Committee cut $200 million from our request, unfortunately, last week.

As far as how I would look at funding it, that is the problem. The States have sources that are not available at the Federal level and States have figured it out on their own and many have done a very good job funding housing trust funds.

Ms. VELAZQUEZ. The difference is that unlike the Federal Government, States must pass a balanced budget, which will increase the possibility of instability to these funds.

If the States have been able to manage the funds in that fiscal environment, why cannot we in the Federal Government do it?

Mr. MONTGOMERY. Again, it gets back to the point of what is the source of the funds. Someone just threw an idea out at me. The Federal Government settles lawsuits all the time. That revenue goes right back to the Treasury. Why could we not use that as a source?

I said, well, I guess that is something you could look at, but again, it gets back to the source of since there is no free lunch here and every penny of the budget and then some is spoken for, where do the funds come from.

Ms. VELAZQUEZ. H.R. 2895 clearly provides the source for the funds. That is why we should be supporting it.

Thank you very much.

Mr. MONTGOMERY. Other than the fact that it takes the funds from HUD.

The CHAIRMAN. I am going to recognize myself. What funds is HUD now getting in the absence of this FHA and housing trust fund bill that you would lose? Please identify them for me.

Mr. MONTGOMERY. We keep back a certain amount of receipts which by the way, I have no receipts for next year, as it—

The CHAIRMAN. You are not answering my question and I am going to ask it again. How much are you now getting that you think this will take away from you and tell me where.

Mr. MONTGOMERY. If you look at the budget, receipts of about $700 million from this year are used to offset HUD—

The CHAIRMAN. You are getting $700 million this year, you said, right?

Mr. MONTGOMERY. Every penny of it offsets HUD's budget.

The CHAIRMAN. The bill that we passed, the combination of the FHA bill and the housing trust fund bill, how much of that $700 million would it take away from you? You said it would take money away from you. Would it take any of that money away from you?

Mr. MONTGOMERY. Well—

The CHAIRMAN. It is a fairly straightforward question.

Mr. MONTGOMERY. It would take money away from HUD because every penny—

The CHAIRMAN. Commissioner, please, you know better than that. I am asking you a straightforward question. The $700 million you cited, would anything we are doing reduce that?

Mr. MONTGOMERY. Every penny of our receipts—

The CHAIRMAN. Can you give me a straight answer?

Mr. MONTGOMERY. I am trying to.

The CHAIRMAN. No, you are not. You are trying to evade it. You said you are getting $700 million now. What are we doing that—would anything we are doing diminish that current flow of funds?

Mr. MONTGOMERY. Maybe I am not understanding the question.

The CHAIRMAN. Sure, you are.

Mr. MONTGOMERY. But every—

The CHAIRMAN. In the bill, what would diminish the current flow of funds? What in the FHA bill—

Mr. MONTGOMERY. Because it has to be covered via the appropriation process.

The CHAIRMAN. What has to be covered? The bill says, the FHA bill, that we increase revenues by raising the level of housing price you can go to and we take the capital off the HECMs. That would generate some additional revenue.

It certainly does not affect any existing revenue. Does anything that is being contemplated—if we were not to pass either bill, you do not lose anything, do you?

Mr. MONTGOMERY. Sir, the point I was trying to make earlier—

The CHAIRMAN. I understand the point, you are trying to evade.

Mr. MONTGOMERY. The appropriators—

The CHAIRMAN. Excuse me, Commissioner.

Mr. MONTGOMERY. The HUD budget is those receipts, and that is the point I was trying to make earlier; there is no excess.

The CHAIRMAN. In the first place, that is a fiction, when they do the appropriation. Secondly, the question is we are talking about generating additional revenues for the FHA.

I really am disappointed that you evaded the question. I take it nothing we are doing would diminish your current flow of funds.

Are you confident that if we were in fact to go ahead with these increased revenue sources for the FHA through taking a cap off home equity mortgages and raising the amount of mortgages you can insure, that the Administration would ask that all of that be credited to the FHA?

Mr. MONTGOMERY. Sir, I am sorry.

The CHAIRMAN. No, I want an answer to that question.

Mr. MONTGOMERY. I think I understand your question now, sir, I am sorry. Yes. We have—

The CHAIRMAN. Answer the question I just asked you. If we were to generate the new revenues that are in the bill and did not assign them to the housing trust fund, are you confident the Administration would ask they go to the FHA?

Mr. MONTGOMERY. Sir, we hold back what we need.

The CHAIRMAN. Excuse me, Commissioner. You understand that is not an answer to the question I asked. You really do.

Mr. MONTGOMERY. No, I do not understand, sir. I am trying to answer your question here. Sir, my point is—

The CHAIRMAN. No, you are not. This is disappointing to me.

Mr. MONTGOMERY. We hold back what we need to cover claims which vary year-to-year, the gift downpayment programs I referenced earlier.

The CHAIRMAN. I am talking about HUD. You know you are switching ground. You said HUD gets credit—you keep switching between the FHA and HUD in general, for purposes of obfuscation, which disappoints me.

You said that HUD gets credit for the additional revenues that the FHA generates, correct? You did say that?

Mr. MONTGOMERY. Yes.

The CHAIRMAN. The legislation we are talking about doing would generate additional revenues for the FHA. You are aware of that?

Mr. MONTGOMERY. Yes. The point is that—

The CHAIRMAN. No.

Mr. MONTGOMERY. They would have to go back to the HUD budget from the appropriators which is what they have always done.

The CHAIRMAN. Yes. I have asked you this question which you pretend not to understand. Are you confident that if we were to generate these additional revenues by taking the cap off the home equity mortgages and raising the amount of mortgage you could insure, that the Administration would ask that HUD get the credit for that in its appropriation and that the appropriated amounts for HUD would increase?

Mr. MONTGOMERY. Sir, that, I do not know.

The CHAIRMAN. You know the answer is no.

Mr. MONTGOMERY. I would say give it to the HOME program.

The CHAIRMAN. I did not ask you what you would say. Again, you know you are deliberately not answering. I did not ask you what you would say. The point is this, what we have are constraints on the HUD budget and the notion that if we were to increase money for the FHA, that would be additive to the HUD budget, is not true. I believe you know it is not true. I am disappointed that you would even pretend that it might be the case.

The HUD budget is constrained by other factors. In fact, it is the Administration that is trying to raise the FHA fees. We have legislation to prevent you from raising them. The legislation we are talking about says that if any of these revenue diversions were to jeopardize the FHA solvency and require more money from the appropriators, it would not go into effect.

Your notion is that we would get a total additional for HUD, that HUD would get the credit for any additional FHA money, and that simply has not been the case. During your tenure, has that been the case? Has the HUD budget overall increased proportionately? Have FHA surpluses gone up?

Mr. MONTGOMERY. About $1.6 billion this year from the previous year.

The CHAIRMAN. Did it go up proportionately because of the FHA getting more funds?

Mr. MONTGOMERY. The FHA is self-sufficient, sir.

The CHAIRMAN. Commissioner, please, stop that. You said that the HUD gets—

Mr. MONTGOMERY. We are in the hole right now, sir. We are in the hole. I do not have any money.

The CHAIRMAN. In the past, throughout your tenure, has the FHA been losing money?

Mr. MONTGOMERY. Sir, as you know, we are trying to fix FHA from being in the hole but it was not too long ago, including under Secretary Cisneros, FHA was generating a lot of money. That is not the case today. As we all know, and this committee was great in helping us get the FHA bill through—

The CHAIRMAN. I agree with that. The point is there has been no correlation between the FHA surplus or deficit and the HUD budget. Here is your argument, that we should not take additional revenues we generate for the FHA and put them into affordable housing because otherwise it would have gone to the HUD budget. I do not think anybody in the world believes that is true. I am disappointed to hear you say it.

Mr. MONTGOMERY. Sir, I am just looking at the budget we publish every year, and it clearly has a credit for our receipts under the HUD budget. I know what you are trying to say, sir. Looking at what it has on our budget books—

The CHAIRMAN. You said the FHA has been losing money recently.

Mr. MONTGOMERY. I am sorry, sir?

The CHAIRMAN. It has been losing money, correct?

Mr. MONTGOMERY. We will start losing money in about 2 months, sir.

The CHAIRMAN. You told me you are losing money now. You said you were in the hole.

Mr. MONTGOMERY. The die has been cast, that we are not producing—

The CHAIRMAN. You just said—Commissioner, I have never been more disappointed in somebody's testimony than yours. The notion that the HUD budget goes up, that there is a causal link between increased FHA revenues—of course, as my colleagues point out, this Administration keeps trying to cut the budget. We have been able to stop some of that.

The notion that the additional FHA money would translate into additional funding for HOME or CDBG, if that is the argument against this bill, I look forward to the debate.

I now recognize the gentleman from Connecticut.

Mr. SHAYS. Mr. Chairman, thank you for waking all of us up here. I was happy to let this go on, because frankly I did not hear a straightforward answer candidly.

I would like not to use my time right now, since I just got here, and let other members who have been waiting longer go, and then I would like to ask some questions.

Who is next, Mr. Chairman? I need to wake you up.

The CHAIRMAN. Are you finished?

Mr. SHAYS. I am not going to use my time now. I would like to wait and let members who have been here a while ask questions.

The CHAIRMAN. I apologize. We will recognize the gentleman from North Carolina.

Mr. WATT. Thank you, Mr. Chairman.

Mr. Montgomery, let me approach this a slightly different way because in reading your testimony and hearing the exchange that has taken place, it seems to me that what you are saying is that HUD has a certain budget and if we make more money available, that money is not likely to be used for this purpose. It is just going to be used as a substitute.

Is that what you are saying?

Mr. MONTGOMERY. That is what the appropriators do.

Mr. SHAYS. Say "yes."

Mr. WATT. If that is what you are saying.

Mr. MONTGOMERY. Yes.

Mr. WATT. It seems to me that the logical consequence of what you are saying is under those circumstances what we are doing will not inure to the purpose that we intend for it to inure to because the money is coming to HUD and consequently the inappropriate place to send the money is to HUD because if you send it to HUD, there is going to be a substitution for what HUD is already doing.

I am not wedded to sending this money to HUD. I think the trust fund could be set up someplace else and the money sent someplace else if you are concerned about this money being substituted for money that HUD is already getting.

The question I want to ask is, since you do not seem to think HUD ought to get this money under these circumstances, who would be the appropriate alternative beneficiaries to administer the housing trust fund other than HUD, since under your analysis, HUD ought not be getting it because it will just be a substitute for what you are already doing?

Mr. MONTGOMERY. Sir, my point was that I think HUD should.

Mr. WATT. I did not ask you what your point was. You have made your point. I am trying to make my point now.

Mr. MONTGOMERY. Yes, sir.

Mr. WATT. My point is who would be the other alternative beneficiaries to administer the housing trust fund other than HUD? You have obviously eliminated HUD now as an appropriate beneficiary of the funds, under your analysis.

Who would be the other appropriate beneficiaries to administer a housing trust fund since the official position of HUD seems to be that you do not want it over there because it will conflict with other things?

What are the alternatives that we have as to where to send this money?

Mr. MONTGOMERY. Sir, actually, I did want HUD to keep the funds, as they do now. That was a point I made in my remarks, which you missed, sir.

Mr. WATT. I missed those remarks. In the exchange you just had, it sounded to me like you were saying, do not send this money over here.

Mr. MONTGOMERY. No, sir.

Mr. WATT. Because it will be used for the purposes we are already achieving. If you want to add to those purposes, you need to send it somewhere else.

Let's assume that is what you were saying because I think everybody in the room heard those conflicting things that you were saying, what would be some of the alternative places to send the money other than HUD?

Mr. MONTGOMERY. In the hypothetical sense, sir?

Mr. WATT. In the hypothetical sense.

Mr. MONTGOMERY. I think some States are doing some wonderful jobs with their housing trust funds.

Mr. WATT. If we set up a mechanism that said States do not substitute this for what you are already doing, put it on top, which is what Mr. Frank says we were going to do for HUD, you think the States would be able to apply that standard better than HUD would be able to apply it?

Mr. MONTGOMERY. The States could decide they want to use it for their HOME funds.

Mr. WATT. No.

Mr. MONTGOMERY. Hypothetically, sir.

Mr. WATT. We would tell them no, you cannot do that.

Mr. MONTGOMERY. Hypothetically, as well. Thinking hypothetically.

Mr. WATT. We were trying to tell you no, you cannot do it. You cannot substitute it for HOME funds either. You are saying that we can tell the States that, but we cannot tell HUD that?

Mr. MONTGOMERY. Sir, that would obviously be a decision for you, but back to my point, I think States, whether it augments their trust fund, again hypothetically, I think many States are set up to do that right now. Some of them are testifying here later today. I think they would tell you.

Mr. WATT. I am sure they are going to say yes, send the money to us. HUD is about the only place I know of that says, do not send money over here because it might substitute for some money we already have, which is what you seem to be saying.

Mr. MONTGOMERY. No, we would take any extra money obviously that the appropriators would give us, but in the case that we offset our budget with my receipts, that money would have to come from somewhere else if I did not offset that budget. That was the point I was trying to make earlier, sir. Thank you.

Mr. WATT. I do not understand what you are saying.

The CHAIRMAN. I have been working on HUD budgets for 27 years. It has never been the position of the appropriators that the amount appropriated to HUD would rise or fall according to FHA receipts. It is a bookkeeping matter whereby FHA receipts are entered into the general fund, but no one has ever suggested that the budget of HUD goes up or down in any way dependent on net receipts and losses from the FHA. I have been working on HUD budgets since coming here.

The gentleman from Missouri.

Mr. CLAY. No questions.

The CHAIRMAN. The gentleman from Texas.

Mr. GREEN. Thank you, Mr. Chairman. Earlier, I did not thank the ranking member of the full committee and the ranking member of the subcommittee, so I thank them at this time.

Mr. Montgomery, thank you for some of the things you have done to be of assistance to us in Texas, and I thank the Secretary also for some things he has done to be of assistance to us.

Mr. Montgomery, currently, we have as you have indicated, a number of programs. Let me just quickly ask you, is there a trust fund for the HOME program?

Mr. MONTGOMERY. You mean is there currently a trust fund within the HOME program?

Mr. GREEN. Yes, sir.

Mr. MONTGOMERY. It is out of my purview at HUD, but I do not believe there is a trust fund, per se.

Mr. GREEN. I will take that to mean, "no."

Mr. MONTGOMERY. Yes, sir. Given my familiarity, because it is not under my purview at HUD.

Mr. GREEN. Is there a trust fund for CDBG?

Mr. MONTGOMERY. Not that I am aware of, sir.

Mr. GREEN. I will take that to mean, "no."

Mr. Montgomery, let me ask you this. Are you in a position to know whether there is a trust fund for CDBG?

Mr. MONTGOMERY. It is not under my purview at HUD, but I am not aware that there is.

Mr. GREEN. Are you in a position—you are a high official in HUD and you do not know whether there is a trust fund for CDBG? Mr. Montgomery, this is not necessary.

Mr. MONTGOMERY. I agree, sir.

Mr. GREEN. You are putting yourself in an awkward position if you persist with this. You really are.

Mr. Montgomery, what is your title?

Mr. MONTGOMERY. I am the Assistant Secretary for Housing at the U.S. Department of Housing and Urban Development.

Mr. GREEN. Mr. Montgomery, is it not true that in your official capacity, you work not only in the Office of HUD but you work directly with the Secretary; is that true?

Mr. MONTGOMERY. Yes, sir, that is true.

Mr. GREEN. Is it not true that most of the business of HUD comes through that office such that you are familiar with it?

Mr. MONTGOMERY. Are you saying in working with the Secretary?

Mr. GREEN. Yes, sir.

Mr. MONTGOMERY. Yes, sir, like all Cabinet agencies.

Mr. GREEN. Is CDBG a program that is administered by HUD?

Mr. MONTGOMERY. Yes, sir. I just do not administer it. Pardon my ignorance on it. I do not administer it.

Mr. GREEN. I understand. Is it the case that you are not mindful of what is happening to the extent that a reasonable and prudent person should be? Would you not agree that a secretary in your position ought to know?

Mr. MONTGOMERY. Whether or not there is a trust fund?

Mr. GREEN. Yes, for CDBG.

Mr. MONTGOMERY. If you are implying my lack of sophistication on the subject, sir, I am sorry.

Mr. GREEN. I believe you know there is not one. Is there a trust fund for the Section 515 rental housing program?

Mr. MONTGOMERY. That is at the U.S. Department of Agriculture. I do not believe there is, sir.

Mr. GREEN. Is there a trust fund for Section 811 for the disabled?

Mr. MONTGOMERY. Again, sir, no, there is not.

Mr. GREEN. 202 for the elderly?

Mr. MONTGOMERY. No, there is not a trust fund.

Mr. GREEN. The truth of the matter is this will be the very first national affordable housing trust fund that you are aware of, true?

Mr. MONTGOMERY. Yes, sir. That is true.

Mr. GREEN. Mr. Montgomery, it would seem to me that people who want persons to have affordable housing, who want housing preserved, housing rehabilitated, and housing produced, would say that happy days are here. We finally have a trust fund for housing.

It would just seem to me that people would want to have parades and roll out a red carpet, sound the trumpets, go tell it on high, that we finally have a trust fund for housing.

It just makes so much sense that somebody ought to be appreciated for this. It really does. I marvel at how we demean what is about to become a monumental accomplishment for the least, the last, the lost, for persons who cannot afford even affordable housing. It really is a marvelous circumstance that we are witnessing. It really is.

My final comment is this, Mr. Montgomery. I think that some of us do not appreciate a very basic premise that impacts all of us, and this is the premise. No one deserves a status in life to which he or she is born. I am going to repeat that. No one deserves the status in life to which he or she is born.

We are here today in these environments because we have just been blessed. There are others who are not so fortunate. This fund, this trust fund, is there for them.

I thank Mr. Frank, Ms. Waters, and all who have supported this. Prior to my coming, I understand something similar was introduced. They deserve expressions of great appreciation for what they have been trying to do.

I thank you for your efforts. Mr. Chairman, I thank you, and I yield back the balance of my time.

Mr. MONTGOMERY. It is for the reasons that you have articulated, Congressman, that I am working very hard to improve FHA. I am working very hard to get more funds for 202 and 811. It is why I publicly say we have a production problem in this country, developing affordable housing. I have said it in many cases, and I will continue to say it.

Mr. GREEN. I want to reclaim my time. Have you worked to establish a trust fund?

Mr. MONTGOMERY. Sir, I am working hard to keep what HUD has or to use as an offset towards our budget. I am working very hard to get more funds in my realm within HUD.

Mr. GREEN. Do you believe that a trust fund would benefit poor people in this country?

Mr. MONTGOMERY. Absolutely, sir.

Mr. GREEN. Thank you.

Mr. MONTGOMERY. Absolutely.

The CHAIRMAN. Mr. Montgomery, while I continue to be somewhat frustrated by our previous exchange, I do want to acknowledge that yes, in our dealings together, your efforts within the constraints that you have have been ones that we appreciate.

We have a disagreement here, but I think it is reasonable to stipulate that it does not extend to other areas where we have been and will continue to be cooperative. I do acknowledge that what you said has been accurate about your efforts. I recognize that you are here as a representative of the Administration.

At this point, I want to insert into the record an editorial from the New York Times dated July 3rd, endorsing this idea; the testimony submitted by Jonathan Reckford, who is chief executive officer for Habitat for Humanity in support of the trust fund; and the statement of the National Association of Home Builders in favor of this trust fund.

I ask if there is no objection, that all these be made part of the record.

The CHAIRMAN. We will now go to Mr. Cleaver.

Mr. CLEAVER. Thank you, Mr. Chairman.

Mr. Montgomery, sing with me, “Kum Ba Ya”. You do not want to hear me sing. Sorry.

The CHAIRMAN. The gentleman from Missouri can meet with the recorder later to make sure that is accurately transcribed.

[Laughter]

Mr. CLEAVER. Mr. Montgomery, in November, I will be speaking to the mayors in Seattle at their conference. One of the things that mayors are always concerned about is whether Washington listens to them; I know this from experience.

One of the things that has occurred to me is whether or not you can reconcile HUD's position with the position of the U.S. Conference of Mayors, Republicans and Democrats, who are on the ground every day, who support this legislation.

Is there a way that you can reconcile HUD's position with their position, also with the position of the NAACP, which has provided a statement that I would like to have entered into the record as well.

The CHAIRMAN. Without objection, it will be made part of the record. The NAACP will also be testifying.

Mr. MONTGOMERY. I think, at last count, because of Sheila Crowley's great efforts, that you have 5,495 supporters. I think you have the 37 States who have housing trust funds supporting the legislation. Again, the goals of what they are trying to accomplish, I support. So I do not cover old ground, in the interest of time, I just reference my concerns relative to the funding.

Mr. CLEAVER. So you cannot reconcile HUD's position with the position of the mayors?

Mr. MONTGOMERY. I have not read their official statement, but I know—

Mr. CLEAVER. They support it.

Mr. MONTGOMERY. Yes, sir. I am aware of that.

Mr. CLEAVER. They are on the ground. They are there every day on the ground.

Mr. MONTGOMERY. I visited with them in Los Angeles last month, sir.

Mr. CLEAVER. Can you reconcile HUD's—what is it that the mayors see that you cannot see?

Mr. MONTGOMERY. Again, sir, not to cover old ground in the interest of time, just my concern with the funding and how it would impact our budget, sir.

Mr. CLEAVER. Thank you.

Mr. MONTGOMERY. That is plain and simple.

Mr. CLEAVER. You said if we set up this fund, it would duplicate other programs.

Mr. MONTGOMERY. Yes.

Mr. CLEAVER. If that is true, are we saying the programs that are already in existence are ineffective? There must be a declaration at the same time that these programs are ineffective or we would not see a rise in the number of the homeless, and there would be no push to try to establish a housing trust fund.

If those programs are effective, why are mayors confused? Why are people around the country confused who deal with the issues related to the homeless?

Are those programs effective that you are concerned about duplicating?

Mr. MONTGOMERY. The HOME program is a very effective tool, sir. Again, I do want to support one of the goals in particular that this fund would do, and that would increase the level of funds that go to families at 30 percent of AMFI and below, above what the HOME program does.

If we can find sources for that within HUD, I would support that 100 percent. I do not want you to think I do not support a lot of what this fund does. Quite the contrary, I do.

Mr. CLEAVER. The point I am trying to make, and perhaps poorly, is that if there are existing programs that this fund is going to duplicate, and the people who deal with the issues regarding this fund all believe we need it, then maybe the programs we have in HUD are ineffective.

Mr. MONTGOMERY. Sir, I do not think you will hear from States that they think the HOME program is ineffective. I think you would probably hear that they need more money.

Mr. CLEAVER. You disagree or agree with them declaring that they need more money?

Mr. MONTGOMERY. No, sir. I do not disagree that the States would need more money at all.

Mr. CLEAVER. You do support this bill?

Mr. MONTGOMERY. I support increasing affordable housing to the degree that it does not impact my budget, which unfortunately it does.

Mr. CLEAVER. I am going to sing "Kum Ba Ya" again.

Mr. MONTGOMERY. I am not trying to be difficult, sir, I promise you. I really am not.

Mr. CLEAVER. I give up.

[Laughter]

The CHAIRMAN. I remind people and again I want to say the gentlewoman from California and I have had a good working relationship with the Commissioner as he said, and we believe that he has been a diligent and compassionate supporter. There are constraints as to what he can and cannot say. Things do tend, as we said earlier with the rules, the rules do tend to walk into policy positions, things happen.

The gentleman from Connecticut.

Mr. SHAYS. Thank you very much. Mr. Montgomery, Chairman Frank asked you a question to which he did not think you were responsive.

I am curious to know what your answer was going to be even though it was not responsive. I am just curious to know what you wanted to put on the record and then from that, I may ask another question.

First off, tell me this. Tell me what you thought he asked you and then tell me what you wanted to say. I will not interrupt you.

Mr. MONTGOMERY. As I recall, he asked me do we have any excess receipts, do those go to the Treasury, do they go to HUD? I do not want to get into how the appropriating process works. I do know that when we have a budget that we submit, it is very clear they are offsetting the budget or the FHA receipts that go to pay other HUD programs. In the world of the appropriators, those receipts go to HUD and they are spoken for.

Mr. SHAYS. I understand what you wanted to put on the record. He was not asking you what appropriators want to do.

What I want to do is put it in my own words because I think you had a question that followed, he was trying to help you out, and you were not allowing him to help you out.

Does this get to the issue of opportunity costs, that there is only so much money that HUD is going to be allowed to have, and therefore, you were saying if you give us more money here, appropriators are going to take it away somewhere else? Is that what you were basically trying to say?

Mr. MONTGOMERY. Historically, yes, sir. I think that is the case.

Mr. SHAYS. In my judgment, that is something you should put on the record. It is our judgment as to what they will do. It is very clear to me that appropriators, whether they are Republicans or Democrats, if they see a department get more money in one place, they may take it out somewhere else because there is only so much they are going to allow HUD to have or any other department.

I think it is fair to say with a Democratic Congress, you are going to see more money going to HUD. This, to me, seems like an opportunity for you to say you know, we would love this money, so long as you do not take it away from us somewhere else. That is kind of the way I would have answered it because the way you answered, it gives the impression that you do not want extra money.

Mr. MONTGOMERY. I am sorry if I left the committee with that impression. It was not my intent.

Mr. SHAYS. That is the impression that you kind of left. I will give you a good example. This Congress decided, rightfully so, that it needed to put more money into the Department of State, but that in the foreign affairs budget, it wanted to put more money.

What it did was it took a program dealing with Africa and the AIDS program and took some of that money out of the NIH budget. It looked like we were putting more into the NIH budget but we took $200 million out and gave it to a very worthy program that used to be in another department.

We were struck by the fact that it looked like we were adding more to NIH and we were adding some more but not as much in reality because we were taking some of that and putting it into another program unrelated to the NIH budget.

If your answer is that you feel this adds more money to HUD, it does, does it not?

Mr. MONTGOMERY. I am sorry. Are you talking about the trust fund?

Mr. SHAYS. Yes. The housing trust fund gives more money to housing, correct? So long as Congress does not take it away somewhere else, is that not correct?

Mr. MONTGOMERY. I am a little foggy on what you are saying, sir. For purposes of time, I will agree with what you are saying. I am sorry.

Mr. SHAYS. Tell me why you are foggy.

Mr. MONTGOMERY. Any receipts that I have beyond what I need to pay claims and things of that sort, again, we give back to the Treasury. Those funds are then credited toward HUD's budget, I should say. If that did not happen, which is the case for next year, the funds have to come from somewhere.

Mr. SHAYS. If in fact that is correct, then you have the opportunity to say to Congress that we will only get extra money if you make sure that we are credited and they do not debit our account more as a result.

Mr. MONTGOMERY. Yes, sir, if I follow your line of reasoning, yes, sir.

Mr. SHAYS. I am not saying it as well as I would like to, so I do understand a little of your confusion.

The bottom line is that there is a solution to the problem that you may fear and that the best way, it seems to me, for you to deal with it is to say that so long as these things happen, we will be okay, but if Congress takes the money for other reasons, and does not let us realize this extra money for housing, it will just be something we do not benefit from.

At any rate, that was my best attempt.

Mr. MONTGOMERY. Thank you, sir.

The CHAIRMAN. By the way, less than half of the money in the trust fund comes from the FHA. The largest share comes from the GSEs and no one can argue that would go to HUD under any circumstances. That goes to the shareholders of Fannie Mae and Freddie Mac.

Mr. SHAYS. Do you agree with that?

Mr. MONTGOMERY. I was not referencing—

Mr. SHAYS. Do you agree with what Mr. Frank just said?

Mr. MONTGOMERY. If you could repeat it, sir. I am sorry.

The CHAIRMAN. As we have the trust fund bill now, there are two revenue sources, much more than half would come from the GSEs, and no one could argue that any of that money would otherwise go to HUD. That is money from Fannie Mae and Freddie Mac's shareholders.

Mr. MONTGOMERY. I do not believe that is envisioned in the statutes, so I would agree. I do want to point out—

The CHAIRMAN. I am sorry. You do not believe what?

Mr. MONTGOMERY. Were you talking about any excess from the GSEs that would go to HUD? I am not aware of that, sir.

The CHAIRMAN. I said that in the trust fund bill, the larger share of the revenues that would go to the trust fund come from Fannie Mae and Freddie Mac.

Mr. MONTGOMERY. Yes, sir. That is absolutely correct.

The CHAIRMAN. No one has argued that in the absence of the trust fund bill, any of that would go to HUD.

Mr. MONTGOMERY. Yes, sir. That is correct. I am sorry I misunderstood your question.

The CHAIRMAN. Thank you. The gentleman from Oklahoma.

Mr. BOREN. Thank you, Mr. Chairman. It is a real pleasure to watch my colleague, Mr. Green, from Texas and another friend from Texas here—from an Oklahoma perspective, it is always nice to watch two Texans go after each other. We do that in October at the Cotton Bowl and it is a lot of fun to watch.

I am going to have to step out before our next panel but I do want to thank Secretary Cisneros for being here. He is a great family friend and a great public servant to San Antonio, the State of Texas, and our country. Thank you for being here.

I have one question. I am going to be very brief. Going back to the actual legislation and not going into the budgets and everything else, the paperwork that I have before me, the prohibited uses of the funds that would be in this trust fund in H.R. 2895 would be the bill includes prohibitions against any funds being used for administrative costs or expenses, political activities, advocacy lobbying, of course, I think that is a good thing.

What we have seen with NAHASDA and what we have seen with some of the other pieces of housing legislation since I have been on this committee for just a short time, the impact on Native Americans.

I represent eastern Oklahoma, 25 counties. We have 39 federally recognized tribes. Tribes are not all alike. The Chickasaw Nation is different from the Choctaw Nation, different from the Miami tribe, different from the Wyandotte's. The Choctaw's and Chickasaw's have done very well from gaming. Some of the tribes in the northeastern part of my district have not done so well. Some do not have sources of funds from gaming. Some do. Smaller tribes like the Quapaws and other tribes, they have a very limited budget.

My question to you is, this provision within the trust fund or any other pieces of legislation that deal with housing, do you think it is appropriate for any of these trust funds or any other funding mechanisms to go towards maybe smaller tribes so they can actually administer these funds? We have a real debt of home ownership in places like rural Oklahoma.

Mr. MONTGOMERY. I do know there is a set aside within H.R. 2895 for tribes and other areas. I am not sure of the breakdown by the size of the tribes. I am sorry. I just do not know what that number would be.

Mr. BOREN. The funding is great. We are talking about very rural areas and maybe within a tribe, there might be one or two people who can carry out these programs. The tribe might not have the necessary funding so they can carry these programs out.

Do you think it would be within the bounds of legislation—not just this piece of legislation, which I am very supportive of the chairman on—any other legislation, do you think it would be appropriate for funding to go to smaller tribes, to hire one or two people to administer housing programs? Let's just take it generally.

Mr. MONTGOMERY. Sir, in concept, I agree with what you are saying. Again, I am just not that familiar with that portion of the bill and the breakdown. I am sorry. I am not that familiar. In concept, I do agree with what you are saying.

Mr. BOREN. In the interest of time, I am going to yield back to the chairman. Thank you so much. Again, I thank all my Texas friends.

The CHAIRMAN. The gentleman has yielded back. The gentleman from Connecticut has been very helpful in keeping me focused today—very unusual.

Thank you, Commissioner. I know you have been here as a proxy for the Administration. We understand that. You have done your job as you were supposed to.

We will call forward the next panel.

Mr. MONTGOMERY. Thank you, sir.

The CHAIRMAN. Please be seated. The next panel consists of: the Honorable Henry Cisneros, former Mayor of San Antonio and Secretary of the Department of Housing and Urban Development; Sheila Crowley, president of the National Low Income Housing Coalition—the single most vigorous force behind this fund; the Honorable William Euille, Mayor of Alexandria, our neighbor, who is here on behalf of the U.S. Conference of Mayors—I guess the conference budget was tight, they did not want to pay a lot of airfare, so they gave him his Metro card and here he is—we are delighted to have the Mayor of our important neighbor here; Lisa Alberghini, whom I will note is the director of the Planning Office for Urban Affairs of the Archdiocese of Boston and the Archdiocese of Boston has been a great builder of housing, affordable housing, for many years—for anybody who decided they needed something called a "faith based program," I have been working with the Archdiocese and Office of Urban Affairs with Ms. Alberghini and her predecessor; and finally, JoAnne Poole, who is the owner of Poole Realty, and she is here importantly on behalf of one of our strong advocates for a good housing program, the National Association of Realtors.

We will begin with Secretary Cisneros.

STATEMENT OF HENRY CISNEROS, EXECUTIVE CHAIRMAN, CITYVIEW

Mr. CISNEROS. Mr. Chairman, thank you very much. Members of the committee, thank you for giving me the opportunity to come in and support H.R. 2895, the National Affordable Housing Trust Fund Act of 2007.

Thank you, more importantly, for your leadership to organize the content of this bill, and your legislative skills to manage the strongest chance ever to create a national housing trust fund.

I would like to acknowledge the long term advocacy and solid creative work done by many, many outside organizations, including the National Low Income Housing Coalition, the Center for Community Change, the Housing Trust Fund Project, the NAACP, and many others.

I will use my time to make four succinct points. First, the national housing trust fund is important because it is such a focused tool. Across the entire spectrum of housing, starting with housing shelters and supportive housing and subsidized rentals and public housing, market rentals, entry level home ownership and move up housing across that entire continuum, the greatest need, the greatest suffering is among families, individuals, and households below 30 percent of median income, the extremely-low-income families of our country.

To address their needs, to produce housing that touches the entire first part of this continuum, from homelessness through these various first steps, we need units, production, and housing stock, that low-income people can access.

We need units so that homeless people can access the Housing First concept. We have to have housing units for them to be able to move out of homelessness.

We need supportive housing with services. We need low-income rental stock. I am in the home ownership business personally, but I acknowledge the absolute most pressing need before the country in housing is the lowest income rental stock.

We need housing that works with other programs, such as public housing, and we need housing that works in conjunction with market housing, so that flexibility is possible to take something like this fund and match it to market housing, 20 percent or 25 percent of a market development.

There is no Federal program today targeted precisely in this way or on this scale. We need this focused new production program. Point one.

Point two. We can see from local housing trust funds that the concept works. There are over 600 local or State housing trust funds today. In big cities, such as New York City, the effort is underway to try to create or preserve 4,300 units with a trust fund. In Chicago, the goal is 5,500 rental subsidized units, not over 30 percent of median income, to meet the city-wide goal of producing affordable housing.

In smaller communities, many that are in high-cost areas, such as Boulder, Colorado, the explicit goal of the City is to use a housing trust fund to make sure that 10 percent of the housing stock is permanently affordable. In Boulder, that amounts to 2,700 units of which 2,100 would be rental, and 600 would be ownership.

In another high-cost area, Mountain View, California, they are using the housing trust fund of Santa Clara County there where Catholic Charities just produced an award winning single room occupancy facility for people earning between $15,000 and $30,000 a year. That is 20 percent of average median income, using the flexibility that only a housing trust fund makes possible.

At the State level, Washington State is considered as one of the most effective State housing trust funds. They have over the years amassed $500 million and leveraged $2 billion in 32,000 units, mostly rental.

The point is that housing trust funds work. The corollary point is that at the local level, they are symptomatic of why a national fund is needed. State and local housing trust funds exist because the stress of housing affordability is so great that existing programs cannot meet the need. There is a crisis.

It is also true that they are patched together with chewing gum and baling wire in many places. Real estate transfer taxes, document reporting fees, linkage fees, unclaimed property funds, the need is great, the revenue base is inadequate, and the scale is not adequate.

A national trust fund is needed.

Third point quickly. H.R. 2895 incorporates the best elements of what we have learned in recent years from housing programs, the need for rental production, to focus on the very-low-income, economic integration, proximate to economic opportunities and transit, incorporation of green development ideas, State, rural, and Native American housing, the opportunity for faith-based institutions to work, the prohibitions on administrative costs and travel and political activities, the matching provisions that are incentivizing to local governments, the local discretion that unleashes creativity as we have seen from nonprofit and private best practice designs, and the use in conjunction with market projects, integrating low-income units. This is a great idea and this fund uniquely will make that possible.

Finally, the fourth point is you identify revenues in H.R. 2895 from new sources, Fannie Mae, Freddie Mac, and the FHA, in such a way as not to cannibalize other programs, and in such a way as not to exacerbate the Federal fiscal challenge. Therefore, it can generate and merits bipartisan support.

I will close by simply saying that in the last years I have collaborated with my predecessor, a Republican HUD Secretary, Jack Kemp, in a number of studies and books. In our last project, we concluded about the housing trust fund, the following:

"We recognize the need for a source of capital for the production, preservation and rehabilitation of housing affordable to low-income households. We, therefore, recommend that the Administration and Congress establish a national housing trust fund for this purpose. Specifically, trust funds should be used to support the production, preservation and rehabilitation of 1.5 million affordable housing units over the next 10 years." A bipartisan statement, Mr. Chairman, my predecessor, Jack Kemp and I, together acknowledging the importance of a national bipartisan effort.

We were able to talk about it. You thankfully are doing something about it. To answer one of the points that the Congresswoman asked earlier about what this will look like in 10 years, those who participate in this and support it will have been responsible and should be justifiably proud in 10 years of a major new productive and successful housing initiative.

Thank you.

[The prepared statement of Mr. Cisneros can be found on page 80 of the appendix.]

The CHAIRMAN. Thank you, Mr. Secretary.

Ms. Crowley?

STATEMENT OF SHEILA CROWLEY, PRESIDENT, NATIONAL LOW INCOME HOUSING COALITION

Ms. CROWLEY. Thank you, Chairman Frank. It is a wonderful day that we are here today and having this opportunity to testify about a national housing trust fund, and it is a great honor to be on this panel with many fine people, but I especially want to thank our friend, Secretary Cisneros, for coming and making such an eloquent statement.

The establishment of a national housing trust fund with dedicated sources of revenue for the production and preservation of affordable housing for people with the most serious housing problems has been the top priority of the National Low Income Housing Coalition since 2000, and in 2001, we joined with many other organizations to form the National Housing Trust Fund Campaign that is now over 5,600 organizations strong.

As Ms. Waters noted earlier today, we are observing the 20th anniversary of the passage of the McKinney-Vento Homeless Assistance Act, an emergency response to the rapid growth of homelessness in the United States in the 1980's.

Before coming to Washington, I worked at the community level for 20 years. I remember when homelessness was relatively rare, and I remember when homelessness accelerated in the 1980's.

I know that homelessness grew as the supply of low-cost housing diminished, and as the cost of rental housing increased, and as the support from the Federal Government began to wane.

I know we have no hope of ending or preventing homelessness in the United States until we make a serious investment in housing that the lowest income people can afford, and that is what the national housing trust fund does.

It is easy to understand the persistence of contemporary homelessness when we look at the mismatch between housing units and numbers of people. There are 9 million extremely-low-income renter households, and there are only 6.2 million rental units they can afford, if you use the standard of 30 percent of income for housing. Thus, we have an absolute shortage of 2.8 million rental units for this income population nationwide. It is the only income group for whom there is an absolute shortage.

If my poster could go up, that would be really great because you could see it quite graphically. This is the only group where we actually have a shortage. Who are extremely-low-income households?

The CHAIRMAN. That is the group in the red?

Ms. CROWLEY. The group in the red; yes. Below the line. Who are extremely-low-income households? In Washington, D.C., they are families with a total income of $27,000 a year or less. In Los Angeles, it is $16,860 a year or less. These are people who earn their living in the low-wage workforce. They are child care providers, nursing home aides, hotel housekeepers, office cleaners, retail clerks, and receptionists.

Extremely-low-income households are also those who are elderly and disabled whose income is limited to Federal SSI payments. The Federal SSI benefit level in 2007 for an individual is $7,476 a year.

What happens to real people under the circumstances of scarcity for a need as basic as housing? The main thing that happens is that they end up paying way too much of their income for their housing; 71 percent of extremely-low-income renters spend more than half of their income for their housing.

Those who have the fewest coping skills and have the weakest social networks are the ones that are at higher risk of becoming homeless under these conditions of scarcity.

Simply put, this bill makes capital resources available to developers who are willing and able to build and operate housing that extremely-low-income families can afford. There is no current Federal production housing program that is specifically targeted to this population.

The trust fund dollars will not be used as the sole source of capital for any project. Rather, they will add enough to bring down the cost for a percentage of units in any given project such that they become affordable to the extremely-low-income households.

The core intent of this bill is that the funds will be used for rental housing, but the bill fully supports using resources for home ownership. We understand that getting extremely-low-income households into home ownership is a challenge and in most cases may not be in their best financial interest.

We strongly believe that the best home ownership program for people in the low wage workforce is to increase the supply of rental housing they can afford so that they have a much greater chance of becoming successful homeowners in the future after being stable and successful renters who can develop a good credit history and might even have the opportunity to save some money for a downpayment.

The goal of the national housing trust fund and H.R. 2895 is to produce and preserve 1.5 million homes over 10 years. This is indeed a very ambitious goal.

The bill provides dedicated sources of funding. CBO estimates that the combined value of these would be no more than $1 billion a year, which is quite substantial, but to reach our goal, we are going to have to find other dedicated sources of revenue and the bill does allow for that, and we think there is any number of creative ways we can do that.

Mr. Montgomery suggested one a few minutes ago.

Let me close by saying this is one of the most important bills that this committee will take up in the 110th Congress and to my mind, the most important. We want to work with you to make it the best bill possible.

I want to offer our heartfelt thanks to Chairman Frank and Mr. Shays and Mr. Miller and Chairwoman Waters and the other original co-sponsors of H.R. 2895 who once again have demonstrated that the very best low-income housing legislation is always bipartisan.

Thank you.

[The prepared statement of Ms. Crowley can be found on page 87 of the appendix.]

The CHAIRMAN. Thank you, Ms. Crowley.

Mr. Mayor, who is the successor, not immediate, of one of our colleagues, I believe, Mr. Moran. We are glad to have you here.

STATEMENT OF WILLIAM D. EUILLE, MAYOR, ALEXANDRIA, VIRGINIA, ON BEHALF OF THE U.S. CONFERENCE OF MAYORS

Mr. EUILLE. Thank you, Mr. Chairman, and members of the committee. I am William D. Euille, the Mayor of the City of Alexandria, Virginia, a product of public housing, and a 15-year advocate for affordable housing. I am pleased to be here this morning to testify on behalf of the U.S. Conference of Mayors, the National Association of Counties, the National Community Development Association, the National Association of Local Housing Finance Agencies, and the National Association of County, Community and Economic Development.

We strongly support H.R. 2895, the National Affordable Housing Trust Fund, and we appreciate this initiative and trust me, there will be parades and fireworks.

We urge the Committee to adopt our recommendations and improve the legislation, and the U.S. House of Representatives to pass it.

Over the last several years, mayors have called on Congress to adopt a national housing trust fund. In 2002, Boston Mayor Thomas Menino, who was then president of the Conference of Mayors, asked the Administration and Congress to create a national housing trust fund to meet the needs of low-income individuals and families through production and preservation of rental housing and that cities receive a direct allocation of funds.

This policy statement was developed following a national housing forum convened by Mayor Menino and attended by most of the organizations supporting H.R. 2895.

The Conference of Mayors also adopted a policy in 2003 calling for passage of a national housing trust fund, and most recently, in Los Angeles, in June of this year, the organization adopted a policy reaffirming its support of a national housing trust fund, primarily, but not exclusively, designed to meet the needs of the very-low-income, i.e., 30 percent of the AMFI or below, through the preservation and production of housing.

The policy also asks that 60 percent of the national housing trust fund be allocated to localities. Similar policy statements have been adopted by the organizations that I testify on behalf of today.

Local government interested in support for the national housing trust fund is based on several reasons. Mr. Chairman, some of these are exactly the same as those you state in purposes for the legislation. Local officials know firsthand that there is a lack of affordable housing for low-income families.

Just yesterday, I met with a group of junior and senior high school students. One of the questions they asked me is, Mr. Mayor, where are we going to live once we graduate from high school? Of all the issues we are all concerned with as Americans, next to the war in Iraq, the next thing that folks are most concerned about is where they are going to live.

The U.S. Conference of Mayors annual hunger and homelessness survey has repeatedly listed the shortage of affordable housing as the major cause of homelessness in America.

We believe that you have chosen a laudable goal to construct, rehabilitate and preserve at least 1.5 million affordable housing units over the next 10 years.

Just in the Washington metropolitan area, it is estimated that we need to build and preserve 50,000 units a year just to meet the needs. We can do this locally by redevelopment/development, higher density, and we can re-prioritize our efforts on home rentals.

There are other studies and data which will be cited by others during this hearing which will leave no doubt that more affordable housing is needed. Most can cite the staggering number of unmet housing needs in our Nation, the difficulty that people with jobs have in finding affordable housing, and the fact that millions of low-income families must pay more than half of their income for housing.

All of these offer substantial proof of the need for a national housing trust fund. This is about hope and prosperity for all. This is the American dream.

As you know, Mr. Chairman, many localities have created their own housing trust fund. There is a great deal of experience across the Nation in cities and counties, as expressed by Secretary Cisneros.

With that, first of all, I want to thank the committee for allowing us to be here this afternoon in support of H.R. 2895, the National Housing Trust Fund, and we, the Mayors of America, look forward to working with you for its passage.

Thank you.

[The prepared statement of Mayor Euille can be found on page 96 of the appendix.]

The CHAIRMAN. Thank you, Mr. Mayor.

Next is someone with whom I have been working, working with the cooperation of the Archdiocese to convert a church or use of a church into affordable housing, Lisa Alberghini, who is executive director of the Planning Office for Urban Affairs, which is affiliated with the Boston Catholic Archdiocese.

Ms. Alberghini?

STATEMENT OF LISA B. ALBERGHINI, DIRECTOR, PLANNING OFFICE FOR URBAN AFFAIRS, ARCHDIOCESE OF BOSTON

Ms. ALBERGHINI. Chairman Frank, and Ranking Member Bachus, thank you for the opportunity to testify on this important legislation that will bring hope and homes to so many Americans across the country.

Thank you especially to Chairman Frank for your tremendous leadership, and to the Low Income Housing Coalition and all of the advocates who have worked so hard on this bill.

I am Lisa Alberghini, executive director of the Planning Office for Urban Affairs. We are a self-sustaining housing and social justice ministry affiliated with the Archdiocese of Boston.

I am here to support this legislation on behalf of our office, the Archdiocese of Boston, and the people we serve who are in dire need of affordable housing.

H.R. 2895 is also strongly supported by the U.S. Conference of Catholic Bishops, Catholic Charities U.S.A., and a wide range of faith-based organizations of many faith traditions across this country.

The Planning Office is a private nonprofit developer created by the Archdiocese in 1968 to work for housing justice on behalf of the Church. Since that time, we have developed more than 2,300 units of affordable and mixed-income housing with debt and equity financing of nearly $300 million.

We serve working families, the homeless, frail elders, veterans, people living with HIV/AIDS, and disabled individuals, by creating mixed-income communities, where all residents are treated equally, and the poor are not isolated in poverty.

The need for affordable housing is great and well-documented. Rather than focusing on more statistics, I would like to get right to giving you our perspective about how this legislation can help and why it is so important.

The Planning Office is a developer and a social justice ministry. We are directly involved as a practitioner in building affordable and mixed-income housing and have extensive experience using a wide array of financing programs that currently exist for this purpose. We know what works and what does not work.

H.R. 2895 is a thoughtful piece of legislation that will benefit people in need across America, while using an efficient and industry proven funding method to supplement private sector activity.

The proposed trust fund is efficient, meaningful, targeted, and based on a proven model. It is not creating a new untested tool. It has been purposely structured to use a system that we know works, and it will support public/private sector collaboration, while at the same time addressing a need that the private sector cannot possibly respond to on its own.

In our view, this Act is the best of both worlds. It provides a tool but not a handout, and that is the difference between charity and justice. Justice relies upon empowering people. This legislation gives us that opportunity which is why there is significant bipartisan support for this Act.

I would like to briefly describe a few of our developments and how the trust fund could help.

Rollins Square is a 184 unit development we built in the south end of Boston, one of the City's highest income areas. It is very much the type of housing that Representative McCarthy noted as creating vibrant communities that we need more of.

It includes 20 percent low-income units for families earning 30 percent of median income which is a key policy goal of the trust fund, 40 percent moderate-income units for first-time home buyers, and 40 percent market rate units.

All of these units are fully integrated throughout the entire property, which means there are formerly homeless people living next to first-time home buyers, living next to people who paid more than $1 million for their condominiums, for their homes, and they are all living literally side-by-side as neighbors who share a common community.

Our office has provided a lot of information on the work that we have done to the committee staff today, but if you have a minute to look at anything, pull out the least glamorous piece in the Rollins' package, which is just a one-page list of the profiles of the 37 formerly homeless families who now call Rollins Square their home, where they can get on with the business of living their lives.

How could the trust fund have helped? Rollins Square was a $67 million deal that required 14 separate sources of funds and had problems closing the last financial gap, delaying the project for 18 months, which only drove up the costs more and created a cyclical problem.

It is precisely the type of development that could have been funded through this Act, particularly given its targeting.

If there were more Federal funds available, it would have meant a quicker development process and ultimately more public benefit.

Our St. John of God & St. Jean Baptiste developments, also in Massachusetts, are very similar. They could have used this trust fund enormously.

Finally, the Saint Aidan, which is a 59 unit mixed-income development located in Brookline, Massachusetts—in Brookline, by the way, the median family house price for a single family home last year was $1 million. With prices like that, what happens is that the teachers, firefighters, and librarians have to enter town in the morning and leave town at night; the people who serve you can no longer afford to live in the communities with you.

Saint Aidan's, though, will be 60 percent affordable, and in this case we are fortunate enough to have had Chairman Frank as our Representative, with the benefit of his leadership to solve a number of problems with the project and for that, we, and the Archdiocese, are enormously grateful.

The trust fund could have shortened a very long 7 years that it has taken us to get that development out of the ground, by giving us additional resources.

Some might think that since these got built, why do we need the trust fund? The process took far too long, was far too inefficient, and offered far less public benefit than could have occurred with the trust fund in place.

Most importantly, these developments represent the 1.5 million homes that did not get built and would be if this Act were passed.

A couple of last comments on the big picture here. Why is this so important to us as a country? More than 25 years ago, the Catholic Bishops of the United States issued a pastoral letter called, "The Right to a Decent Home." It described decent housing as a human right and said its provision involved public responsibility and the partnership between private enterprise and government.

This fund would create that and provide that unquestionably. There is a very broad coalition of people with common and diverse interests coming together in support of this legislation. We come from different faiths, different beliefs, and different backgrounds, because housing our neighbors in need is a moral imperative and concern for decency and fairness is a value we all share.

We all know that having a decent home affects every aspect of our lives, and not having one devastates even the strongest among us.

We would like to see this passed to help address the issues facing the 37 million people in America who are living in poverty, and as Father Snyder, the president of Catholic Charities U.S.A., told us, and I mentioned in Washington a couple of weeks ago, poverty remains our Nation's most serious political blind spot and a threat to the common good and future of our Nation; it is a human-made disaster, not a force of nature beyond our control, and we can make choices that change that. With this legislation, we will.

Thank you, and we urge your support.

[The prepared statement of Ms. Alberghini can be found on page 74 of the appendix.]

The CHAIRMAN. Thank you. Finally, JoAnne Poole, representing the National Association of Realtors. Please, Ms. Poole.

STATEMENT OF JOANNE POOLE, BROKER/OWNER, POOLE REALTY, ON BEHALF OF THE NATIONAL ASSOCIATION OF REALTORS

Ms. POOLE. Good afternoon, Chairman Frank, and members of the committee. I have been a Realtor for 21 years, and I am currently serving as part of the National Association of Realtors.

We often refer to home ownership as the American dream, but I believe having a decent home in a suitable living environment should not be a dream. It is a basic need and it should be available to everyone.

Every day, my fellow Realtors and I see working Americans like you and me who simply cannot afford a decent place to live. Less than half of our Nation's minority families own a home today. That is 25 percentage points below the national average.

With the rapid rise in home prices in recent years, the so-called home ownership gap is likely to grow as more and more people are finding home ownership out of reach for them.

Those who do manage to purchase a home face additional struggles. Studies show that minorities are 30 percent more likely to receive a higher priced loan than white borrowers, even after accounting for risk.

Of course, housing affordability is not just a problem for minorities. People of all backgrounds are finding it harder and harder than ever to pay for housing.

According to the Joint Center for Housing Studies at Harvard University, more than one in seven U.S. households spend more than half their income on housing.

Finding affordable rental housing is another growing problem. In the 10 years between 1993 and 2003, two million affordable housing units were lost. HUD estimated in 2005 that they were only 77 units affordable and available for every 100 low-income renters.

That means nearly a quarter of low-income families do not have access to decent rental housing. Whether you look at the facts or consider personal experiences, the conclusion is the same. Affordable housing is no longer merely a problem, it is a crisis, and we must all do our part to address it.

In 2002, the National Association of Realtors created our own housing opportunity program. Through this program, we provide local and State associations and individual Realtors with the resources they need to increase housing opportunities in their communities.

The program also provides grants to State and local associations to help them establish their own local housing opportunity programs.

During the past 5 years, our State and local Realtor associations have developed numerous programs and affordable housing funds that have helped meet the housing needs of thousands more low- and moderate-income families across the nation.

These programs have had a tremendous impact on our communities and our lives. Sadly, they are not enough to address the growing problem.

We need help and we need it now. Today, Realtors are pleased to lend our support to H.R. 2895. We believe this legislation will provide significant help in the form of additional funds to meet America's growing demand for affordable housing.

We strongly support the division of funds outlined in the bill with 60 percent of monies going to cities and counties and the remaining 40 percent to States.

We applaud you for allocating 25 percent of the funds for families who make up 80 percent of our median income, families who currently receive no Federal housing assistance.

America's Realtors stand ready to work with you on this bill and on all efforts to make home ownership and affordable housing a reality for even more Americans in the years ahead.

As John Adams once said, if your actions inspire others to dream more, learn more, do more, become more, you are a leader.

Thank you again for helping to lead this important effort and for inspiring all of us to do more.

Thank you very much for the opportunity.

[The prepared statement of Ms. Poole can be found on page 119 of the appendix.]

The CHAIRMAN. Thank you, Ms. Poole. I have found in the ability to work with the Realtors, that these are people who are not just trying to make money off housing, but they have a genuine understanding of the importance of increasing housing resources, and I appreciate it.

Let me say to this panel and the next panel, it may look kind of routine, there are not a lot of people here, but we are building a record here that is very important. Frankly, this is a "no news is good news." This is rapidly becoming less controversial than it used to be, but it is because of this combined support. This is very useful.

Let me make explicit what many have referred to almost explicitly, the importance of a trust fund. This really will go to Commissioner Montgomery. Even to a very good level of annual appropriations, we are talking about construction.

You simply cannot expect, and we are dealing here with the private sector, the units that are built here are not going to be built by any Government agency. These are going to be built by the private sector in various forms of cooperation.

You cannot expect the private sector to build, and we cannot expect the banks to lend, on an annual appropriations basis. If you are talking about getting housing constructed, you need to have a multi-year process.

That is why a trust fund is appropriate here when it is not for other aspects of Federal programs. It is like the highway trust fund. Construction requires there to be a certainty that the flow of funds will be there. People who have to borrow money. People who have to do plans.

Even if it were a case of taking appropriations that would otherwise be available for an annual appropriations process, it would be worthwhile. It is not, I want to repeat, in the 27 years that I have been on this committee and focused on housing, no appropriator of either party has ever suggested to me that the appropriations go up or down depending on the receipts of the FHA. That simply has not been the case.

In any case, there is a separate argument for doing it as a trust fund.

Secondly, I want to say to the Mayor and also to some of the others, I appreciate your taking this serious enough to make some specific proposals for changes. We are going to be looking at these. We are not locked into this.

I do make this plea. We have seen this happen, many of us. Let's make sure that our agreement, in principle, transcends any specific differences we have about how to do it.

Having said that, I welcome these kind of suggestions and proposals, and they come from people who are supportive, and the Mayors are obviously very much in the forefront, and we will be looking at that.

The last point I want to make is to underline what Lisa Alberghini said, and let me make this very explicit again. You said, Ms. Alberghini, a couple of times, "to the public benefit." What you mean is too few affordable units, correct?

Ms. ALBERGHINI. That is right, Congressman.

The CHAIRMAN. You get into a Catch-22. In the Town of Brookline, which I represent, where some of my friends and I have a disagreement over this, we now have people criticizing this project because they say there are not enough units that are affordable, and there are fewer affordable units than there should be or there would have been if we could have done it quicker.

That is because they first succeeded in delaying it by various tactics, and delay in the housing business add costs.

This is really people now complaining about the results of their own actions. To the extent that we have a trust fund, again, this ties into what I said, if you have a trust fund, you have a certainty of a flow of funds. You are not in the uncertainty period. You can do your construction planning thoughtfully. Stability of funds is very important for these private sector people.

That is the point. It will help us maximize these units.

I should add that we are also working closely with the chairman of the Ways and Means Committee and this committee on efforts so that the tax supported housing bonds and low-income housing tax credit programs will be fully interoperable with this and other programs, so we really think leveraging is very high.

I am very appreciative of what you said, and of getting this across. We look forward to working with everybody.

I would say to Secretary Cisneros, when you next talk to Mr. Kemp, tell him we are thinking of him.

Mr. Mayor?

Mr. EUILLE. Mr. Chairman, if I may add, in Alexandria, we have had a housing trust fund since 1993. Primarily, it was funded by developer voluntary contributions and then a few years ago, we dedicated one cent of our annual real estate tax rate to creating and continuing to fund our affordable housing trust fund.

More recently, again through a public/private partnership, because Alexandria is so dense, but yet we have a critical need to meet our affordable housing objectives, we have the opportunity to build for the first time in more than 30 years a new fire station in our City, a new development area, and one of the solutions or compromise with the community in terms of building this four bay fire station was the need to ensure that we provided affordable housing and workforce housing.

For the first time, we believe we are the first community in the Nation, we are building a new fire station that will have 64 units of public housing and workforce housing built on top of the fire station in a very growing community.

We are very proud of that fact, but again, we would not be able to do that without the affordable housing trust fund.

The CHAIRMAN. In my first 2 years of graduate school, I lived across the street in Cambridge, Massachusetts, from a fire station. You do learn to sleep through. Give them hope.

[Laughter]

The CHAIRMAN. The gentleman from Connecticut.

Mr. SHAYS. I will yield to Mr. Green for a second.

Mr. GREEN. Thank you. I want to thank all of the panel members for coming. Mr. Chairman, I have been blessed to be appointed to my first conference committee, and it is about to start. I must leave. No disrespect to anyone. I really wanted to stay for the entire time. God bless you. I yield back.

Mr. SHAYS. Thank you. First, let me say, Mr. Cisneros, I loved working with you when I chaired a committee that oversaw housing, and I thank you for your service to the Government and particularly as Secretary of HUD, you were very willing to work with both sides of the aisle, and it was a pleasure to work with you, and it is a pleasure to have all of you here.

Mayor, I remember the Titans. I have to tell you it is one of the great movies. If 60 percent of it were true, it is a great story. I have a feeling that more than 60 percent—you graduated a few years before, right? You graduated when?

[Laughter]

Mr. SHAYS. Let me just ask you, Mayor, to what extent do you think the impediment to housing is the result of local barriers such as zoning development fees, permits, and so on?

Clearly, that plays a role in housing. There is an initiative by this Secretary to try to deal with that.

One, do you think it is a problem, and two, are you trying to play a role in dealing with that?

Mr. EUILLE. Yes, sir. It is indeed a problem. Through housing advocacy on the part of faith-based, nonprofits and the businesses and citizens coming together, there has to be a constant outreach and education initiative underway.

Once citizens understand that when we talk about meeting affordable housing goals and objectives we are not just talking about the poorest of the poor, but we are talking about pretty much all of us. Many of us are just a couple of paychecks away from being homeless.

As a result, when we show them and can prove to them that we are talking about the people we need to have in our communities to provide the day to day services and so forth, it is wake up, now I understand.

Once you educate the community to accept the fact that there is a crisis and we all need to be working on this together, then secondly, local governments through their planning and zoning and code requirements are willing to loosen up so we can again think out of the box a little bit more, utilize best practices, like I mentioned with this one particular project with the fire station, and we can do some of these things to meet these objectives.

Mr. SHAYS. Thank you. Secretary Cisneros, tell me how did you react to the testimony that was provided by Mr. Montgomery? What were your reactions, as you listened?

Mr. CISNEROS. I felt sorry for the man, for starters. I have been in that position.

Mr. SHAYS. Because since Barney was speaking, you could not understand what Barney was saying?

The CHAIRMAN. No, because he could.

Mr. SHAYS. I know never to engage Barney in any dialogue because you always regret it, and why I did it just then, I do not understand.

[Laughter]

Mr. CISNEROS. Clearly, this is mostly about coming up with sources of revenue that provide a new entity, which has new flexibilities, which is targeted in a way no other Federal program is today towards production for very-low-income persons.

With respect to the Assistant Secretary's points, the fact that the money has been identified from the GSEs is very important. We know it is available. We know it is not onerous. We know they can afford it. We know they need to be doing something like this. The money is not going anywhere else.

With respect to the FHA funds, because of what has been identified, again, new money, not presently allocated for any other purpose, I think this is just a great way to fund a housing trust fund which the country needs and has needed for a long time.

Mr. SHAYS. To the others on the panel, I am just going to read something, just so you hear the argument against, it can be a pretty boring hearing since I am a co-sponsor of the bill, we like it, but let me have you respond to the concerns:

"The establishment of a new housing trust fund would require the creation of a huge new Federal bureaucracy and would not be an effective means to promote home ownership for low-income families.

The creation of such a trust fund would require HUD to devise and administer a new set of rules and regulations, taking resources and time away from its other established affordable housing programs such as HOME, Section 8 vouchers and CDBG.

It is important that the proposal in H.R. 2895 is a model to a great degree on HUD's HOME investment partnership program. The trust fund is so similar in its requirements, i.e., rents, income targeting, affordability periods, etc., to the HOME program, that it prompts the question why is it necessary to create a new Federal bureaucracy to administer essentially the same program."

Maybe one last paragraph: "Instead of establishing a national housing trust fund, one approach would be to fine tune the existing HOME program to include additional requirements for deeper targeting of the HOME program that could be used to address the lower income families."

Those of you whom I have not asked, maybe you could respond.

Mr. CISNEROS. Let me just, very quickly speak to those points, very, very quickly. First, it does not have to be a big bureaucracy. This can be done very leanly. The precedent exists at the State and local trust funds. A trust fund is by definition a different entity than a standard Federal bureaucracy and it can be done using very entrepreneurial kind of private sector models and done very straightforwardly.

The HOME program is not deep enough. It does not get to the 30 percent in the way it is operated in most communities. It is not operative in that way.

A trust fund further adds greater flexibilities than the HOME fund, just tweaking the HOME program is not breaking new ground the way a trust fund can do. That would be my response to those points.

Mr. SHAYS. With your indulgence, Mr. Chairman.

The CHAIRMAN. Yes.

Ms. ALBERGHINI. From the perspective of a developer, I think they are very different things. The HOME program has an enormous level of complication in its regulations, and one of the things we appreciate Chairman Frank working on is trying to help simplify and streamline some of these regulations, but they are very different even with the deeper targeting in the HOME program, it is not nearly as flexible as the trust fund.

The trust fund can be used for project-based rental assistance, for example. It can be used for a variety of different things that the HOME funds currently are not structured in the same way to use.

So from a developer's perspective, I think that it is more flexible, even with deeper targeting in the HOME program, there is such a level of complication with that at this point that I think we are better off starting fresh with a proven tool in a trust fund with the flexibility this would provide.

Ms. CROWLEY. Actually, I was at the table when the proposal got developed. And I can tell you we actually did not model it on the HOME program. To the extent that it does resemble it, that is coincidental.

But the thing that is different that is essential, which is what Mr. Frank pointed out, is that a trust fund has dedicated sources of revenue, and that the State and local trust funds that this actually does more closely resemble, the ones that have been the most successful and the ones that have been sustainable and the ones that have been able to really make a huge difference, are the ones that have dedicated sources of revenue.

And generally, that is where folks have moved to. So we have just heard Mayor Euille describe what they did eventually to get to what it is that they are putting in there. And so that is why you create this and then you figure out what you are going to do with it.

There are two objectives: One, getting more production dollars for ELI households; and two, having dedicated sources of revenue that we can rely on over time.

Mr. SHAYS. Thank you very much. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Let me just point out a couple of things. There is one other model that we have been using. It has existed at the Federal Home Loan Banks created by this committee, and that is the Affordable Housing Fund of the Home Loan Banks. I don't think anybody thinks that is a big bureaucracy.

But this, in particular, this is the most anti-bureaucratic program we have ever had. This creates no new bureaucracy, and it will use HUD to distribute funds, the existing HUD, to existing trust funds. So the bureaucracy argument is totally off the point. This is simply going to be a pass-through.

The gentlewoman from New York.

Mrs. MCCARTHY. Thank you, Mr. Frank. And thank you again for the testimony of all the witnesses. Now I am going to apologize up-front; most of us try to allot 3 to 4 hours for a hearing, but at 1 p.m., I am supposed to be somewhere else.

I have to say hearing from you, and I did read a lot of the testimony, and I was happy to see that you built an affordable housing area or rentals, anyhow, in a wealthy area because I will be very honest. Nassau County is an extremely unique area in many ways. It is probably one of the wealthiest communities in the country.

And yet I have the poorest of the poor, and they are all segregated. And that is something that I would like to see change, only because of schooling. Where are my worst schools? They are in my underserved areas. And I would like to see that change over the years.

But with all the affordable—that was the thing that we were trying to do on Long Island. We kept trying to sell everything as affordable housing. Of course, every community said no because they were looking at the old models and they didn't want that kind of housing in their community.

So we started going with workforce and tried to explain, it is your daughter who just graduated and can't get a job. And I think that is the only way that I am going to be able to sell it to my mayors in my area, that we can bring in good housing for the new workforce who are coming out of the colleges, but yet take care of our people with disabilities, our poorest of the poor, and have a mixed community.

With that being said, I tell my staff all the time, I know you can't afford to buy a home. Buy a condominium. At least it is a lower price. You build up equity. Is there housing that will have become condominiums so first-time home buyers, especially those who would be on the lower income would be able to actually afford that? Could they use the vouchers for that so that they would be building equity in the condominium to be able to buy a home in the future?

I am just trying to think outside the box on where we are going in the future.

Mr. CISNEROS. My reading of the proposed legislation is that many different modes of many types of housing can be done. And to the extent that there will be some of this fund that could be used for home ownership, using it in a condominium structure makes more sense than single family detached homes. And then when matched to things like the use of vouchers for home ownership, the kind of thing you are suggesting is possible.

What you are describing in Nassau is not that unique any more. Many, many areas of the country have this mixture of upper income and then working people who cannot afford to live there and who live in substandard or overcrowded conditions. We see this all over the country.

One of the great things about this fund is that it will allow local solutions, people to come together with a project that mixes 25 percent very-low-income in a building in a community that has higher income. It speaks very wisely, I think, to issues like proximity, to economic opportunity, and income integration in projects. These are lessons we have learned from HOPE VI and other things in recent years, low-income tax credits, the way they are done.

I think the beauty of this fund is it is going to allow for a lot of local innovation, a lot of local creation. Just as wise as people can be in designing good projects, this funding will make it possible to carry it out.

Mrs. MCCARTHY. Just as the Secretary said, there is a lot of opportunity for innovation. The bill has a very specific statement about promoting the development of two- to four-unit owner-occupied housing. And so that is my notion of the sort of perfect elements, is if you develop a duplex that is owned by a very-low-income person who is developing equity, but that has an apartment in it that can be rented by an extremely-low-income person.

So that person has an affordable unit and eventually could be able to then save up to buy the house across the street, so that you are maximizing all of those things, and that we are getting out away from the homogenized notions of what neighborhoods should be, and that we are creating diverse forms of housing in neighborhoods so that people at all stages of the life cycle and different incomes can all live there together.

Ms. ALBERGHINI. Representative, one other note. The funds can clearly be used for downpayment and closing cost assistance for moderate-income first-time home buyers also. And one of the concerns that you mentioned in some of your earlier comments about the targeting, as a supporter of the bill still, the deepness of the targeting, and the targeting for the 30 percent of median income folks, that can happen. And you want it to happen within the context of these mixed-income communities that you describe as what makes a vibrant, genuine town.

I think the key to eliminating the concentrations of poverty that you see, and creating a vibrant community, is to be able to take the funds that are targeted at those very-low-income households making 30 percent of median or less, and use those in developments that also have the first-time home buyers and the market rate condominiums, and use the pieces of the tool that are allowed, given its flexibility in the Trust Fund Act, for the moderate-income component as well—the downpayment assistance, construction costs.

I mean, it is all the same development, and you can use that money for construction costs, for acquisition, for downpayment assistance, and for closing cost assistance. So I think there is a lot of attention still in the bill to helping that moderate-income group, but it does it in a way that you can integrate it with the very-low-income as well.

Mrs. MCCARTHY. Thank you. And with that, I apologize to the third panel. As Chairman Frank has said, we all care about this issue, and even when we are not here, we have been working on it.

The CHAIRMAN. The gentlewoman is right. Unlike some hearings, I must say not this one, at which I have been present in person, but not in spirit.

The gentleman from Minnesota.

Mr. ELLISON. Mr. Chairman, thank you and all the original cosponsors. I think this is fabulous, and I am so honored to be here with this distinguished panel.

Yesterday I introduced a bill to try to address predatory lending. But if it ever gets passed, or if any version of it does, it will help people going forward. What about the people who are already in crisis? Do you think this legislation could help prevent foreclosure and maybe help bail people out who are right there in the midst of losing their home?

Ms. CROWLEY. The bill is very specifically dedicated to capital funds for construction, and so it is a production bill. There are some provisions for providing operating assistance, but I don't envision it as something that could prevent foreclosure for somebody who is in foreclosure now.

Mr. CISNEROS. I think that is right. And I would simply say that my admonition or counsel would be not to try to do everything with this trust fund. It is focused on production of units that presently are not being produced. I think that is its strength. And there will be other means to address the foreclosure issues and the predatory lending and the subprime issues.

Mr. ELLISON. Well, when you talk about preservation of housing, do you think that that might be—would that strain the definition of preservation too much to say that foreclosure prevention might be a way to help preserve housing? Because, of course, we have been talking about construction, preservation, rehabilitation.

Mr. Mayor?

Mr. EUILLE. I was just going to add, that maybe—you could perhaps stretch it, the preservation part of the legislation, to include what your concerns are. But I would add that having a National Housing Trust Fund, again, that can help supplement what we do on a State and local level will afford an opportunity for localities then to use their own tax general revenue dollars to help meet the needs of those who are being affected or impacted by predatory lending schemes and/or foreclosure.

So it has a lot of benefits. But perhaps this piece of legislation will not directly address those needs, but certainly afford an opportunity for localities to then utilize some of their own dollars.

Mr. ELLISON. As we are trying to construct, preserve, and rehabilitate new housing, and I am so fully in favor of that, how does that important and noble goal square with the record losses of housing units we are seeing, given the foreclosure crisis? How do they fit together?

I mean it seems like at one point people are losing their homes, on the one hand. I mean, in my own town of Minneapolis, there are certain neighborhoods where we have 50 percent foreclosure rates in certain low-income neighborhoods. Is it possible we could be building them on one hand and people will be losing them on the other?

Mr. CISNEROS. Sure. They do absolutely fit together.

Mr. ELLISON. Could you talk about that?

Mr. CISNEROS. One has to think about the big picture. And different programs have different purposes.

Mr. ELLISON. Right.

Mr. CISNEROS. So this particular fund isn't the answer on the foreclosure question. But one in making comprehensive national or local housing policy needs to think about sustainability in the home, sustainable home ownership.

Mr. ELLISON. Right.

Mr. CISNEROS. And the foreclosure problem, the subprime issue, obviously goes to that. So steps will have to be taken to help people at the local level.

Mr. ELLISON. Sure.

Mr. CISNEROS. And the GSEs, and the regulators, and perhaps the Congress and HUD to step in and help people to be able to stay in their homes.

Mr. ELLISON. Well, thank you, Mr. Secretary. I think it is right that if anything, it will free up dollars that can be used from other sources to address that. So that is important.

One of the things that concerns me a lot is how poor children do in school. And it seems like if they don't have a stable housing situation, and they are having to move constantly, then they are in a new school district and they find themselves trying to catch up. Is that one of the important residual effects of trying to address this low-income housing crisis?

Mr. CISNEROS. There is very solid scientific evidence that shows that children in stable housing do better, not just in school but psychologically and in other ways. There is actual medical evidence that shows health conditions improve with the decency and stability and safety of housing. Overcrowding, substandard conditions, unsafe housing, lead paint problems, all of those impact children.

I think it was Sheila's group that just published or at least published another group's report that said that actually, among minorities, they cite the quality of their marriage is impacted first and foremost by the quality of housing, more than any other factor but how much disposable income you have. The stability of the family is impacted by the quality of the housing.

Mr. ELLISON. Well, if you are giving up 50 percent of your income in housing, that impacts your ability to—

Mr. CISNEROS. Afford anything else.

The CHAIRMAN. If the gentleman would yield, let me just say he has been very prescient in this because on the next panel we do have Dr. Megan Sandel, who is an M.D., and a master of public health, who is specifically going to talk about the impact on children of homes as opposed to homelessness. So the gentleman has very correctly focused on a very important topic.

Ms. CROWLEY. If I could just add one quick things about schools. You are absolutely right that the data all show that children whose families can't afford basic housing are in constant motion, and so they are moving from school to school, which means they get further and further behind.

But it is not just the kids who are moving that are affected. It is the other kids in the classroom and the teachers because when you have a lot of churning in schools and you have new kids coming into the classroom mid-year, two or three times a year, the teachers have to double back to pick those kids up, which means the other kids are getting less attention.

And it ultimately means that those schools, their test scores don't keep up. Their test scores go down, which means that higher-income people aren't going to go to that school. It all has a spiraling-down effect, so I think that it is important to understand the systematic impact beyond the individual child to the entire educational system. And there is a fair amount of research in the education literature that really gets at all of that.

Mr. ELLISON. Just one last question. If families are paying upwards of 50 percent of their income in housing, what happens to the retail sector in the neighborhoods in which they live? I mean, is there enough money to sustain furniture businesses in the neighborhood, or good decent grocery stores where there are good fresh foods? What happens to those neighborhoods where there is just sort of a drain on income because so much of it is going into housing?

Mr. CISNEROS. Unfortunately, there is a market for payday lenders, check cashers, and other people who prey on the stressed financial circumstances that develop when people have to pay that much for housing.

Ms. ALBERGHINI. I think that is another good reason also to try to create economic diversity in the residential communities because that only helps strengthen the retail sectors in the surrounding area. And so the notion of creating these mixed-income communities that can then support retail areas, and at the same time break down the concentrations of poverty, is the way to go.

One last comment on your last point. I think that the schools issue is another reason to try to get homeless or formerly homeless people into permanent housing right away. Ultimately, we would have an objective to eliminate the shelter system, to be able to get them into permanent homes so they are not moving around. And that again is often something that can be accomplished in the mixed income model.

Mr. ELLISON. Let me thank all the panelists very much. I just really want to commend everyone. Thank you very much.

The CHAIRMAN. And one final thing. I am reminded by staff, too, that the gentleman from California is going to be having some hearings on the reauthorization of the McKinney Act, and one in the subcommittee will be specifically on the impact of homelessness on children. So again, the gentleman from Minnesota has correctly pointed to an issue.

I thank all the panelists for past work, present testimony, and most important, future work come September when this bill comes to the Floor.

We will now call up the next panel with my deep gratitude for their patience. Again, my reminder that their persistence is going to help when this bill gets passed, and I very much appreciate them staying.

I now have to request that we include in the record a letter from the mortgage bankers. And if I don't object, then there will be unanimous consent, and it will go in the record. So since I don't object, it goes in the record.

I thank the panel. We have Mr. Dave Roberts, who is the chief executive officer and president of the Lutheran Homes Society; Barbara Thompson, a frequent collaborator with this committee, who is the executive director of the National Council of State Housing Agencies; another very familiar face to many of us, Hilary Shelton, who is the director of the Washington Bureau of the NAACP; the aforementioned Dr. Megan Sandel, who had previously been here for a forum arranged by the Speaker on children, and several of us were impressed at that time by the relevance of her testimony to the housing issue; and Mr. Joe Myer, a very important part of our coalition.

We always want to remind people when we talk about housing, yes, the cities are important, but there are other issues. And I am very proud of the effect of the work this committee has done on rural housing, Native American housing, and other kinds of housing that are sometimes left out.

So please, Mr. Roberts, we will begin with you. And I very much appreciate your forbearance and patience.

STATEMENT OF DAVID I. ROBERTS, CHIEF EXECUTIVE OFFICER AND PRESIDENT OF LUTHERAN HOMES SOCIETY

Mr. ROBERTS. Thank you, Mr. Chairman, and members of the committee. I am David Roberts, president and CEO of Lutheran Homes Society of Southeast Michigan and Northwest Ohio. On behalf of Lutheran Services in America, Lutheran Services in America/Ohio, and Lutheran Homes Society, we would like to thank you for the opportunity to testify about the National Affordable Housing Trust Fund Act of 2007, H.R. 2895. We would also like to thank the committee for their interest in affordable housing.

We strongly support passage of H.R. 2895. The passage of this bill would make a significant difference in the lives of those in need of affordable housing, those who have low incomes as a result of disability or loss of a spouse.

I speak for Lutheran Homes Society (LHS), a 147-year-old agency that began serving in 1860, a year before the start of the Civil War. Since that time, LHS has served hundreds of thousands of youth and elderly in a variety of residential settings. In 2006, we provided a total of 773 individuals for our affordable housing ministry.

I am currently president of LSA Ohio, which is a coalition of 17 agencies serving virtually every social need. Our agencies in Ohio provided over 1,700 units of affordable housing in 35 locations, and we have a waiting list of over 1,200 people.

These Ohio agencies are members of our national association, Lutheran Services of America (LSA). LSA is comprised of nearly 300 member agencies, delivering more than 9.5 billion in services to six million people in the United States. LSA nationally provides over 16,000 units of affordable housing for low-income people.

But honored members, this testimony and this legislation is not about LSA, LSA Ohio, or Lutheran Homes Society. It is about elders and families and people with disabilities who need a home, and your opportunity to give it to them through this legislation. Here are two examples of elderly persons whom LHS affordable housing has helped.

Sister Agnes, aged 72, has an annual income of $4,535. She has no assets to her name. Her rental expense is $103 a month, and she was living in multi-family housing before coming to us. But because the rent was getting too high, Sister Agnes came to us. And she says that, "living here has allowed me to help in my volunteer services."

Helen, aged 67, has an annual income of $1,357, and pays $34 a month in rent. She came to live at Windy Acres in New London, Ohio, because she had no contact with her family, was homeless, and was living in her car at that time.

Lutheran Homes Society believes that the investment in and the development of affordable housing should be a partnership between government and the developer. As evidence of this commitment, Lutheran Homes Society, in our newest HUD 202 project in Oregon, Ohio, is including our donation of land valued at $290,000. This fund would help with gap financing by creating a new funding source for capital development and improvement.

I commend those who conceived of and wrote this legislation because it addresses the continuum of housing needs, which includes rental and home ownership. It is important to remember that not everyone fits in the same mold, and people have different needs. I believe that the National Affordable Housing Trust Fund would address that continuum.

Today, LHS alone has over 500 people waiting for our affordable housing at our various sites. Additionally, we have an interest list for housing that is not yet built. Here is an example of someone who is waiting on that list.

Catherine is an 81-year-old widow, and although she can take care of herself, she is unable to maintain her home and her yard. The older home that she lives in is in serious need of repair, and she lacks the funds to do so. Since the death of her husband, Catherine has depleted her savings and barely survives on her monthly income of $449, which is less her Medicare deduction.

She struggles with the necessities of life, like food and prescription co-pays. Obviously, her low income prevents her from being able to afford market-rate housing. Catherine is a real person, and unfortunately, there are so many others out there just like her who do not have the means to increase their income. This legislation, if enacted, will help Catherine and those like her by giving her a home that they can afford. I believe that they will, like Sister Agnes, help others in need.

I would like to thank the committee, and especially Chairman Frank, for your legislative efforts on behalf of these low-income people by supporting H.R. 2895. Thank you again for this opportunity to speak with you and to bring to you these real examples of real people and the thousands of others who need affordable housing.

[The prepared statement of Mr. Roberts can be found on page 126 of the appendix.]

The CHAIRMAN. Thank you, Mr. Roberts.

Ms. Thompson?

STATEMENT OF BARBARA THOMPSON, EXECUTIVE DIRECTOR, NATIONAL COUNCIL OF STATE HOUSING AGENCIES

Ms. THOMPSON. Thank you, Chairman Frank, for the opportunity to testify today on behalf of the National Council of State Housing Agencies (NCSHA) in support of the Affordable Housing Trust Fund Act of 2007.

NCSHA has long advocated for new, flexible, State-administered affordable housing production resources to leverage those States now administer, like the Low Income Housing Tax Credit, to reach even lower income families than those resources can reach on their own.

NCSHA represents the Housing Finance Agencies (HFAs) of the 50 States, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. HFAs allocate the Low Income Housing Tax Credit. They issue private activity bonds, administer home funds, operate Section 8 vouchers, and many of their own State funds and credits to support affordable housing production.

NCSHA is very grateful to you, Mr. Frank, for your commitment to establishing new, reliable, dedicated sources of Federal support for affordable housing. We also appreciate your recognition of the interdependence of Federal housing programs and the importance of facilitating their use together.

We applaud your unprecedented effort to reach across jurisdictional lines to Ways & Means Committee Chairman Rangel to work with him to remove barriers to the effect combination of taxed base housing programs like the housing credit and HUD programs.

NCSHA strongly supports the chairman's interest in concentrating trust fund resources on the housing needs of extremely-low-income families. States are increasingly challenged to meet the needs of these families with available resources.

And as you are acutely aware, Mr. Chairman, those resources—the credits, HOME, and other resources that are often combined to reach our lowest income families, must be combined to reach our lowest income families—are increasingly scarce.

To bring the full force of scarce housing trust funds and all funds to bear on these urgent housing programs, we do offer four general suggestions for the committee's consideration:

First, we suggest you allocate housing trust funds through the States as they can most effectively and efficiently leverage them with the housing credit and other production resources they administer in amounts sufficient to make a difference, and direct these resources to the greatest relative needs within their jurisdictions.

Second, we suggest that you eliminate overly complex and unnecessary rules that will limit State flexibility, will be barriers to the combination of other trust funds with other housing resources, and add time and therefore cost to the development and compliance process.

Third, we suggest to the committee that you make the match requirement sufficiently flexible that it does not deny jurisdictions funding they want and need by, for example, limiting it to 25 percent, as the HOME program requires, and giving States equal credit for investment of Federal and non-Federal resources in trust properties and programs.

And finally, and very importantly, Mr. Chairman we suggest this committee and Congress create a source of long-term operating support for rental properties housing extremely-low-income families. This is the largest barrier to their development, and short-term operating subsidies such as those permitted under the trust legislation will not overcome this barrier.

Rents that are affordable to extremely-low-income families and families who are well below 30 percent of area median income simply will not be sufficient to support the continuing operation over the long term of these properties.

Thank you, Mr. Chairman, for the opportunity to share our views. NCSHA and the Nation's State HFAs stand with you and look forward to working with you to ensure that the trust fund lives up to its potential.

[The prepared statement of Ms. Thompson can be found on page 146 of the appendix.]

The CHAIRMAN. Thank you, Ms. Thompson.

Mr. Shelton?

STATEMENT OF HILARY O. SHELTON, DIRECTOR, WASHINGTON BUREAU, NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE

Mr. SHELTON. Good afternoon, Mr. Chairman. My name is Hilary Shelton, and I am here on behalf of the NAACP, our Nation's oldest and largest and most widely recognized grassroots-based civil rights organization. I serve as director of the NAACP's Washington Bureau, our public policy and Federal legislative advocacy arm.

I am here because the guarantee of safe, secure, and affordable housing for all Americans has long been the cornerstone of the NAACP's legislative policy agenda. While we continue to struggle against housing discrimination, Americans are also finding it increasingly difficult to obtain affordable housing in a safe and secure community that allows us to raise our families on the modest income that so many hard-working Americans take home.

This is especially true for low-income Americans and racial and ethnic minorities, and so our struggle continues. Before I talk about that, however, I would like to first thank Congressman Frank, you, sir, and Congresswoman Waters and the other members of this committee and this Congress who have worked so hard and for so long to address the critical housing shortage that is facing too many low-income people. I would also like to thank our partners at the National Low Income Housing Coalition and others who have worked diligently on behalf of the National Affordable Housing Trust Fund.

The NAACP strongly supports H.R. 2895, legislation to establish a national housing trust fund. For close to half of all American families, owning an affordable home, or even finding a safe, decent rental unit is financially unattainable. And although to many who may appear to be of common sense, it bears stating here that a safe, secure, and affordable home, whether it be owned or rented, is key to a stable family life, which in turn can only benefit communities.

Safe, secure, and affordable housing leads to, among other benefits, lower health care costs. Children who live in substandard housing are more likely to suffer from debilitating health conditions, including asthma and lead poisoning.

But sadly, finding a safe and affordable home is becoming increasingly difficult for many Americans, and is proving to be especially hard for extremely-low-income Americans. Unfortunately, a disproportionate number of these people are African Americans and other racial and ethnic minorities.

Currently only 46 percent of African Americans own their own homes, compared to more than 70 percent of white Americans. Perhaps more troubling than that statistic, however, is the disparate number of African Americans who spend too much of their income, which is already at the low end of the wage scale, on housing and utilities.

The most current numbers we have indicate that 23 percent of African Americans fall into the extremely-low-income category. These men, women, children, and families have severe housing needs. In other words, they spend more than 50 percent of their income of housing and utilities.

In summary, half of all African Americans live in unaffordable, inadequate, and/or crowded housing. But of course, this is not only a problem for African Americans. Seventy-one percent of Hispanic Americans who fall into the extremely-low-income category have severe housing needs, and 66 percent of extremely-low-income Caucasians pay more than 50 percent of their income to ensure they have a roof over their heads. All these numbers add up to one alarming fact: Too many Americans of all races and ethnic backgrounds are too often forced to choose between shelter over their heads or food on their tables.

If these numbers do not convince you of the clear need for a National Affordable Housing Trust Fund as established in this bill, let me also tell you that the situation is getting worse. In 2003, the U.S. Department of Housing and Urban Development estimated that there was a deficit of two million extremely-low-income rental units. In 2005, that deficit had grown to four million.

In 2003, HUD estimated that there were 44 affordable rental units available for every 100 extremely-low-income families. That number dropped to 40 units available in 2005, and the number continues to worsen.

Unfortunately, the number of extremely-low-income households continues to grow as the number of affordable rental units decreases. As a matter of fact, of the 5.8 million black households reporting housing problems in 2003, 4.9 million cited housing affordability as their biggest problem.

It is because of this growing need that the NAACP strongly supports the establishment of a National Affordable Housing Trust Fund, and especially one that targets the needs of extremely-low-income Americans. I would remind you that we are talking about men and women who usually work at or near the minimum wage, or those who are on Social Security. These are the people who most need our help, and unfortunately are often the last to receive it.

Under H.R. 2895, we would establish Federal housing funds to be used to meet the nationwide goal of producing, rehabilitating, and preserving at least 1.5 million units of affordable housing over the next 10 years. It would be based on more than 270 State and local trust funds across the Nation that have already produced hundreds of thousands of units.

Furthermore, as a direct result of H.R. 2895, approximately 180,000 much-needed jobs will be created to help produce, rehabilitate, and preserve this new housing. That is about $5 billion in wage creation which will grow about 1.7 million residual jobs.

So, in the eyes of the NAACP, this bill is not only much-needed, it is a great idea. The NAACP is thus pleased to strongly support H.R. 2895, and I would once again like to thank all the Members of Congress who have worked so hard to bring us this far. The NAACP stands ready to make the National Affordable Housing Trust Fund a reality. And with that, I look forward to your questions.

[The prepared statement of Mr. Shelton can be found on page 143 of the appendix.]

The CHAIRMAN. Thank you.

Dr. Sandel.

STATEMENT OF DR. MEGAN SANDEL, ASSISTANT PROFESSOR OF PEDIATRICS, BOSTON UNIVERSITY SCHOOL OF MEDICINE

Dr. SANDEL. Good afternoon, Mr. Chairman, and members of the committee. I wanted to thank you for the invitation to speak today. As a pediatrician, I am not among the usual suspects to testify, and I wanted to say that I am here today to support H.R. 2895, the National Affordable Housing Trust Fund.

I am also here today to share new evidence that shows that housing is the foundation to excellent child health. I hope to convince you that the best medical intervention for children is often finding them an affordable home, and it is within your power to keep kids healthy through housing.

As many of you know, there are millions of families on affordable housing waiting lists. And in Boston, it is not unusual for waiting lists to actually close because there are so many families who are waiting and therefore they can't even apply. Even families in homeless shelters are often there for over a year-and-a-half before they can get a home that they can afford. And often families who are on the waiting lists are forced to make terrible choices between rent and food, or settling on a home with severe housing problems like infestations or mold or lead paint because simply that is all that they can afford.

We know from the Children's Sentinel Nutrition Assessment Program, which is commonly known as CSNAP, that food-insecure children who are eligible but don't receive housing subsidies are twice as likely as those who do receive housing subsidies to have stunted growth by WHO criteria. It is an important aspect of this bill because it targets the lowest income families, the ones that are most likely to have food-insecure children, and that by giving them an affordable home, you may be able to prevent stunting from occurring.

As you know, stunting not only limits children's physical growth in the short term, but it stunts their lifelong potential because we know that if your body is not growing, your mind is not growing as well.

Because many families have very limited choices of homes that they can afford and have to make tradeoffs, they often live in substandard conditions. For instance, I think that the cockroach infestation is an excellent example of how that affects health. We know that children who have asthma who are exposed to cockroaches in their home and are allergic are 3 times more likely to end up in the hospital.

It is also known that 30 percent of children who live in the urban areas are allergic, but it may be surprising to note that 20 percent of suburban children are also exposed and are allergic to cockroaches. And further, new data suggests that exposure to cockroaches in early life may actually cause immune system changes that can lead to the development of wheezing or asthma.

Young children who live with other substandard exposures, such as lead paint from older homes, can also lead to problems with development, and recent estimates have estimated that this leads to billions of dollars in education and other costs.

Lastly, families who have difficulty affording rent may double up with other families, resulting in crowding, or these families may frequently move. We know children who stay in the same home and do not more frequently have better child development outcomes and do better in school.

Another aspect of the bill that I think is excellent is the local flexibility. From my experience working in Boston with the Boston Public Health Commission, local community development corporations, and some State-funded housing developments, the ability for State or local governments to match the best local solution to the greatest housing needs makes the most sense.

In some instances, rental housing needs are the most pressing. In others, home ownership may be the best outcome. And research has consistently shown that home ownership makes housing more stable and is better for overall health. In pediatrics, the best therapies are often tailored, and this bill clearly accommodates that. I urge you to support H.R. 2895, the National Affordable Housing Trust Fund bill, because it can ensure that our most vulnerable population, our children, have safe, decent, and affordable homes.

I leave you with the idea that a safe, decent, affordable home is like a vaccine. It literally prevents disease. A safe home can prevent mental health and developmental problems. A decent home may prevent asthma or lead poisoning. An affordable home may prevent stunted growth and unnecessary hospitalizations. This bill's goal is 1.5 million affordable homes over the next 10 years, and that can mean literally 1.5 million children who are healthier.

I would like to end with a story that drives home why I think housing can be a medical intervention and can make kids better and keep them healthy. In my pediatric practice, I take care of a child, Whitney, whom I met when she was 9 months old. Her family was homeless at the time because they could not afford an apartment.

At the time, she was falling off her growth chart. She already was having trouble growing. And over the next 3 months, she literally gained less than a pound. I needed to hospitalize her because she had become dangerously malnourished.

She ended up needing to be transferred to a rehabilitation hospital because she had an underlying problem with swallowing, and she stayed there for over a month. You can imagine the cost of that to insurance. When she was at the rehabilitation hospital, she was able to gain weight, but as soon as she went back to the shelter, she began to lose weight again.

After advocating with lawyers from our medico-legal partnership at Boston Medical Center, Whitney and her family were finally offered an affordable home at a local public housing development. Once in her new apartment and she was living there, she was able to gain weight, and within months her developmental delays improved and she was able to thrive. I recently saw Whitney at her physical a few months ago, and at 4 years old, she was starting to learn to read.

I tried my best to treat Whitney. I gave her all my medical expertise, including very expensive medical care during hospitalizations. But the best medical intervention for her, the one that eventually made her well, was a safe, decent, affordable home.

It is actually Whitney's birthday today, July 19th. And I can think of nothing better to help her and kids like her to stay healthy than to pass H.R. 2895, the National Affordable Housing Trust bill. Thank you.

[The prepared statement of Dr. Sandel can be found on page 138 of the appendix.]

The CHAIRMAN. Thank you.

Mr. Myer.

STATEMENT OF JOE L. MYER, EXECUTIVE DIRECTOR, NCALL RESEARCH, INC., ON BEHALF OF THE NATIONAL RURAL HOUSING COALITION

Mr. MYER. Chairman Frank, and members of the committee, my home State is Delaware; I want to acknowledge the introduction that Mike Castle gave me earlier. You should know that as Governor, Mike Castle implemented a very successful housing trust fund which is operating today and has done a lot of good, and he is a great friend of affordable housing.

My name is Joe Myer, and I am executive director of NCALL Research and a current board member of the National Rural Housing Coalition. The National Rural Housing Coalition is a membership organization, a national one, that advocates for Federal policies which improve housing and community facilities in rural America. We appreciate the opportunity to testify today on rural housing issues and H.R. 2895, the National Affordable Housing Trust Fund.

NCALL is a multi-faceted nonprofit housing operation in Dover, Delaware, and we offer a variety of housing development services to nonprofit organizations along with direct education services to lower income households. To that end, we have helped to develop 45 apartment communities for families, elderly, and migrant and seasonal farm workers. And we also just reached a milestone of 6,000 first-time home buyers.

We work regularly to develop apartments serving very-low-income persons, and frankly, these require complicated patchwork quilts of leveraging and financing to secure low income housing tax credits. We believe the National Housing Trust Fund assistance to rural Delaware will help to provide financing leverage needed to access other Federal, State, and private partners.

Rural housing need: America's rural communities suffer from elevated poverty rates and substandard housing. Rural households on average are poorer, and according to the 2000 census, the poverty rate in rural America is 14 percent higher than the national rate.

Likewise, Delaware's rural counties have higher poverty rates than the State average, and experience similar conditions. For instance, 57 percent of all workers statewide have insufficient income to afford a two-bedroom apartment in their county of employment.

There is a deficit in this small State of 12,000 affordable housing units for those with extremely low incomes. A majority of Delaware's 20,000 substandard housing units in need of major repair or actual repayment exist in rural counties. And the median incomes in our rural counties are 30 percent lower than our metro county.

In face of this need, rural housing spending for USDA programs has dropped 20 percent over the past 3 years. The Administration's Fiscal Year 2008 budget request calls for elimination of most rural housing programs serving low-income households.

NCALL has been directly hit with the impact of such reductions, which have slowed rural housing really to a trickle. Increased affordability gaps at the same time have created more demand than ever.

Availability of other Federal programs for rural areas: Even though a disproportionate amount of the Nation's substandard housing is in rural areas, they are less likely to receive government-assisted mortgages. For instance, 22 percent of the Nation's population is in rural areas, but less than 7 percent of FHA assistance goes to non-metro areas. Only 10 percent of Veterans Affairs assistance reaches non-metro areas. Only 12 percent of Section 8 funds go to non-metro areas. And in 2003, of the 9 million families assisted by Fannie Mae, only 11 percent lived in rural America.

We are very pleased to support the National Affordable Housing Trust Fund Act. Reinvigoration of Federal housing policy is long overdue. The resources that this legislation makes available will definitely have a positive impact on both the quality and the quantity of affordable housing across the Nation.

Given the high levels of housing distress in rural areas and recent reductions in Federal assistance, the National Rural Housing Coalition is especially pleased to endorse this legislation. The National Housing Trust Fund Act will help provide resources for affordable housing that are desperately needed to help bridge increasing affordability gaps, especially in rural areas.

We have a few comments and recommendations regarding the legislation, and these are aimed at facilitating the use of the trust fund in rural areas. Under targeting requirements, we are pleased to support the targeting requirements established in legislation.

We do want to share and make the important point that the targeting required anticipates the availability of a level of subsidy that we have typically not seen much of in rural America. It is extremely difficult to assemble subsidies adequate for housing extremely low-income households at 30 percent of median and below. We support this provision, and we hope to work with the committee to be sure that rural America is adequately served.

Secondly, use of the trust fund allocations for rural areas: Currently, the provision does not provide sufficient direction to States or participating jurisdictions on the definition of need. As a result, there is no uniform standard for allocating funds to rural communities. We will be pleased to work with the committee in designing a formula that provides a fair share of the trust fund resources for rural America.

Again, we are pleased to support this legislation, and urge the committee to act on it promptly. On behalf of the National Rural Housing Coalition and NCALL, we support H.R. 2895 and the implementation of a National Housing Trust Fund. Thank you.

[The prepared statement of Mr. Myer can be found on page 113 of the appendix.]

The CHAIRMAN. Thank you all, and this has been very helpful. Let me just say, because we are going to be talking next week, and we will be talking informally with you, we do hope to vote this bill out of committee before we break in August and have it on the Floor in September.

And there were some specific proposals. The mayors had some, the State housing authorities, and the rural people. Now, as you understand, they are not all obviously compatible. There are some conflicts there. And I begin by hoping everybody will remember that something is going to be better than perfection, and we will work on this.

I will say, and I know again there is also some other—we are trying to maximize the funds. I am sympathetic to the matching fund issue. I wish we were in a situation in which I wouldn't have to be as much, but there are problems in State and local areas. And so we will be approaching the matching fund issue.

I will say, with regard to the rural, there are going to be limits on our being too prescriptive because this is an argument for pass-through, and some of this is going to have to be done at the State level. It is going to be hard for us to be in some ways as prescriptive as others might like.

And then the question of the mayors versus the States and the others, we will work on all that and we will try to do our best. I will also say this. With some of these things, this is not going to be forever. The trust fund will be. One thing I am confident of, once this starts, nobody is ever going to let it go away. For one thing, we will have ongoing projects. At no given time, would you be able to stop it without the flow of funds.

But some of the operations we will talk to, so we will be available. The staff will be available. We will working out some of the specifics. And we really do look forward to your help in our getting this bill forward. I thank you all. The testimony has been useful, the proposals for some changes are also useful, and we will go forward.

The hearing is adjourned.

[Whereupon, at 1:37 p.m., the hearing was adjourned.]

APPENDIX

July 19, 2007

U.S. Congresswoman
Ginny Brown-Waite
Representing Citrus, Hernando, Lake, Levy, Marion, Pasco, Polk, and Sumter Counties

Financial Services Committee Hearing "H.R. 2895 - the National Affordable Housing Trust Fund Act of 2007"

July 19, 2007

Statement for the Record

Mr. Chairman, I appreciate your concern for affordable housing needs in the United States, but the committee has had this conversation many times. Therefore, I will keep my comments brief.

A roof over your head is a basic human need that millions of Americans cannot provide for themselves. For this reason, Congress has created roughly 32 programs to provide affordable housing options to those who need them. From rental assistance, to special programs for the elderly and handicapped, to helping first-time homebuyers provide a home for their family, HUD has programs that help every American. Therefore, I question why this committee is yet again considering a bill that creates another program that will be duplicative, bureaucratic, and possibly sluggish in responding to today's needs.

Simply put, America does not need an affordable housing trust fund. What Americans need are the programs that already exist to function better, more efficiently and effectively. Consequentially, in as much as I appreciate what you are trying to accomplish Mr. Chairman, I urge the committee to vote down this measure when we vote on it next week and concentrate on improving existing programs under HUD instead.

Thank you Mr. Chairman.

Opening Statement

Congressman Paul E. Gillmor (R-OH)

July 19, 2007

I thank the Chairman. It is my privilege today to introduce Dave Roberts, President and CEO of Lutheran Homes Society located in Ohio's 5th District, which I have been proud to represent for close to 20 years.

Mr. Roberts received a Bachelor Degree in Business Administration and an MBA from the University of Toledo. He continued his education at the Evangelical Lutheran Church in America located in Missouri and went on to receive his Doctorate from Capella University.

With Mr. Roberts at the helm, Lutheran Homes has become one of the largest long-term care non-profits in America. Lutheran Homes Society provides critical housing to my constituents in Norwalk, Fremont, New London, Bucyrus, Whitehouse and Napoleon, Ohio.

I appreciate Mr. Robert's diligence in working to solve the housing needs of Northwest Ohio and his willingness to testify today on our third panel. I look forward to hearing his testimony along with our other distinguished witnesses. I thank the Chairman and yield back.

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Planning Office *for* Urban Affairs

ARCHDIOCESE OF BOSTON

Testimony of Lisa B. Alberghini
Executive Director, Planning Office for Urban Affairs, Inc.,
affiliated with the Archdiocese of Boston
to the
Committee on Financial Services
Hearing on H.R. 2895, the National Affordable Housing Trust Fund Act of 2007
Thursday, July 19, 2007 – Rayburn 2128

Chairman Frank, Ranking Member Bachus, members of the Committee and distinguished guests, thank you for the opportunity to testify today on this important legislation that will bring hope and homes to so many Americans across the country.

I am Lisa Alberghini, Executive Director of the Planning Office for Urban Affairs, a self sustaining housing and social justice ministry affiliated with the Archdiocese of Boston. I am here today in support of this legislation on behalf of our Office, the Archdiocese of Boston, and the people we serve who are in dire need of affordable housing. H.R. 2895 is also strongly supported by the U.S. Conference of Catholic Bishops, Catholic Charities USA, and a wide range of faith based organizations of many faith traditions across the country. Together, we thank you for your vision, for your leadership and for your commitment to helping those most in need by considering the National Affordable Housing Trust Fund Act of 2007.

The Planning Office for Urban Affairs is a private non-profit developer, created by the Archdiocese of Boston in 1968 to work for housing justice on behalf of the Church and the communities we serve. Since that time we have developed more than 2,300 units of affordable and mixed-income housing, where people of modest means can live with dignity and respect in homes they can afford. We serve working families, the homeless, frail elders, veterans, people living with HIV/AIDS and disabled individuals. We have successfully served these populations by creating mixed-income communities where all residents are treated equally and the poor are not isolated in poverty. Although our mission is to build affordable housing, we strive to avoid the social and economic isolation of less fortunate families. A critical part of our mission, therefore, is to encourage the economic diversity that reflects our nation's deep and abiding commitment to open and inclusive community.

The need for affordable housing is great and well documented. Indeed, we are facing a catastrophic situation now, the shape and form of which varies across this great nation. But the need for affordable housing is nonetheless present in every community and affects the strength of our families, our elders and our economy everywhere. According to the *State of the Nation's Housing 2007* report from the Joint Center for Housing Studies at Harvard University, the number of households paying more than 30% of income for housing increased by 2.3 million, bringing the total number of "housing burdened" households in the country to 37.3 million in 2005. This is a startling statistic, but the situation is even more desperate for our most vulnerable citizens. The number of American households paying more than half of their incomes on housing increased to 17 million in 2005, with one in seven US households being "severely housing cost burdened" in that year. (*The State of the Nation's Housing 2007*, Joint Center for Housing Studies of Harvard University, p.1,25). And, middle-income households are facing increasing pressures that put them at far greater risk.

The Joint Center Report, and the thorough and compelling information provided by the National Low Income Housing Coalition, provide more than ample evidence of the tremendous need for affordable housing. Rather than focusing on more statistics, then, I would like to get right to giving you our perspective about how the National Affordable Housing Trust Fund can help and why it is so important.

How Will This Legislation Address Critical Housing Need, and Why Does Our Country Need This Act?

The Planning Office for Urban Affairs is a developer. We are directly involved as a practitioner in building affordable and mixed-income housing, and we have used the myriad of financing programs that currently exist for this purpose. The National Affordable Housing Trust Fund Act of 2007 is a thoughtful piece of legislation that will provide tremendous benefit to people in need across America, while using an efficient and industry-proven funding method to supplement private sector market activity. Specifically:

- It will provide or preserve 1,500,000 homes over the next ten years;
- It will enable local control in administering the resource so it can be coordinated with, rather than compete against, existing funding efforts;
- It will make efficient use of Federal funds through the proven mechanism of a Trust Fund, which is well tested at the local and state levels;
- It provides flexibility in the eligible uses of the funds, allowing states and developers the freedom they need to tailor it to local situations and individual projects;
- It will leverage other funds through the Act's matching requirements; and
- It will help America's most needy households by targeting significant funding to benefit extremely low-income families...something that virtually no other resource currently does to this extent.

In short, the National Affordable Housing Trust Fund is efficient, meaningful, targeted and based on a proven model. It is *not* creating a new, untested tool. It has been purposely structured to use a system that we know works. And, it will support public-private sector collaboration, while at the same time addressing a need that the private sector cannot possibly respond to on its own. The National Affordable Housing Trust Fund will help seniors, families, the homeless and working poor, veterans, disabled individuals and others. It will benefit all communities, across this nation, and that is why there is significant bi-partisan support for this Act.

In our view, this Act is the best of both worlds...it provides a tool but not a "hand out", that will help us create real world solutions with the public and private sectors working cooperatively together. That is the difference between charity and social justice…justice relies upon empowering people, and this legislation gives us that opportunity.

Specific Examples of How H.R. 2895 Can Help

The approach of the Planning Office for Urban Affairs in developing mixed-income communities is a bit unique. I'll describe this briefly in a few of our developments and note how the National Affordable Housing Trust Fund can help.

Rollins Square is a 184 unit residential community we developed in 2004 in the South End of Boston, one of the highest income areas of the City. Rollins Square includes apartments that are affordable to families earning 30% of median income, a key policy goal of the National Affordable Housing Trust Fund. These 37 units are all fully integrated throughout the entire property, in a larger development that also provides affordable workforce housing to 73 first time homebuyers and 74 market rate units. The low-income units are not separate or distinct, which means that there are formerly homeless families living next door to first-time homebuyers and next to residents who paid more than $1M for their condominiums...all living literally side-by-side as neighbors who share a common community. I am proud to report that Rollins Square has become a national model for truly mixed-income housing. It works as a community, and as an investment, and market buyers report significant appreciation in the value of their units.

This is an approach that respects all individuals, while at the same time offering a permanent solution to homelessness that allows formerly homeless families and individuals to be full members of a vibrant community. Our Office has provided a lot of information to the Committee today in a package that describes our work. But if you have the opportunity to look at only one piece, read the one page list that offers a profile of the 37 formerly homeless families and individuals who are fortunate enough call Rollins Square their home…their permanent home, where they can get on with the business of living their lives, raising their children and focusing on family values.

How could the National Affordable Housing Trust Fund help? Rollins Square was a $67m deal that required fourteen separate sources of funds and had particular problems closing the last financial gap, delaying the project for nearly 18 months – which only drove up costs further and created a cyclical problem. If the Trust Fund had been established, Rollins is precisely the type of development that could have been funded, particularly given its targeting for very low-income families. More readily available federal funds would have meant a quicker development process and, ultimately, more public benefit and greater leverage could have been provided.

Our St. John of God and St. Jean Baptiste developments offer similar examples of the opportunity this legislation presents. St. John of God is a 291-unit mixed-income intergenerational campus that provides affordable and market rate assisted living for frail elders, a skilled nursing facility, family condominiums, and an HIV/AIDS facility operated by Catholic Charities, all on one site. It is approximately 50% affordable, serving very-low income to market-rate residents, again, all integrated across the entire campus. And at the other end of the scale spectrum, our St. Jean Baptiste property is a 38-unit development including both very low-income rental units and first-time homebuyer units.

How could the Affordable Housing Trust Fund help? It could have provided badly needed funds for the construction of both developments, greatly reducing the time it took for us to cobble together many disparate resources; provided project based rental assistance; and offered down payment and closing cost assistance for the first-time homebuyers.

The St. Aidan is a 59-unit mixed-income development located in one of our nation's most costly housing markets, Brookline, Massachusetts, where the median price for a single family home last year was approximately $1m. With those housing prices, affluent communities like Brookline are becoming places where the teachers, firefighters and librarians must enter town in the morning to work and then leave at night…where the people who serve you can no longer reside in the same community. St. Aidan's, though, will be 60% affordable, providing 36 units for low and moderate-income residents. In this case, we are fortunate enough to have Chairman Frank as our Representative, and to have enjoyed his leadership in helping solve a number of problems that have arisen over time on that development.

How could the Affordable Housing Trust Fund help? The St. Aidan's development has taken seven long years to get off the ground, in no small part due to a lack of resources to move the project forward in a timely manner. The Trust Fund could have provided badly needed gap financing that would have allowed us to avoid spending inordinate time seeking additional funding to catch up with construction cost increases over time.

You might say these development got built anyway without the Trust Fund, so why is the new Fund necessary? The process took far too long, was far too inefficient, and offered far less public benefit than could have occurred with the Trust Fund in place. Most importantly, these developments represent the 1,500,000 homes that *haven't* gotten built, which could be produced or preserved if this legislation is passed. The significance of these examples is not in what they do provide, but in the difficulty of doing this work and the opportunity we are missing to take responsible steps to care for a great many more of our citizens.

The Big Picture – Why is H.R. 2895 So Important to Us As a Country?

More than 25 years ago the Catholic Bishops of the United States issued a pastoral letter called *"The Right to a Decent Home"*, that described decent housing as a human right and said its provision involved public responsibility, including a creative partnership of private enterprise and government. That is what we are striving to achieve, and what H.R. 2895 will help accomplish.

In 2001 the Archdiocese of Boston, along with the Greater Boston Chamber of Commerce, released an important study that identified the need for an additional 36,000 housing units in the Greater Boston area alone over the following 5 years. These additional units were required not only to help individuals and families, but also to help businesses prosper and our economy thrive. Out of that study came a call for collective responsibility, where all sectors of a civil society work together to address the serious needs of the housing deprived. All of us…in government, the public sector, the private sector, religious organizations…all of us combine forces and resources to assure housing justice for every citizen of our Commonwealth.

That was over six years ago and, while some progress has been made, we are falling far behind...in large part because of the lack of available resources to accomplish our shared objectives, particularly in this time of spiraling development costs and the growing demand for truly affordable housing. The National Affordable Housing Trust Fund Act will provide significant help in moving forward to accomplish our goal, and living up to our responsibility as a civil society.

H.R. 2895 breaks new ground; it acknowledges and deals with the issue of affordable housing as a national problem, and it builds on very successful local and State models of Affordable Housing Trusts in a creative and visionary way. This legislation will provide critically needed resources that will assist developers, both non-profit and for profit, help and house others, and it will enable *all of us* to answer the call to collective responsibility. Most importantly, it will help provide housing to the very-low income, while many resources do not focus on that greatest need, dedicating specific resources to be used only to meet the most serious housing needs.

While there are always changes that can be made and no legislation is perfect, it is critically important that we not lose sight of the big picture here. With H.R. 2895, we would like to reinforce the importance of the flexibility that has been wisely built into the legislation. We suggest that you strive to maintain that flexibility, particularly as it relates to administering the Fund at the State level, so that strategies can be designed by local administrations that are responsive to the markets we serve and so this Fund is well coordinated with other resources available at the State level.

There is a very broad coalition of people, with both common and diverse interests, coming together in support of this legislation. This should not go unnoticed. Recognizing the diverse support for this legislation is crucial. We are coming together, from different faiths and beliefs and backgrounds because housing our neighbors in need is a moral imperative, and concern for decency and fairness is a value we all share.

I offered just a few statistics on need earlier in my testimony. We all know there are endless statistics that can be quoted and stories that can be told to define just how great the problem is, and to illustrate the magnitude of the housing crisis facing all of us today, in each of our own communities, regardless of where we live across this great country. But even those stories, and especially those statistics, cannot begin to convey the tremendous impact that decent and affordable housing has on individuals, families, whole communities and, indeed, on the integrity, humanity and prosperity of our entire country.

Having a decent, affordable home affects literally every aspect of our lives. And not having one devastates even the strongest among us. There are more than 37 million Americans living in poverty today, presenting a moral crisis of extreme proportion. As Fr. Snyder, President of Catholic Charities USA, said earlier this year when testifying before Congress, "poverty remains our nation's most serious political blind spot and a threat to the common good and future strength of our nation".

Fr. Snyder goes on to remind us that poverty is a human-made disaster...it is not a force of nature beyond our control, but the result of economic, social and political choices that we Americans have made. With this legislation we are making different choices. Choices that heal, and that exhibit kindness and justice. Please consider it carefully, wisely, and with full appreciation of the great strides you could make to join forces and help address this pervasive problem. We strongly urge you to support this crucial legislation, and look forward to working with you for its passage and implementation.

Thank you again, on behalf of our Office, on behalf of the Archdiocese, and most especially on behalf of those we have the honor to serve. Those who struggle to raise families without a home, who make difficult choices every day between food and rent, who dream of owning a home and do not give up hope despite absolutely all odds to the contrary. These are the people with real strength and faith; they are our heroes. We admire their courage, and appreciate your support immensely.

I would be happy to address any concerns or questions you have today or following this hearing.

Hearing concerning National Affordable Housing Trust Fund, HR 2895

The Testimony of Henry Cisneros before the Committee on Financial Services, United States House of Representatives
July 19, 2007

Chairman Frank, Ranking Member Bachus, and members of the Committee. Thank you for giving me the opportunity to comment in support of H.R. 2895, The National Affordable Housing Trust Fund Act of 2007.

Thank you more importantly for your leadership to organize the content of this bill and for your legislative skills to manage the strongest chance ever to create a National Housing Trust Fund.

With your permission, I would like to acknowledge the long-term advocacy and the solid creative work done by many housing supporters, but particularly the pioneering research and creative efforts of:

- The National Low Income Housing Coalition
- The Center for Community Change, Housing Trust Fund Project
- NAACP

I would like to make four succinct points:

First, The National Housing Trust Fund is important because it is a highly focused tool for producing housing for the very poorest Americans. Across the entire continuum of housing, which includes every kind of housing from homeless shelters to move-up homeownership, the greatest need, the greatest suffering, is among families, individuals and households who are below 30% of median income, extremely low income Americans. To meet their needs, we need housing units, new production, additional housing stock, that low-income people can access.

- We need units that homeless people can move into under our national Housing First model.
- We need units of supportive housing with services.
- We need rental housing for low-income persons.
- We need housing that works with other programs, such as public housing.
- We need housing that works in conjunction with market housing, in order to integrate low-income Americans into economic opportunities.

There is no Federal program targeted precisely in this way or on this scale. We need a National Housing Trust Fund because it is focused on production of the most affordable housing.

Second, we can see from local housing trust funds that the concept works. There are over 600 local or state housing trust funds across the nation. In big cities such as New York over 4,300 units have been developed through the New York City Housing Trust Fund. In Chicago, over 5,500 rental units have been created for persons under 30% of median income.

In smaller cities with high housing costs, housing trust funds have played a necessary role. For example, in Boulder, Colorado, the goal is to make 10% of the housing stock permanently affordable. Presently 2,700 units have been created through its housing trust fund: 21,000 are rental and 600 are ownership.

In Mountain View, California, in the heart of the expensive Silicon Valley, The Housing Trust Fund of Santa Clara County has been utilized by Catholic Charities to build an award-winning single room occupancy building for persons earning between $15,000 and $33,000, barely over 20% of the area median income.

At the state level, Washington State is considered to be the most effective applier of a state housing trust fund. In Washington, $500 million has been amassed over the years and leveraged into $2 billion of housing, constituting 32 thousand units, mostly rental. So successful has been the Washington Housing Trust Fund that state leaders recently created a separate homeless trust fund.

The point is that housing trust funds work. But a corollary point is that they are indicative of why a national fund is needed. State and local housing trust funds exist because the stress of housing affordability is so severe that jurisdictions have to apply tools beyond the present programs. It is also true that states and local governments have to patch their housing trust funds together using every imaginable source of revenue. They use real estate transfer taxes, document recording fees, linkage fees on developments and many other forms of fees. The need is great, the revenue base is inadequate, and the scale is orders of magnitude off of where it needs to be.

Third, H.R. 2895 incorporates the best elements of what we have learned about housing programs in recent years:

- the need for rental production
- the focus on very low-income households
- the need for economic integration
- the need to be close to economic opportunities and public transit
- the incorporation of "green" development
- the need for state, rural, and native American housing
- the opportunity to engage faith-based institutions
- the prohibitions on administrative costs and travel
- the needed scale of 1.5 million units
- the match provisions which incentivize local participation
- the flexibility which unleashes local creativity, so that non-profit and private builders can offer their best possible projects
- the use of housing trust funds in conjunction with market projects, therefore assuring the integration of low-income units

These elements combine to create a flexible, entrepreneurial, effective source of funding for needed affordable housing.

Fourth, H.R. 2895 identifies revenues from new sources:

- Fannie Mae
- Freddie Mac
- FHA

It applies new revenues in such a way as not to cannibalize other Federal programs. It also identifies funds in such a way as to not exacerbate Federal fiscal challenges. The National Affordable Housing Trust Fund Bill as it is presently structured can generate and merits bi-partisan support.

I have had the privilege of working with my predecessor, Republican Secretary of HUD Jack Kemp, on a series of bi-partisan housing recommendations in recent years. Three years ago we published a book, "*Opportunities and Progress: A Bipartisan Platform for National Housing Policy*," with Nic Retsinas and Kent Colton, in which we called for the establishment of a National Housing Trust Fund. I quote from our recommendation:

"We recognize the need for a source of capital for the production, preservation, and rehabilitation of housing affordable to low-income households. We therefore recommend that the Administration and

Congress establish a National Housing Trust Fund for this purpose. Specifically Trust Fund money should be used to support the production, preservation, and rehabilitation of 1.5 million affordable housing units over the next ten years... It has been more than two decades since a federal housing production program specifically targeted extremely low-income households. Meanwhile, rising rents have affected such households disproportionately. A source of additional capital subsidy is needed not just too off-set the declining supply of housing and increasing costs, but also to prevent the further concentration of poor households in areas where housing costs are relatively low because of poor quality or because the market is depressed or declining."

In closing let me once again congratulate you and thank you for your work. Secretary Kemp and I have had the opportunity to make bi-partisan recommendations. You have the enviable opportunity to make bi-partisan policy and create the nation's first Affordable Housing Trust Fund. When we look back on this moment ten years from now, all of you who have been associated with creating and supporting this initiative will take deserved pride in having been responsible for a needed and productive breakthrough in our efforts to provide decent housing for all Americans.

NATIONAL LOW INCOME
HOUSING COALITION

Dedicated solely to ending America's affordable housing crisis

Testimony of Sheila Crowley, MSW, Ph.D.
President of the National Low Income Housing Coalition
presented to the
Financial Services Committee
United States House of Representatives
July 19, 2007

Chairman Frank, Ranking Member Bachus, and Members of the Committee, thank you for the opportunity to testify today about H.R. 2895, the National Affordable Housing Trust Fund Act of 2007.

I am Sheila Crowley, President of the National Low Income Housing Coalition; our members include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. The National Low Income Housing Coalition does not represent any sector of the housing industry. Rather, NLIHC works only on behalf of and with low income people who need safe, decent, and affordable housing, especially those with the most serious housing problems.

Establishment of a national housing trust fund with dedicated sources of revenue for the production and preservation of housing affordable for people with the most serious housing problems has been the top priority of the National Low Income Housing Coalition since 2000. In 2001, we joined with many others to form the National Housing Trust Fund campaign, now endorsed by over 5,600 organizations across the country.

NLIHC's interest in a national housing trust fund actually predates my tenure at NLIHC; the original proposal for a national housing trust fund was developed under the leadership of NLIHC founder, the late Cushing Dolbeare, in the early 1990s. Thus, the occasion of a hearing in the United States House of Representatives on a bill to establish a national housing trust fund is a great moment for the National Low Income Housing Coalition and the National Housing Trust Fund campaign.

But of real importance is that this is a great moment for the millions of American families and single elderly or disabled people whose physical, emotional, financial, and social well-being are compromised and damaged every day because they cannot afford even modest safe and healthy homes. In the United States of America, we should not tolerate a housing shortage of the magnitude we now face. H.R. 2895 asserts that this housing shortage is unacceptable and that we as a nation intend to correct this failing at long last.

It is of note that, today, we are also observing the 20th anniversary of the passage of the McKinney Homeless Assistance Act, enacted as an emergency response to the rapid growth in homelessness in the 1980s. Before coming to Washington in the 1990s, I worked at the community level for 20 years. I remember when homelessness was quite rare and I remember when homelessness accelerated in the 1980s. I know that homelessness grew as the supply of low cost rental housing shrunk and the cost of housing increased. I know that despite the best interventions devised by the most skilled caseworkers, no amount of counseling and case management caused homes to materialize for people who needed a place to live. I know that we have no hope of ending or preventing homelessness in the United States these 20 years after McKinney unless and until we make a serious investment in housing that the lowest income people can afford. The National Affordable Housing Trust Fund does just that.

The Housing Shortage

It is easy to understand the persistence of contemporary homelessness when one examines the mismatch between household income and housing stock. According to NLIHC's analysis of the 2005 American Community Survey, there are 9 million extremely low income renter households and 6.2 rental units that they can afford, using the standard affordability measure of spending no more than 30% of household income on gross housing costs. The result is an absolute shortage of 2.8 rental homes for this income population nationwide. This is the only income group for whom there is an absolute shortage.[1] (Graph 1). This is the income group whose housing needs are addressed in H.R. 2895.

Lest you think these national data reflect extreme housing shortages in a few states, examination of the data at the state level shows that there is an absolute shortage of rental housing units for extremely low income households in 42 states and the District of Columbia. And in the states that show a sufficient supply or small surplus (AK, AR, HI, MT, NE, ND, SD, WV, and WY), the margin of error is such that there may be no surplus at all.[2] (Map 1)

In actuality, the situation is much more dire, because many of the units that are affordable to extremely low income households are in fact rented and occupied by higher income households. So on a nationwide basis, the shortage of affordable and available rental homes for extremely low income households is 5.6 million and there is a significant shortage in every state. Nationally, there are only 38 affordable and available rental homes for every 100 extremely low income renter households. The range among states on the same measure is 23 in CA to 65 in ND.[3] (Map 2)

Who are extremely low income households? In Washington, DC, they are families with total annual income of $27,090 or less. In Birmingham, AL, the annual income is $17,720 or less. In Boston, it is $25,230 or less. And it is $16,860 or less in Los Angeles; $21,720 or less in DuPage County, IL.[4] These are people who work for a living at the low wage jobs that all of us

[1] Pelletiere, D. (2007). *American Community Survey shows larger national. state affordable rental housing shortages. Research note #7-01.* Washington, DC: NLIHC. NOTE: The 2005 American Community Survey does not reflect losses to housing stock as a result of Hurricane Katrina.
[2] Ibid.
[3] Ibid.
[4] Wardrip, K., Pelletiere, D., & Crowley, S. (2006). *Out of reach 2006.* Washington, DC: NLIHC.

rely on to be able to do our jobs; child care providers, nursing homes aids, hotel housekeepers, office cleaners, retail clerks, receptionists.

Extremely low income households are also elderly and disabled people whose income is limited to Supplemental Security Income (SSI). The federal SSI benefit level is $7,476 annually in 2007 for an individual and $11,208 for a couple.

What happens to real people under these conditions of scarcity for a need as basic as housing? They must spend precariously high percentages of their income for their homes. Seventy-one percent of extremely low income renters spent more than half of their incomes for their homes. (Note that home ownership provides no protection against high housing cost burdens. Sixty-four percent of extremely low income homeowners pay more than half of their income for their homes.)[5] Or the adults work multiple jobs, at the expense of time for their children and family life. Or they double and triple up creating overcrowding or they live in substandard housing that threatens their health. Those who have the fewest coping skills and weakest social networks are the ones who have the highest risk of becoming homeless under these conditions of scarcity.

Finally, it is important to note that the shortage is getting worse. Analysis by HUD research staff using the American Housing Survey shows that the absolute shortage of rental units affordable to extremely low income households was 2 million in 2003 and rose to 4 million by 2005.[6]

How H.R. 2895 Will Help?

Simply put, H.R. 2895 will make capital resources available to developers who are willing and able to build and operate housing that extremely low income families and individuals can afford. There is no current federal housing production program that is specifically targeted to this income population (Table 1). The National Affordable Housing Trust Fund will fill a longstanding void in the housing production tool box. We do not envision that NHTF dollars will be used as the sole source of capital for any project. Rather, they will add enough to bring the cost down for a percentage of units such that they become affordable for extremely low income renter households.

The core intent is that most of the funds will be used for rental housing, but the bill fully allows resources to go for home ownership. We understand that getting extremely low income families into home ownership is a challenge and, in most cases, is not in their best financial interest. We strongly believe that the best home ownership program for people in the low wage workforce is to increase the supply of rental housing they can afford. They have a much greater chance of becoming successful homeowners in the future after being stable and successful renters who are able to develop good credit histories and have enough extra income to save for a down payment. We have created a false dichotomy that idealizes home ownership and devalues rental housing that fails to recognize the essential role of good rental housing in a well-functioning

5 Wardrip, K. & Pelletiere, D. (2007). *Recent data shows continuation, acceleration of housing affordability crisis. Research note #6-05.* Washington, DC; NLIHC.

6 U.S. Department of Housing and Urban Development. (2007). *Affordable housing needs 2005: A report to Congress.* Washington, DC. Author..

housing market. There can be no doubt that this false dichotomy has contributed to the proliferation of subprime and predatory lending and the wave of foreclosures sweeping across the country.

The bill is quite prescriptive about how the funds cannot be used . No one is more committed to assuring the funds are not used for anything other than their intended purpose than NLIHC and the National Housing Trust Fund campaign. We fully support the restrictions on use of funds provided for in H.R. 2895.

Many provisions in the bill are the result of careful deliberations about how to build on lessons learned in past housing programs and how to promote innovation. Segregation of people by income and recreating high poverty neighborhoods is not permitted. Siting near employment centers and public transportation is rewarded. So is the use of "green" housing principles in design and construction. The bill calls for a 50-year term of affordability, so we are not faced with another opt-out crisis in 15 or 20 years.

The bill rewards state and local governments that are taking the initiative themselves to solve their housing problems by matching state and locally generated funds at a higher rate than state or locally controlled federal funds such as CDBG or Low income Housing Tax Credits. The bill also allows for a reduction or waiver of the required match for communities experiencing fiscal distress.

And for the first time to my knowledge, the bill offers federal incentives to local governments to reduce regulatory barriers. The two most frequent reasons that local people cite for not being able to build housing affordable for extremely low income households are lack of funds and NIMBY opposition to the siting of such housing. The federal government has little or no power to affect local land use decisions, but you can reward localities that make the right decisions. The matching requirements will be reduced or eliminated in future years for jurisdictions that can demonstrate they have taken affirmative steps to reduce regulatory barriers to the siting and construction of housing built with NHTF dollars.

The Goal

The goal of the National Housing Trust Fund campaign that is stated in H.R. 2895 is to produce or preserve 1.5 million homes over 10 years. This is a very ambitious goal. To give you a sense of the scope, the Low Income Housing Tax Credit Program, the single largest federal production program, produces about 100,000 units a year at a cost of $3.5 billion a year.

H.R. 2895 provides for two dedicated sources of funding for the National Affordable Housing Trust, both of which are very familiar to the Members of this Committee. CBO estimates a combined value of $800 million to $1 billion a year. To reach our goal, other dedicated sources of funding will have to be identified and added, which the bill allows. The most successful housing trust funds across the country (there are now 600 state and local housing trust funds with a combined annual value of $1.6 million[7]) are those that are funded with housing related dedicated sources of revenue. That is the model upon which the National Affordable

[7] Brooks, M. (2007). *Housing trust fund progress report 2007*. Washington, DC. Center for Community Change.

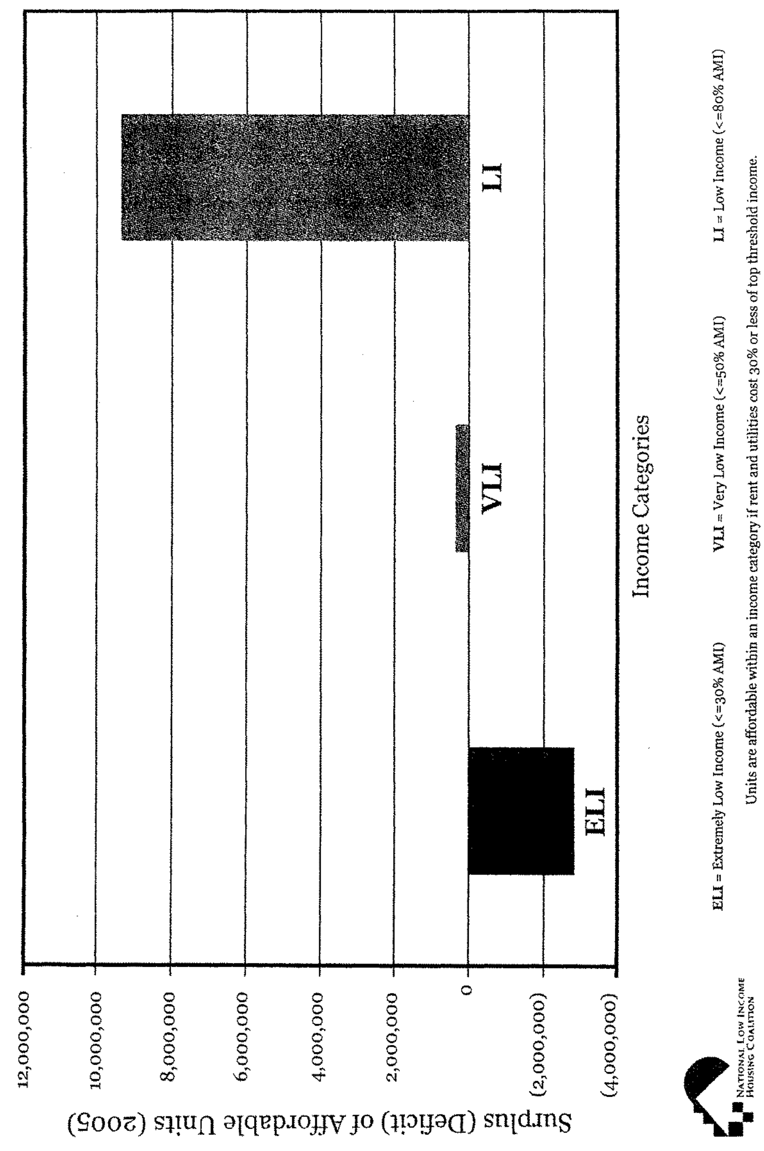
Housing Trust Fund is built. We are certain that there are any number of creative ways to direct additional revenue into the National Affordable Housing Trust Fund and this bill will get the best minds working on it.

I know that some critics will say we do not need a new program, that existing federal housing programs would suffice. (Of course, if that were literally true, we would not be in the crisis we are in today.) If the argument is that existing programs would suffice if they were funded at higher level, it is at least a more plausible argument in the abstract. But the stark reality is that the federal budget is in a deep deficit and anything other than small improvements to the funding levels of existing programs are not likely in the foreseeable future. The National Affordable Housing Trust Fund will not depend on regular appropriations nor will it reduce funding to existing programs.

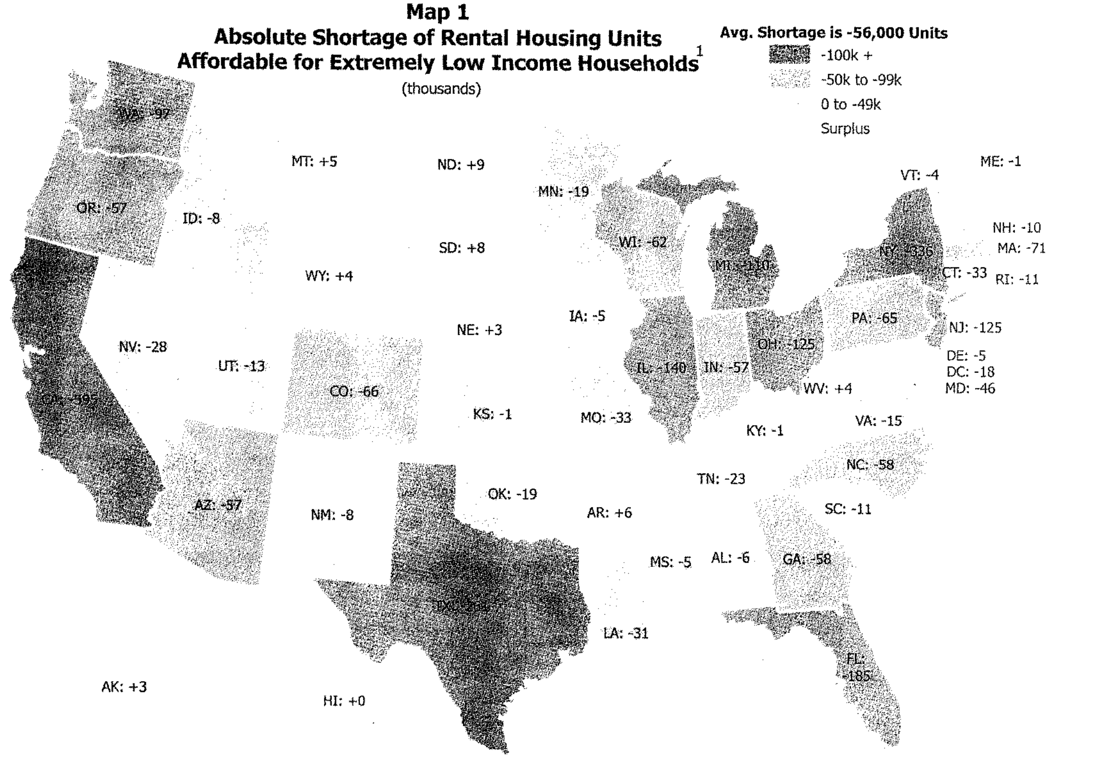
This is one of the most important bills that this committee will take up in the 110th Congress. We want to work with all of you to make it the best bill possible.

Let me close by offering our heartfelt thanks to Chairman Frank, Chairwoman Waters, Mr. Miller, Mr. Shays and the other original co-sponsors of H.R. 2895 who have once again demonstrated what all housing advocates know. The best low income housing legislation is always bipartisan.

Graph 1: Extremely Low Income Renters are the Only Income Group for Whom There is an Absolute Shortage of Housing Units



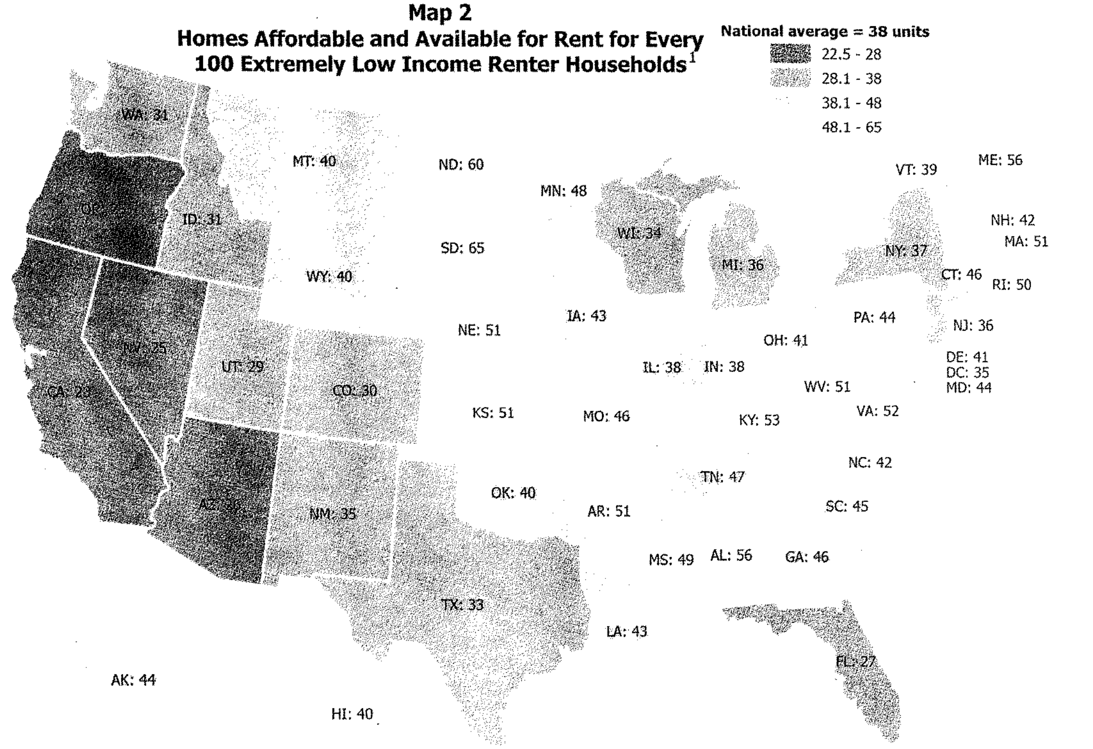
Map 1
Absolute Shortage of Rental Housing Units Affordable for Extremely Low Income Households[1]
(thousands)



Note: States are classified by their unrounded values.

[1] Extremely Low Income households earn no more than 30% of their state's median family income, adjusted for household size. Affordable means paying no more than 30% of household income for housing. 2005 figures.
See NLIHC's Research Note #07-01 for the full report (http://www.nlihc.org/doc/RN07-01.pdf).
As with all surveys, margins of error are associated with all estimates derived from the American Community Survey.

Map 2
Homes Affordable and Available for Rent for Every 100 Extremely Low Income Renter Households[1]



Note: States are classified by their unrounded values.

[1] Extremely Low Income households earn no more than 30% of their state's median family income, adjusted for household size. Affordable means paying no more than 30% of household income for housing. 2005 figures. See NLIHC's Research Note #07-01 for the full report (http://www.nlihc.org/doc/RN07-01.pdf).

As with all surveys, margins of error are associated with all estimates derived from the American Community Survey.

Table 1 Income Targeting and Expenditures for Major Housing Programs

Housing Program	Income Targeting Requirements	National Annual Funding
Section 202 and Section 811	All units are for households under 50% of AMI.	$972 million (FY07 HUD appropriation)
HOME	At least 90% of rental units assisted throughout the jurisdiction must be for households under 60% AMI, with the remainder for households up to 80% AMI. If there are more than 5 HOME-assisted units in a building, then 20% of the HOME-assisted units must be for households under 50% AMI. All assisted homeowners must be below 80% AMI.	$1.7 billion (FY07 HUD appropriation)
Community Development Block Grant	Seventy percent of the funds must serve households below 80% AMI. Remaining funds can serve any income level.	$3.7 billion (FY07 HUD appropriation)
McKinney-Vento Homeless Assistance Grants	Participants must meet HUD's definition of homeless (those who lack a fixed, regular and adequate nighttime residence). Only 30% of funds are required to be spent on permanent housing.	$1.4 billion (FY07 HUD appropriation)
Housing Opportunities for People with AIDS (HOPWA)	All housing is for households with incomes under 80% of AMI.	$286 million (FY07 HUD appropriation)
Low Income Housing Tax Credit	Either 40% of units must serve households below 60% AMI, or 20% of units must serve households below 50%, owner decides.	$3.5 billion (FY07 tax expenditure)
Federal Home Loan Banks' Affordable Housing Program	AHP subsidized units must serve households with incomes less than 80% of AMI. Rental projects are required to insure that 20% of the total units are for households with incomes less than 50% of AMI.	$295 million (2006 amount)
Section 515, Rural Rental Housing	Up to $5,500 above 80% AMI, with priority to households in substandard housing. If Section 521 Rural Rental Assistance is used, 95% of tenants in new projects and 75% of new tenants in existing projects must be below 50% AMI	$99 million (FY07 USDA appropriation)
Section 538, Guaranteed Rural Rental Housing Program	All housing is for households with incomes less than 115% of AMI.	$100 million (FY07 USDA appropriation)
Proposed:		
H.R. 2895, National Affordable Housing Trust Fund	All housing assistance is for households with incomes less than 80% of greater of state or local median income; at least 75% under 30% AMI or poverty line; 30% less than amount equivalent to federal Supplemental Security Income level.	Approximately $1 billion.

Statement of
The Honorable William D. Euille
Mayor of Alexandria, Virginia

on behalf of

The United States Conference of Mayors
The National Association of Counties (NACo)
The National Community Development Association (NCDA)
The National Association of Local Housing Finance Agencies (NALHFA)
The National Association of County Community and Economic Development (NACCED)

before

The United States House of Representatives
Committee on Financial Services

on

H.R. 2895, the National Affordable Housing Trust Fund Act of 2007

Rayburn House Office Building Room 2128
Washington, D.C.

Thursday, July 19, 2007

Mr. Chairman and members of the Financial Services Committee, I am William D. 'Bill' Euille, Mayor of the City of Alexandria, Virginia. I testify this morning on behalf of the U.S. Conference of Mayors, the National Association of Counties (NACo) the National Community Development Association (NCDA), the National Association of Local Housing Finance Agencies (NALHFA), and the National Association of County Community and Economic Development (NACCED). We strongly support H.R. 2895, the National Affordable Housing Trust Fund, and urge the Financial Services Committee to adopt our recommendations and approve the legislation and the U.S. House of Representatives to pass it.

Over the last several years, mayors have called on Congress to adopt a National Housing Trust Fund. In 2002, Boston Mayor Thomas Menino, who was then President of the Conference of Mayors asked the Administration and Congress to "create a National Housing Trust Fund to meet the needs of low income individuals and families through the production and preservation of rental housing and that cities receive a direct allocation of funds." This policy statement was developed following a National Housing Forum, convened by Mayor Menino, and attended by most of the organizations supporting H.R. 2895. The Conference of Mayors also adopted policy in 2003 calling for passage of a National Housing Trust Fund, and most recently (June, 2007) the organization adopted policy reaffirming its support of a National Housing Trust Fund "primarily, but not exclusively, designed to meet the needs of the very low income, i.e. 30 percent of the AMI or below, through the preservation and production of housing." The policy also asked that 60 percent of the National Housing Trust Fund ... be allocated to localities." Similar policy statements have been adopted by the organizations that I testify on behalf today.

Local government interest and support for the National Housing Trust Fund is based on several reasons. Mr. Chairman, some of these are exactly the same as those you state in purposes for the legislation. Local officials know first hand that there is a lack of affordable housing for low-income families. The U.S. Conference of Mayors annual hunger and homelessness survey has repeatedly listed the shortage of affordable housing as the major cause of homelessness in America. We believe that you have chosen a laudable goal to construct, rehabilitate, and preserve at least 1.5 million affordable housing units over the next 10 years.

There are other studies and data which will be cited by others during this hearing which will leave no doubt that more affordable housing is needed. Most can cite the staggering number of unmet housing needs in our nation, the difficulty that people with jobs have in finding affordable housing, the fact that millions of low-income families must pay more than half of their income for housing – all of these offer substantial proof of the need for a National Housing Trust Fund.

As you know Mr. Chairman, many localities have created their own housing trust funds. There is a great deal of experience across the nation in cities and counties. The growing number of local housing trust funds most certainly will provide support for H.R. 2895. With this growth, there is a strong need for dedicated funds. My city of Alexandria has formally had a Housing Trust Fund since 1993; our funding is based on developer contributions to address affordable housing. Beginning in 2006, the City of Alexandria has also dedicated one cent of the real property tax rate and authorized General Obligation Bonds to support affordable housing. As pleased as we are about these accomplishments, we realize that much more funding is needed in Alexandria to provide affordable housing for our citizens. And this is true of cities and counties across the nation.

More specifically, Mr. Chairman, and members of the Committee, provisions of the legislation that we support, and those where we recommend additions or changes are as follows:

- We support the National Affordable Housing Trust fund because it builds upon, and has many of the same features as, the extremely successful HOME Investment Partnership program. The HOME infrastructure (regulations, policies etc.) is already in place and should be utilized. Grantees should not have to learn yet another set of program rules.
- We support the emphasis on rental housing production/preservation, while at the same time also having the ability to undertake homeownership with the funds.
- We support the way the program will be funded, i.e. with the GSE affordable housing fund and the FHA surplus, but we believe it will also require appropriations to secure significant funding for a truly national program, possibly reaching $2 billion.
- We strongly support the allocation of funds at 60% local/40% state, Indian tribes, and insular areas

- We generally support the formula factors for allocating funds among grantees set forth in the bill. As with the original HOME formula we recommend that HUD be required to consult with (perhaps through negotiated rulemaking) stakeholders in developing the formula.
- We strongly suggest that the individual formula allocations for local participating jurisdictions be calculated the same way they are under the HOME program, i.e. a threshold of $750,000, with the ability to supplement a minimum allocation of $500,000 with $250,000 contributed from the local participating jurisdiction or the state to achieve the minimum threshold.
- We do not support the provision requiring that whenever the appropriation is less than $2 million, local participating jurisdictions must achieve a minimum formula allocation of $1 million. We need to build political support for the program, and the more localities that are funded directly will help do that.

- With respect to match we generally support the provisions in the bill, particularly the ability to use other federal funds as well as the match reduction for fiscal distress. There should be added to this section a mandatory reduction of match for disaster areas designated by the President. We also support the provisions that allow services to be counted as match and the discretion given to the Secretary to reduce or waive the match for communities that provide zoning waivers and/or reduction of regulatory requirements.
- We strongly believe that the allocation plan should be included in the Comprehensive Housing Affordability Strategy (also known as the Consolidated Plan) and considered by HUD in that context, rather than as a separate plan with its own approval/disapproval process. The allocation plan should be simplified as it is too prescriptive and we would welcome the opportunity to work with the Committee to this end.

- The legislation needs to be clarified to explicitly permit grantees to use the funds themselves as appropriate, rather than having to allocate all of them to other for profit and non profit entities.
- We support the targeting requirements in the bill, i.e. at least 75% of the funds made available to households at or below 30% of area median. However, the only way such households can be served is with a rent subsidy either through additional incremental Section 8 vouchers or through "thrifty production vouchers" as recommended by the Millennial Housing Commission. These vouchers would equal the project's operating costs, rather than being based on the Fair Market Rent.
- We support the utilization of HOME's cost limits for the new programs well as the use of HOME's definition of rental housing. We also support the provisions related to the forms of assistance and the the coordination of trust fund with other federal housing programs. The HOME program should be

included among those programs to be coordinated. We further recommend an exception in the section that prohibits use of trust fund dollars for travel. Funds should be permitted to be used to fund travel for training/technical assistance in connection with program administration.

- We urge an increase in the program administration allowance to 20%, the same as we recently recommended for the regular HOME program. Ten percent will be insufficient once grantees undertake the extensive monitoring that will be needed to insure compliance with the new program's requirements.
- We support the emphasis on mixed-income projects that the legislation would encourage. This is positive national housing policy.
- The accountability and tracking of funds requirements should be consistent with HUD's other community planning and development projects.

- Finally we recommend that Section 300 "Inapplicability of HOME Provisions" be deleted from the bill.

Mr. Chairman, and members of the Committee, we want to thank-you once again for H.R. 2895, the National Housing Trust Fund. We look forward to working with you for its passage.

SUPPORTING THE CREATION OF A NATIONAL HOUSING TRUST FUND

WHEREAS, housing is at the core of strong communities, promoting neighborhood stability, improving educational opportunity, employment stability, and helping owners to build wealth; and

WHEREAS, the U.S. Conference of Mayors 2006 Hunger and Homelessness Survey found that one of the primary causes of homelessness is the lack of affordable housing; and

WHEREAS, a 2006 National Low Income Housing Coalition study found that there are roughly nine million renter households nationwide who pay half or more of their income for housing; and

WHEREAS, safe, decent, and affordable housing is at the foundation of strong families and communities; and

WHEREAS, unmet housing needs have reached an all-time high; And

WHEREAS, working people in our cities are having a difficult time finding affordable housing and 9.6 million of the lowest income families in the U.S. pay more than half of their income for housing; and

WHEREAS, since 1976, new federal spending on housing has decreased substantially; and

WHEREAS, housing represents 23 percent of the U.S. gross domestic product, is an economic stimulus and creates jobs; and

WHEREAS, affordable housing must be a national priority; and

WHEREAS, nearly 600 state and local housing trust funds have been created, which serve as models for what can and should be done at the national level; and

WHEREAS, a national housing trust fund should be established to construct, rehabilitate and preserve housing; and
WHEREAS, local governments have played a significant role in the development of affordable housing and that role is recognized and supported by the proposed national housing trust fund, and

WHEREAS, the three decade long housing trust fund movement continues to grow to where there is now more than 600 state and local housing trusts that collectively generate 1.6 billion dollars a year; and

WHEREAS, federal legislation recently passed the U.S. House of Representatives' Financial Services Committee authorizes the creation of an Affordable Housing Fund based on the revenues of the government sponsored enterprises Fannie Mae and Freddie Mac; and

WHEREAS, it is anticipated that the Affordable Housing Fund will become a part of the National Housing Trust Fund, providing for even more funding capacity for the production and preservation of housing; and

WHEREAS, the Conference of Mayors has already adopted strong policy for a National Housing Trust Fund;

NOW, THEREFORE BE IT RESOLVED, that the Conference of Mayors reaffirms its policy by calling for the passage of a National Housing Trust Fund primarily, but not exclusively, designed to meet the needs of the very low income, i.e. 30 percent of the AMI or below, through the preservation and production of housing;

BE IT ALSO RESOLVED, that The U.S. Conference of Mayors strongly supports that 60 percent or more of the funding of the National Housing Trust Fund should be allocated to localities.

STATEMENT OF BRIAN D. MONTGOMERY

Assistant Secretary for Housing – Federal Housing Commissioner
U.S. Department of Housing and Urban Development

Hearing before the Committee on Financial Services

United States House of Representatives

"H.R. 2895, the National Affordable Housing Trust Fund Act"

July 19, 2007

Chairman Frank, Ranking Member Bachus, distinguished members of the Financial Services Committee, thank you for inviting HUD to testify on H.R. 2895, the National Affordable Housing Trust Fund Act. It is a pleasure to be with you this morning.

H.R. 2895 would establish a new federal housing program – the National Affordable Housing Trust Fund – to be administered by the Department of Housing and Urban Development, for the purpose of providing funding for the construction, rehabilitation, and preservation of affordable housing for low-income and very low-income families. This new program would be funded by revenue derived from two separate bills pending before Congress that also propose separate affordable housing funds: H.R. 1427, the Federal Housing Finance Reform Act (GSE Reform), and H.R. 1852, the Expanding American Homeownership Act (FHA Modernization).

First, while the legislation purports to create a "permanently appropriated fund, with dedicated sources of funding... without supplanting existing housing appropriations," a closer study of H.R. 2895 demonstrates it would do precisely the opposite. While H.R. 2895 establishes the parameters for how the Fund's resources are spent, Section 2 of the bill establishes that the "deposits" to the Fund are to be found in the two bills mentioned above: H.R. 1427 and H.R. 1852. H.R. 1427 would indeed derive contributions outside of the regular appropriations process, but that is not the case with H.R. 1852.

Mr. Chairman, the Administration shares your strong commitment to providing families with safe, decent, and affordable housing. We believe, however, that while the intent of your legislation is laudable, there are existing tools in the federal arsenal that would better achieve our shared goals. The Administration also made clear in the Statement of Administration Policy on H.R. 1427 that we would not support any provisions that would divert funds from this bill to a new, separate housing trust fund. The Administration also expressed concern that Section 140 could create an undue and counterproductive reliance on Fannie Mae and Freddie Mac by tying the potentially unlimited growth of their affordable housing funds to the annual amount of their mortgage business.

We still have those concerns, but now they are compounded by the provisions in H.R. 2895 that also seek to derive revenue from the FHA Modernization bill. Section 29 of the FHA Modernization bill explicitly authorizes appropriations equal to the sum of the "net increase... [in] the negative credit subsidy for the mortgage insurance programs." What that means is that this source of funding would not be "dedicated," but rather subject to the regular appropriations process and all its competing demands and offsets.

As you may know, FHA receipts are already credited toward HUD appropriations. Any new program that attempts to access this revenue, whether explicitly or implicitly, would disrupt and needlessly complicate the appropriations process. By authorizing a new program, Congress would be creating competition with other discretionary programs. Any deposits to the Trust Fund would have to be offset. Under H.R. 2895, we could find ourselves in the position where the Affordable Housing Trust Fund is funded, but other, higher priority programs are cut. There's no free lunch here. We would essentially be robbing Peter to pay Paul.

Section 29 of that bill could also create an incentive for FHA to charge higher premiums than is safe and prudent. With a Trust Fund dependent on a certain level of FHA receipts, policy makers could feel pressured to hit certain revenue targets. Rather than working to ensure that FHA's traditional borrowers – low-income and first-time homebuyers – are being charged the lowest possible premium, FHA might find itself forced to charge higher premiums to finance unrelated programs through the housing fund. For an agency that prides itself on being one of the most consumer-friendly financial instruments in the housing sector, that would be an unfortunate change. It's yet another example of the way in which this legislation would rob Peter to pay Paul.

In addition, it would be a mistake to tie authorization levels to FHA's negative credit subsidy. FHA receipts have no relationship to affordable housing needs and are likely to fluctuate from year to year in ways that bear little relation to any potential program funding needs. In fact, there may be a negative correlation between the two– that is, when there is a housing slump, FHA receipts would likely go down.

Similarly, FHA receipts are historically unpredictable. I can think of no better example to illustrate this point than FHA's current solvency. Our budget forecasts that, absent a congressional appropriation, a mortgage premium increase, or modernization along the lines proposed by the Administration, FHA's MMI Fund is slated to go into the red in Fiscal Year 2008.

I want to shift focus now and remind the members of the Committee that HUD already has a number of programs aimed at providing affordable rental housing and homeownership opportunities for low-income families. Just last Tuesday, I testified before Chairwoman Waters' subcommittee about HUD's work in preserving the affordable housing occupied by the 14,000 residents of the Starrett City development in Brooklyn, New York.

In my testimony, I discussed the importance of HUD's Mark-to-Market program, which has preserved over 125,000 units to date. With the 5-year reauthorization passed by Congress earlier this year, and signed into law by the President, we expect to preserve an additional 50,000 units.

In addition to preserving existing affordable housing projects, the Department is committed to increasing the supply of new affordable housing. The majority of affordable housing projects built today are financed, in part, with Low-Income Housing Tax Credits. The Department has begun an initiative to identify and address ways in which HUD's financing programs – FHA, Section 202, and Section 811 – can work more effectively and efficiently with the Tax Credit Program. We are streamlining our subsidy layering and processing procedures to improve the timing of HUD approvals and better meet Tax Credit program deadlines.

HUD is also committed to funding the HOME Investment Partnerships Program – the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households. Each year, HOME allocates approximately $2 billion in grants. These grants allow communities – often in partnership with local nonprofit groups – to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people.

Since 1992, more than 600 communities have completed building almost 762,000 affordable housing units, including more than 319,000 for new homebuyers. In addition, more than 160,000 tenants have received direct rental assistance. Our FY 08 budget requests $1.97 billion, a $50 million increase over the FY 07 request.

The American Dream Downpayment Initiative is another successful HUD program that is up for reauthorization this year. ADDI helps first-time homebuyers overcome the biggest hurdle to homeownership: downpayment and closing costs. HUD recently submitted to Congress legislation that would reauthorize and fund this program at $200 million a year through FY 2011. We hope this Committee continues its support for this program, which has helped nearly 24,000 low-income families purchase their first home.

I mention all of the above programs because in addition to duplicating many of the services they provide, the National Affordable Housing Trust Fund under consideration today would actually compete with our existing efforts for scarce resources.

As this Committee looks for ways to address the issue of affordable housing, one way we can immediately help millions of people without any additional costs to taxpayers is through FHA Modernization. By raising loan limits, allowing FHA to price premiums according to risk, eliminating the statutory 3-percent minimum downpayment requirement, making it easier for FHA to insure mortgages on condominiums, and lifting the statutory cap on reverse mortgages (HECMs), Congress and the Administration can go a long way toward ensuring that hard-working, credit-worthy borrowers who cannot qualify for prime financing have the opportunity to obtain mortgages on reasonable terms at a cost they can afford. Congress passed such legislation last year by a resounding vote of 415 to 7, and I urge this new Congress to follow suit.

Thank you for inviting the Department to testify today.

NATIONAL RURAL HOUSING COALITION

1250 Eye Street, N.W., Suite 902, Washington, D.C. 20005 • (202) 393-5229 • fax (202) 393-3034

Statement of Joe L. Myer
Before the
Committee on Financial Services
US House of Representatives
July 19, 2007

Introduction

Chairman Frank, Ranking Member Bachus, Congressman Michael Castle from my home state of Delaware, and Members of the Committee, my name is Joe Myer and I am the Executive Director of NCALL, Research, Inc. and a current board member of the National Rural Housing Coalition.

NCALL Research is a multi-faceted nonprofit housing corporation based in Dover, Delaware that offers a variety of housing development technical assistance services to local nonprofit sponsors, along with direct educational services to lower income households in need of improved housing conditions. NCALL's extensive affordable housing experience which span thirty years help it advocate for housing programs and resources to address the full continuum of housing needs.

NCALL provides assistance to potential and existing self-help housing organizations in twenty-one states northeast quadrant of the nation through a contract with the USDA's Rural Housing Service. Services include predevelopment and application reviews, staff training, technical monitoring and oversight, financial certifications, participation in quarterly progress meetings, dissemination of newsletters and manuals, and conducting regional training. Concentrating its development services in Delaware and the Eastern Shores of Maryland and Virginia (the Delmarva Peninsula) NCALL assists locally based nonprofit housing sponsors to develop multi-family housing projects serving very low income elderly, families, and migrant and seasonal farmworkers. Assisting with all phases of the housing development process, from predevelopment to financing to construction, and rent-up, NCALL has partnered on 45 successful apartment communities. In doing so, NCALL has addressed major obstacles that multi-family housing developers face. Whether it is NIMBY, lack of building sites, or federal or state bureaucracy, NCALL has learned how to weather the storms, resulting in high quality affordable housing. Experience helping to form quality development teams, makes sure units are well planned, built, and managed. That is why the developments NCALL is associated with look as good today as the day they were built.

NCALL also offers a variety of educational housing counseling services to low and moderate income Delawareans who wish to improve their housing conditions. This educational empowerment through financial literacy and homeownership counseling enables families to take control of their housing future and enjoy the benefits of improved housing and greater financial independence. The counseling covers the continuum of assisting elderly households obtain health and safety repairs, helping rural families by packaging their 502 homeownership mortgage applications, and assisting families to become mortgage-ready for conventional bank community reinvestment mortgages. In April of this year, NCALL reached the amazing milestone of 6,000 homebuyers leveraging $580 million in attractive mortgage credit.

Finally, NCALL was recently certified by the U. S. Department of Treasury as a Community Development Financial Institution now providing affordable housing and community development loans to the nonprofit sectors. Loan purposes include predevelopment, acquisition and construction, lines of credit, and community based facilities.

NCALL is currently working with two nonprofit sponsors to develop 19 family apartments in Georgetown as Pepper Crossing and 34 units of elderly apartments in Seaford as Hampton Court, both in Sussex County. The housing process has become so complicated, and with slim resources very competitive, that these developments need to bring leveraged funds to the table in order to secure Low Income Housing Tax Credits. With increased land and construction costs, substantial financing gaps exist, especially when reaching down to serve very low income households. We believe National Housing Trust Fund assistance to rural Delaware could help provide the financing leverage needed to bring in the other federal and state finance partners.

The National Rural Housing Coalition

The National Rural Housing Coalition (NRHC) is a national membership organization that advocates for federal policies which improve housing and community facilities in rural America. NRHC has stood for the principle that all rural people have the right to a decent place to live, safe drinking water, and basic community services. We have testified before this Committee previously and appreciate the opportunity to testify today on rural housing issues and HR 2895: National Affordable Housing Trust Fund.

Rural Housing Need

The rural population of this country has changed dramatically over the past century. In the 1900s, two thirds of the nation's population lived in rural areas. However, today, rural residents make up one fifth of the nation's population and live across 80% of the landmass.

According to the 2000 Census, there are 106 million housing units in the United States. Of that, 23 million, or 23 percent, are located in non-metro areas. Many non-metro households lack the income for affordable housing. The 2000 Census revealed that 7.8 million of the non-metro population is poor, 5.5 million of the non-metro population face cost overburden, and 1.6 million of non-metro housing units are either moderately or severely substandard. Most cost burdened households have low incomes and a disproportionate number are renters who account for 36% of cost burdened occurrences in rural areas.

According to the Economic Research Service, 30% of the 302 non-metro counties (537 counties total) can be defined as housing stressed which means that they met one or more of the following housing conditions in 2000: lacked complete plumbing, lacked complete kitchen, paid 30% or more of income for owner costs or rent, or had more than 1 person per room. The principal component of housing stress is high housing expenses relative to income.

Over 5.6 million homes or 24% of the total occupied rural housing stock are renter occupied. Renters in rural areas are the worst housed individuals and families in the country. Renter-occupied households in rural areas are twice as likely to live in substandard housing as their owner counterparts. Approximately 5.2 million people or thirty-five percent of rural renters are cost-burdened, paying more than 30 percent of their income for housing costs. Almost one million rural renter households suffer from multiple housing problems, 60 percent of whom pay more than 70 percent of their income for housing.

Many of our nation's poorest residents are concentrated in rural areas that experience persistently high rates of poverty and are often invisible to the rest of the nation. These counties are often clustered within several high need rural regions and populations such as central Appalachia, the Lower Mississippi Delta, the southern Black Belt, the Colonias along the U.S. Mexico boarder, and Native American lands. They also have higher proportions of minorities as well as higher poverty and unemployment rates.

Likewise, central and southern Delaware, our rural counties, have poverty rates higher than the state average and experience similar conditions previously described:

- 45,732 families pay 30% or more of their income for housing costs.
- 47,690 families have incomes below $35,000 making it difficult to buy or rent adequate housing.
- 57% of all workers statewide have insufficient income to afford a two-bedroom apartment in their county of employment.
- There is a deficit of 12,000 affordable housing units for those with extremely low incomes.
- Over 26,000 households are severely burdened, paying over 50% of their income for housing.
- Nearly 7,000 residents experience homelessness during the year.
- A majority of Delaware's 20,000 substandard housing units in need of major repair or replacement exist in rural counties.

Over the course of the past century, the poor quality and condition of homes was the primary housing concern facing rural America. However, today it can be argued that affordability has replaced poor housing conditions as the greatest problem for low income rural households.

Rural households on average are poorer when compared to urban households. According to the 2000 Census, the poverty rate in rural America is 14.6 percent higher than the national rate. It is also higher when compared to the rate for big cities because rural households tend to pay more of their income for housing than their urban counterparts. According to the Economic Research Service over 400 nonmetro counties (out of a total of 2,308 nonmetro counties, based on 1993 metro-nonmetro definitions) had poverty rates of 20 percent or more in 2000, well above the overall nonmetro average. The same economic conditions can be found in Delaware where the median incomes in the two rural counties are 30% less than the metropolitan counties.

In the face of this need, rural housing spending for Agriculture Department programs has dropped by over 20% the last three years. The Administration's FY 08 budget request calls for elimination of most rural housing program serving low income households.

Another illustration of the drastic reduction in spending by the Agriculture Department is the USDA's Section 515 Rural Rental Housing program which funded the development of 11,542 units of affordable rental housing in FY 1994 in rural areas. Only 1,759 units were developed under the program in FY 02 reflecting an 85% reduction from the FY 1994 levels.

NCALL has directly felt the impact of such reductions in the rural housing programs at the Agriculture Department. NCALL has been responsible for packaging over 700 Rural Development 502 mortgages over two decades in Delaware and increased affordability gaps since the early 2000's have created more demand than ever for this rural homeownership program.

Availability of Federal Programs for Rural Areas

A disproportionate amount of the nation's substandard housing is in rural areas. Rural households are poorer than urban households, pay more of their income for housing that their urban counterparts, and are less likely to receive government-assisted mortgages. For example, although the rural population is 22 percent of the nation's population:

- Less than 7 percent of FHA assistance goes to non-metro areas. On a per-capita basis, rural counties fare worse with FHA, getting only $25 per capita versus $264 per capita in metro areas;
- Only about 10 percent of Veterans Affairs housing programs reach non-metro areas and per capita spending in rural counties is only one-third that of metro areas;
- Only 12 percent of section 8 funds go to non-metro areas; and
- In 2003, Fannie Mae assisted a little more than 9 million families of which 4.5 million were low and moderate income. Of that number 11% or 990,000 families lived in rural areas of which 365,399 or 8% were low or moderate income.

In addition, there is far less Community Reinvestment Act investments, lending, and contribution activity in rural areas due to the fact most financial institutions are based in metropolitan areas.

On Housing Trust Fund Legislation

We are pleased to offer our support for the National Affordable Housing Trust Fund Act. Reinvigoration of federal housing policy is long over due. The resources that this legislation makes available will have a positive impact on the quality and quantity of affordable housing across the nation. Given high levels of housing distress in rural areas, the recent reductions in federal rural housing assistance and the low level of support for rural housing by other programs and entities, the National Rural Housing Coalition is especially pleased to endorse this legislation.

The National Housing Trust Fund Act will help provide resources for affordable housing that are desperately needed along with finance needs to help bridge increasing affordability gaps, especially in rural areas. We have a few comments and recommendations regarding the legislation. These are aimed at facilitating the use of the Trust Fund for rural areas.

1. Section 296 (c) Targeting Requirements

We are happy to support the targeting requirements established in the legislation because there is a real need in rural areas – at least 75% of the funds for affordable housing will serve extremely low income families. We are also happy to support the definition in the bill which defines that an extremely low income household is one having an income at 30% of median or the federal poverty line.

In some rural communities, incomes are extremely low and the poverty line is a better measure for the subsidy contemplated in the legislation. This unfortunately does not match up well against definitions of federal and state programs which use low income as 80% of median, very low income at 50% of median and extremely low income at 30% of median.

It is important to point out that the level of targeting required in this legislation anticipates the availability of a level of subsidy that we have not seen much of in rural America. With reductions in Rural Housing Service programs, limited availability of tax credits and HUD programs, it extremely difficult to assemble subsidies adequate for housing extremely low income people. We support this provision and hope to work with the Committee to be sure than it works for rural America.

2. Section 296 (d) Use for Rural Areas

The provision is designed to ensure that rural communities – as defined by section 520 of the Housing Act of 1949, as amended- received assistance under the Trust Fund. However, as written, the provision does not provide adequate direction to States or Participating Jurisdictions on a definition of need. As a result, there is not a uniform standard for allocating funds to rural communities.

Rural communities are difficult to serve. Projects located in rural areas are smaller and more geographically isolated. It is also more difficult to find matching funds and developers in rural areas. In many cases, following the path of least resistance, may lead to the money for affordable housing going elsewhere.

Under the proposed legislation, the states and Participating Jurisdictions will receive an allocation of the Trust money based on their share of:

- population to the aggregate population of the state;
- families that live in substandard housing;
- families that pay more than 50% of their annual income for housing costs;
- percentage of persons having incomes at or below the poverty line;
- cost of unit construction or carrying out housing rehabilitation in the state;
- percentage of the population of the state residing in counties having extremely low vacancy rates;
- percentage of housing stock in the State that is extremely old; and
- any other factors the Secretary determines to be appropriate.

States and Participating Jurisdictions should use objective criteria in defining rural areas – the legislation adopts the definition in the Title V of the Housing Act – and in allocating resources to housing activities in rural communities. We suggest that the legislation require States and Participating Jurisdictions with rural areas to establish a sub-state or sub-jurisdiction allocation based on housing and poverty need indictors. These factors should include rural population, families living in substandard housing, housing cost overburden and poverty population.

In this calculation we have left out housing construction costs. We acknowledge that housing construction costs in many rural areas are lower than in metropolitan communities. However in many rural communities, building affordable housing includes acquiring and improving land. These additional infrastructure improvements tend to increase the cost of developing affordable housing in rural America.

In addition, and most importantly, incomes in rural America are below that of metro areas. Based on 2000 Census data, the Economic Research Service reports that incomes of rural households are only 75% of that of urban families. In 2000 the annual median family income in a non-metropolitan area was $41,829 compared to the annual median income of a metropolitan area which was $55,203. As a result, the combination of lower median incomes and land and infrastructure costs are offsetting factors to lower construction costs found in many, but not all, rural areas.

We will be pleased to work with the Committee in designing a formula that provides a fair share of the Trust Fund resources for rural America. Again we are pleased to support this legislation and urge the Committee to act on it promptly.

On behalf of the National Rural Housing Coalition, NCALL, and the great State of Delaware, thank you for the opportunity to provide testimony on the National Housing Trust Fund Act.

I would be happy to answer any questions you might have.

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HEARING BEFORE THE

HOUSE FINANCIAL SERVICES COMMITTEE

ENTITLED

"THE NATIONAL AFFORDABLE HOUSING TRUST FUND ACT OF 2007, H.R. 2895"

WRITTEN TESTIMONY OF
JOANNE POOLE, CRS, GRI, LTG
2007 LIAISON

NATIONAL ASSOCIATION OF REALTORS®
JULY 19, 2007

Introduction

Mister Chairman, Ranking Member Bachus and Members of the Committee, thank you for this opportunity to testify before you. My name is JoAnne Poole and I am the broker/owner of Poole Realty in Glen Burnie, Maryland. I have been a REALTOR® for 21 years, and am currently a member of the National Association of REALTORS® Enlarged Leadership Team.

The National Association of REALTORS® supports H.R. 2895, the "National Affordable Housing Trust Fund Act of 2007". The number of families in America today facing critical housing needs is significant and growing. A dedicated Fund to produce, rehabilitate, and preserve affordable housing could make great strides towards addressing this crisis.

Americans have long believed that a decent home in a suitable living environment is a basic tenet of American life. Likewise, living in one's own home is a measure of security and success in life. In light of the fundamental role that housing plays in families' daily lives, the lack of affordable housing for working families – and constructive solutions to address it – deserves a prominent place on the nation's policy agenda.

However, despite an increase in the nation's homeownership rate to a record 69 percent and a reputation for being the best housed country in the world, many deserving American families continue to face obstacles in their quest to own a home. Our nation is experiencing a growing crisis in housing affordability and ownership that, left unaddressed, stands to threaten the future economic and social success for American families and their children.

NAR has equally and forcefully maintained that an adequate stock of affordable rental housing has an immediate and beneficial effect on the prosperity of a community. Rental housing provides a range of housing options that not only attract top employers but also generate local taxes, fees and income that benefit local economies. Sadly, the stock of affordable and available rental units is rapidly declining.

Need for Affordable Housing

We commend the Committee for their continuing efforts on behalf of American families who need affordable housing opportunities. Housing has always been and continues to be one of the highest personal and social priorities in America. This national expression led to passage of landmark legislation in 1949 to insure "decent and suitable" housing for all Americans. The goal of this legislation has been to provide an adequate supply of affordable rental housing and promote widespread homeownership opportunities. Recent record homeownership rates are a testament to the success of these efforts.

It is disturbing to note, though, that even in these strong economic times when we have seen the greatest boom in homeownership rates, not all Americans have been able to benefit. Homeownership rates for ethnic Americans continue to lag behind those of the nation as a whole, coming in at a percentage figure of less than 50 percent. Rapidly escalating home prices have made finding an affordable home to purchase difficult for many working families and those of limited means. Still other studies have documented the decline in the stock of rental units that are affordable and available, as well as a decline in the level of federal housing assistance. The critical demand for affordable housing can be seen in several areas.

Minority Homeownership. Despite great strides, a gap in homeownership for minorities still exists. In May, HUD Secretary Jackson told a meeting of REALTORS® that minority homeownership remains 25 percent below the national average. He said that "We can only improve minority homeownership through powerful partnerships, innovative thinking, and steadfast commitments to fairness, equality and justice. If we overcome these disparities, then we can change the face of homeownership in America."

Last year the Center for Responsible Lending released a study that demonstrated that minorities are 30 percent more likely to receive a higher-priced loan than white borrowers, even after accounting for risk. African-Americans were more likely to receive higher-rate home purchase and refinance loans than similarly-situated white borrowers, particularly for loans with prepayment penalties. For Latinos the situation was even worse. According to the study, Latinos were 29 to 142 percent more likely to receive a higher cost loan than whites of similar risk. A study by the National Community Reinvestment Coalition (NCRC) found similar results. The NCRC study found that of all the conventional loans made to African Americans, 54.5 percent were high cost loans, while only 23.3 percent of whites had high cost loans.

A recent report by the NAACP and National Association of Home Builders notes that half of all African Americans live in unaffordable, inadequate or crowded housing. A lack of accessible workforce housing in many metro areas creates especially severe problems for minorities, even those employed as important community workers, such as police officers, teachers, firefighters and healthcare workers.

Housing Cost Burdens. According to the 2007 State of the Nation's Housing report, issued by the Joint Center for Housing Studies at Harvard University, the number of households with housing cost burdens in excess of 30 percent of income hit a record of 37.3 million households in 2005. The same study reported that more than one in seven US households spent more than half their income on housing. Approximately 42 percent of those facing this burden were households with incomes roughtly equal to the median income. Also supporting this assessment of housing burdens, the Center for Housing Policy estimates that more than 5 million working families had critical housing needs in 2003 – an increase of 60 percent since 1997. In 2005, 34.5 percent of homeowners and nearly 46 percent of renters were paying 30 percent or more of their gross income on housing costs, according to a recent Census Bureau's American Community Survey.

Families who pay more than 30 percent of their income for housing face challenges in all other aspects of their lives. When housing consumes more than 30 percent of a family's budget, it lessens the amount available for other basic needs, such as medical care, food, and clothing. This has serious impacts on families and especially children.

Affordable Rental Housing Stocks. At the same time that the need for an available stock of affordable rental unit is growing, federal programs for construction and rehabilitation of such units and housing assistance are increasingly unable to meet the need. The federal Low Income Housing Tax Credit has served as the primary vehicle for developing affordable housing. This successful program has added as many as 90,000 affordable rental units to the housing stock each year. However, these new units have not been sufficient to offset the loss of subsidized units as public housing is demolished or owners have opted-out of participation in the Section 8 program.

In the ten years between 1993 and 2003, 2 million affordable housing units were lost. The U.S. Department of Housing and Urban Development estimated that by 2005 there were only 77 units affordable and available for every 100 very low-income renters.

Lack of subsidized units isn't the only problem our nation faces. According to a recent rental housing survey, "America's Rental Housing: Homes for a Diverse Nation", by the Joint Center for Housing Studies at Harvard University, two-thirds of all lower-income families live in privately-owned unsubsidized rental units. Building affordable multi-family housing is more difficult and expensive than building market rate housing due to high construction costs, governmental regulations, "Not In My Backyard" (NIMBY) attitudes, and local zoning restraints.

Declining Housing Assistance. In 2006, housing assistance as a percentage of non-defense discretionary spending fell to 7.7 percent from 10.2 percent in 1998. The Harvard MIT Joint Center reports that federal assistance to very low-income households reaches only about one-quarter of eligible renters.

Clearly, federal support of housing is a critical element in meeting the goals of decent housing and homeownership opportunities for all. However, these goals will only be achieved if there is mutual support and cooperation from all concerned groups, including state and local governments, private enterprises, charitable organizations, REALTORS®, builders and those involved in mortgage finance.

Success of Trust Funds

Hundreds of housing trust funds operate in the U.S., spending many millions of dollars on housing opportunities each year. These trusts have traditionally been established by state or local governments that receive ongoing public revenues dedicated to affordable housing initiatives, including new construction, preservation of existing housing, emergency repairs, homeless shelters, housing-related services, and multifamily building for nonprofit organizations.

Housing trust funds provide a stable and steady source of funding to meet the needs and provisions for affordable housing. Trust funds enable jurisdictions to design housing programs and provide housing developers with a dependable source of funding to support projects.

States and local governments have found the need for affordable housing growing, just as resources are limited. Many of these governments have created trust funds using many different sources of revenue, including taxes and fees in part due to the limited resources and perceived lack of commitment on the federal level. Others have become even more creative and used forfeited monies, interest on accounts, and more. Most trust funds include some matching component, whereby trust money is leveraged with other resources.

Trust fund monies are used for a variety of purposes, often tailored to the local community. Construction, rehabilitation and homeownership assistance are the most common. Other uses include capacity building for local organizations, surveys and other acquisition requirements to accept donated land, and funds dedicated to special causes like homelessness or transitional housing.

My home state created the Maryland Affordable Housing Trust (MAHT) in 1992 to promote affordable housing throughout the State of Maryland, funded through interest on title company escrow accounts. MAHT promotes affordable housing opportunities for households earning less than 50% of median income. The program provides awards of up to $150,000 that can be used as capital funding for rental and homeownership development, financial assistance for supportive services for affordable housing residents, operating expenses for housing developments, and financial assistance for capacity building among non-profit developers. To date MAHT has awarded over $21.5 million as loans, grants, or other financial assistance.

National Affordable Housing Trust Fund

H.R. 2895 the "National Affordable Housing Trust Fund Act of 2007" was introduced by Rep. Barney Frank (D-MA) and a bipartisan group of 16 members of Congress, including 8 Republicans and 8 Democrats. The legislation would create a National Affordable Housing Trust Fund that would be used to develop, rehabilitate, and preserve affordable housing. Funds could also be used for homeownership assistance including downpayment and closing costs.

The Fund would be administered by HUD, with 60 percent of monies going to cities and counties and the remaining 40 percent to states. The National Association of REALTORS® strongly supports this allocation of funds. Localities are best positioned to determine what their housing needs are. What is appropriate and necessary in one community may not work in another. While some housing programs may be pervasive state-wide, we believe the majority are more locally-focused.

Seventy-five percent of all funds must be used for housing for extremely low income people (those making less than 30 percent of median); the remaining 60 percent can be used for families making up to 80 percent of the median. The National Association of REALTORS® does not argue that housing is a critical need for extremely low income families. However, we would like to point out that there is a range of federal programs currently available to meet the housing needs of very-low-income- and low-income families. These programs include, but are not limited to, federally-assisted housing programs (e.g. HOPE VI, HOME), the Low-Income Housing Tax Credit, and Section 8 voucher program. However, there exists no program that is designed to provide rental housing for working families from 60 percent to 100 percent of median income.

The number of moderate-income families facing critical housing needs is significant and growing. A recent study by Freddie Mac, Century Housing and the National Housing Conference found a dramatic increase in critical housing needs. In the last five years, the number of working U.S. families parting with more than half their income to put a roof over their heads jumped 76 percent -- from 2.4 million in 1997 to 4.2 million in 2003. This number includes both renters and homeowners. We are pleased that the trust fund allocates 25 percent of the funds for families making up to 80 percent of median income.

Eligible grantees include nonprofit, for-profits, agencies, and faith-based organizations. Recipients of the Funds must provide matching monies. The Trust Fund would be independent from federal appropriations, as it would take monies from profits generated by the GSEs and from income derived from the FHA HECM program.

The National Association of REALTORS® believes that the approach taken in HR 2895 is reasonable, fair, and necessary to meet the needs of American families.

What REALTORS® Are Doing

REALTORS® are active participants in their commitment to revitalizing local communities. In 2002, The National Association of REALTORS® created its own Housing Opportunity Program. The mission of NAR's Housing Opportunity Program is to help REALTORS® nationwide become leaders in identifying, developing, advocating for, and promoting programs, products, and resources that expand housing availability and ensure an adequate supply of housing opportunities for all in both the rental and homeownership sectors of the market. NAR provides local and state Associations and REALTORS® with the programs, tools, and events needed to create housing opportunities in their communities. The program also provides grants to state and local Associations to help them establish their own local housing opportunity programs.

In addition to NAR's efforts, REALTOR® Associations nationwide have developed affordable housing funds and other programs to help low and moderate income families with their housing needs.

For example, the California Association of REALTORS® (CAR) began a Housing Affordability Fund in 2002. California's housing crisis is staggering: 250,000 households are added each year, but only 150,000 units are produced, resulting in a housing production gap of 100,000 units per year; a housing affordability gap of 24 percent, (meaning that only 24 percent, of Californians can afford a median priced home in the state); and a homeownership gap, whereby only 58 percent, of Californians own a home, compared to the national average of 68 percent.

In five short years, the California Association of REALTORS® fund has provided over $1.5 million in funding and leveraged more than $74 million of additional investment in affordable housing programs statewide. Programs supported by the CAR fund provide homeownership counseling, downpayment and closing cost assistance, workforce housing development, partnerships with Habitat for Humanity, and affordable housing design efforts.

Several other state REALTOR® associations, including New Hampshire and Utah, have developed affordable housing funds using the interest generated from escrow accounts held during a home sales transaction. These REALTOR® Association funds provide a mechanism for homebuyers and REALTORS® to work together to put their escrowed funds into an interest-bearing account. The interest generated is then provided as grants to non-profit housing groups in their state.

In 1996, the Illinois Association of REALTORS® organized a foundation, called the "Partnership for HomeOwnership, Inc", to help low-income rural families achieve the dream of homeownership. The foundation administers mortgage programs, provides pre-purchase home counseling, and consults with cities and localities to assist in the development of similar programs. The Partnership also developed a website called www.credit-power.org which teaches high school students about the importance of good credit. The website is available in both English and Spanish.

In 2005, the Illinois foundation received the HOPE (Home Ownership Participation for Everyone) award for their work in Quincy, Illinois which provided very low-interest loans to first time low-income homebuyers in a largely minority community. The program provided credit counseling, homebuyer education and downpayment assistance to the homebuyers, and now serves as a model for employer-assisted housing programs.

Conclusion

The NATIONAL ASSOCIATION OF REALTORS® recognizes that access to safe, decent and affordable housing of all types must be one of our nation's highest priorities. NAR strongly supports the goal of the National Housing Trust Fund, and looks forward to working with you on this important legislation.

Testimony of David I. Roberts
President/CEO, Lutheran Homes Society of NW Ohio and SE Michigan
President of Lutheran Services in America-Ohio

Presented to

United States House of Representatives
Committee on Financial Services
Hearing on H.R. 2895,
The National Affordable Housing Trust Fund Act of 2007

July 19, 2007

LSA
Lutheran Services in America

LHS
Lutheran
Homes
Society

Good morning Chairman Frank, Ranking Member Bachus, and members of the committee. I am David Roberts, President and CEO of Lutheran Homes Society of NW Ohio and SE Michigan. On behalf of Lutheran Services in America, LSA–Ohio, and Lutheran Homes Society, we would like to thank you for this opportunity to testify about the National Affordable Housing Trust Fund Act of 2007. We would also like to thank the committee for your interest in affordable housing.

Forty years ago I was fresh out of high school – one of those carefree, fun-loving kids. However, my parents instilled in me a love for my country and, in 1967 I enlisted in the United States Navy. One night, in the middle of the Atlantic Ocean, at 1:00 in the morning, my shipmates took me out on the catwalk of the USS John F. Kennedy and threatened to throw me off the ship if I did not straighten up and take on my responsibility to our crew and our mission. I was given a chance.

After serving four years during the Vietnam War, I began my civilian career sweeping floors around spark plug machines and was a proud member of the UAW Local 20. Then I was given a chance to work in supervision. My job was to give our hard workers the tools to succeed … to give them a chance.

And, here I am today to offer you testimony on the National Affordable Housing Trust Fund Act of 2007 (H.R. 2895) and how this bill can give people a chance – I have experience in giving and receiving chances. Lutheran Services in America, LSA-Ohio, and Lutheran Homes Society strongly support H.R. 2895. The passage of this bill would make a significant difference in the lives of those in need of affordable housing, particularly those who have low incomes as a result of a disability or loss of a spouse.

I speak for Lutheran Homes Society (LHS), a 147 year old agency that began service in 1860, the year before the civil war began. Since that beginning, LHS has served hundreds of thousands of youth and elderly, in a variety of residential settings – people that needed a chance.

Lutheran Homes Society (LHS) is a not-for-profit social service agency serving people through an array of residential and supportive services. Youth and their families are served through group homes for troubled youth, a parent-partners-in-treatment program, Severe Emotionally Disturbed classrooms, and a residential and day-treatment program for youth with Asperger's Disorder. Elderly persons are served through assisted living, long-term care, and independent living. In the independent living sector, LHS currently has three affordable housing tax credit facilities totaling 214 apartments for elderly persons. LHS has built and operates eight affordable housing HUD Section 202 sites totaling 410 apartments for elderly residents. In 2006, Lutheran Homes Society served a total of 773 individuals in these affordable housing residential communities. In total, Lutheran Homes Society served 2,282 individuals in all our programs during the 2006 calendar year.

LHS's services include residential services and service coordination that allow people living in our facilities to receive services that keep them independent and avoid moving to extended care prematurely. LHS estimates that our affordable housing with supportive services has realized the state of Ohio a savings in excess of $4 million in Medicaid spending.

LHS started a program called LINCS (Lutheran Interfaith Network of Caring Services), which is a completely free service to the community that serves needy elderly persons outside the walls of our facilities. This service provides an opportunity for our service coordinators to do an assessment and find no-cost or low-cost services for people who remain in their private homes.

LHS has been serving in the affordable housing arena since March 1981 when our first resident moved into our first HUD Section 202 Supportive Housing for the Elderly property. Since that time, three affordable tax credit properties have been added to our portfolio, giving us a total of 624 apartments in 11 locations. LHS is ranked nationally as the 39th largest provider of affordable housing among the 5,300 not-for-profit members of the American Association of Homes and Services for the Aging (AAHSA) in their AAHSA/Ziegler 2006 report. We are the third largest provider of affordable housing in the nation among our fellow Lutheran Services in America (LSA) member agencies.

I am privileged to currently serve as President of LSA-Ohio, which is a coalition of 17 social service agencies in Ohio serving in virtually every setting and every social need. LSA-Ohio members provide services from work release, to nursing homes, to homeless shelters, food pantries, foster homes, home health care, and the list goes on and on. LSA-Ohio is very active in the area we are discussing today – affordable housing. In a recent survey, the four largest LSA-Ohio providers of affordable housing for the elderly (Graceworks in Dayton, Lutheran Social Services in Columbus, Lutheran Metropolitan Ministries in Cleveland, and Lutheran Homes Society in Holland) reported that they provide nearly 1,700 units of affordable housing in 35 locations and have waiting lists totaling over 1,200 persons.

The Ohio agencies are members of our national association, Lutheran Services in America. Lutheran Services in America (LSA) is an alliance of national Lutheran church bodies and their health and human service organizations. LSA has nearly 300 member agencies providing services throughout all 50 states and the Caribbean. Its members deliver more than $9.5 billion in services to six million people in the United States every year. The network of organizations works neighbor to neighbor with the elderly, children and families, people with mental and physical disabilities, refugees, victims of natural disasters, and others in great need. Through these efforts, LSA members create opportunities and build self-sufficiency and promise in millions of lives.

LSA has identified creating and preserving affordable housing as one of its highest public policy priorities for this Congress. Lutheran social ministry organizations are leaders in developing affordable housing, particularly for elderly people and people with disabilities. LSA member organizations currently provide over 16,000 affordable housing units for low income people throughout the United States and the Caribbean. LSA, LSA-Ohio, and Lutheran Homes Society appreciate the opportunity to partner with the federal government to meet the housing needs of people in communities across the country.

But, honored members, this proposed legislation is not about LSA, LSA-Ohio, or LHS. It is about youth, elders, and families who need a chance and your opportunity to give it to them through the establishment of the National Affordable Housing Trust Fund.

Here are just a few examples of elderly persons that LHS has helped by proving affordable housing. Although the names have been changed to honor their privacy, we believe they are examples of millions of others out there in our communities who are

- still waiting for affordable housing
- still waiting for a chance.

Rita, age 71, has an annual income of $3,720. She currently has $253 in her checking account and $773 in her savings account. Her rental expense is $83 per month. She was divorced and received nothing from that divorce and, after caring for her children, was the caregiver for her mother for many years. They were living together and combined their incomes to be able to afford the cost of housing. After her mother died, she did not know where she was going to live since her mother passed and she lost that income. Rita says, "I don't know where I would be if I had not moved here, I am able to remain independent. I am so thankful for my beautiful home and caring staff."

Sister Agnes, age 72, has an annual income of $4,535. She has no assets to her name as she had taken a vow of poverty. Her rental expense is $103 per month. She was living in multifamily housing prior to her coming to us, but the cost for rent was getting to be too expensive. Sister Agnes says, "Living here has allowed me to live in a safe and well cared for community with A+ neighbors, which frees me to continue my volunteer services in the wider communities of Toledo." Notice what Sister Agnes says: Living in affordable housing allows her to do for others.

Helen, age 67, has an annual income of $1,357 and pays $34 per month in rent. Helen, who had been divorced, came to live at Windy Acres in New London, Ohio, because she had no contact with her family. Helen was homeless and living in her car at the time of her application.

Marie, who is in her 60's, also lives at Windy Acres and has an annual income of $4,408 and pays a monthly rental expense of $110.

LSA-Ohio serves people who are homeless, too. For example, Lutheran Metropolitan Ministries in Cleveland provides emergency shelter to 500 people every night. In Columbus, Faith Mission, run by Lutheran Social Services of Central Ohio, provides shelter to 200 people nightly, 15 percent are men over the age of 60. The men stay at Faith Mission because there is no alternative housing to offer them. A non-Lutheran agency in Toledo, Cherry Street Mission, serves on average 170 men and women each and every night. The Coalition on Homelessness and Housing in Ohio (COHHIO) estimates that there were over 140,000 persons in Ohio who needed affordable housing at the end of 2006. I would assert given no changes in public policy since that time that this number is higher today. Interfaith Hospitality Network in the Toledo, Ohio area can only care for four families every night in local church buildings. The families often have pre-school age children and have no place to go and no way to get a start on life!

Section 811 Supportive Housing for Persons with Disabilities is also in critical short supply. LSA agency, Luther Home of Mercy in Williston, Ohio, will soon have eight facilities serving 34 residents. The Board of Mental Retardation and Development Disabilities of Lucas, Wood, and Ottawa counties in Ohio estimate that there are 1,600 individuals needing affordable housing in their three counties alone!

Lutheran Homes Society believes investment in the development of affordable housing should be a partnership between government and the developer. As evidence of this commitment, our newest HUD Section 202 property, in Oregon, Ohio, includes our donation of the land, appraised at $290,000. The need is great and not-for-profit developers such as LHS are willing to meet the need by building and preserving affordable housing units. However, not-for-profit organizations cannot survive by losing money. The National Affordable Housing Trust Fund would help with "gap financing" by creating a new source of funding for capital development and improvement.

One of our sister agencies in Ohio has decided to no longer participate in affordable housing programs because they cannot find adequate equity. Based on our documented waiting lists, the need will continue to grow at alarming rates without appropriate government action. H.R. 2895 would leave other sources, such as Section 202, Section 811, and Section 8 housing vouchers available to sustain housing costs for extremely low-income households. This trust fund would provide additional federal support for affordable housing, but would not preclude the need to continue to invest resources in other existing federal housing programs.

In rural, suburban, and central city communities, nearly 95 million people (one-third of the nation) have significant housing needs, including high housing costs relative to income, overcrowding, inadequate living conditions, and homelessness. Nearly 65 million people that experience housing needs live in households with low incomes, earning less than 80 percent of the area's median income. The U.S. Census Bureau estimates that there are 3.6 million seniors living in poverty. And, the American Association of Retired Persons (AARP) reports that there are at least ten seniors waiting for every unit of Section 202 affordable housing that becomes available. According to the U.S. Housing and Urban Development department (HUD), "the shortages of affordable housing remained most severe for units affordable and available to renters with extremely low incomes – with only 42 affordable and available units for every 100 extremely low-income renters." The American Association of Homes and Services for the Aging (AAHSA) states that an estimated 7.4 million seniors pay more than they can afford for housing. And, Harvard University's Joint Center for Housing found that for every unit of affordable housing we build, two are lost either by the conversion of affordable housing to market-rate housing or by sponsors of Section 202 opting out of the program when their contracts expire.

I commend those who conceived of and wrote this legislation because it addresses the continuum of housing needs including rental housing and home ownership. It is important that we remember that everybody does not fit in the same mold and different people have different needs. I believe the National Affordable Housing Trust Fund will address that continuum. A very positive aspect about the National Affordable Housing Trust Fund is that it provides opportunity for people with extremely low incomes who are not able to maintain their own home because of age and/or disabilities, as is the case with the population we serve, to have a place to call "home."

I have shared with you stories of some people we are currently serving. To date, we have 522 elderly persons on our waiting lists for affordable housing at our various housing sites. Additionally, we have people on an "interest" list for a housing project not yet built. Here is a story of someone who is on one of our lists:

Catherine is 81 years old and lives in a rural area. She lost her husband to cancer in 2001. Because she does not drive, she does not leave home often, thereby increasing her loneliness and isolation. She often goes a week or more at a time without seeing anyone.

Although she can take care of her own personal needs and cooking, washing the dishes, and laundry, Catherine is no longer able to keep up with the physical needs of maintenance of her home and yard. The older home she lives in is in need of serious repair but she lacks the funds to do so. If Catherine lived in affordable rental housing, maintenance would be taken care of, and she would have an opportunity to connect with close neighbors that will help her feel less lonely and isolated.

Since the death of her husband, Catherine has depleted her savings and barely survives on her only income of $449 per month from Social Security after her Medicare deduction. She struggles with the necessities of life, like food and prescription co-pays. Obviously, her low income prevents her from being able to afford market rate housing options.

Catherine is a real person and, unfortunately, there are so many others out there just like her who do not have the means to increase their income. This legislation, if enacted, will help Catherine and those like her by giving them a chance to live in a home they can afford. I also believe they will become more productive like Sister Agnes and help others in need. We find this to be the case in our affordable housing communities. We just need to give them a chance.

Thank you for your legislative efforts on behalf of elderly people, people with disabilities, and others by supporting H.R. 2895, the National Affordable Housing Trust Fund Act of 2007. And, thank you again for the opportunity to speak to you. I am happy to answer questions.

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Curriculum Vitae Appendix A

DAVID I. ROBERTS

Lutheran Homes Society, Inc.
1905 Perrysburg-Holland Road, Holland, Ohio 43528
Telephone: (419) 861-5505, Fax: (419) 861-4059
E-mail: droberts@lutheranhomessociety.org

President & CEO (1994 – present)

Chief executive officer of multi-service, multi-site social ministry organization, affiliated with Lutheran Services in America. Operations include: four long-term care campuses totaling 411 skilled-care nursing beds, 163 assisted living units, and 106 independent living market-rate units; 698 independent living apartments in eleven communities for elderly persons with low and moderate incomes; five group homes for troubled youth, special needs/Aspergers youth treatment center, day treatment program, and ancillary support services in case management; all serving up to 64 youth & families. Current annual budget of $50 million deploying $100 million insured assets.

Assistant to the Executive Director (1990 – 1994)

Chief administrative officer with supervisory responsibility for accounting, finance and human resources.

Prior Employment

Champion Spark Plug Company, Toledo, Ohio *(1972-1989)*

Management, administrative, and supervisory positions including: Marketing Manager, OEM Sales Representative, Corporate Capital Budget Administrator, Special Assignment Project Manager, Corporate Auditor, Special Assignment-Systems & Materials Coordinator, Production Supervisor, Hourly Employee

Education

Capella University

PhD Studies: Organization and Management, 2003-2004, Leadership Specialization

Evangelical Lutheran Church in America/Lutheran Church-Missouri Synod

Social Ministry Leadership Institute, *1993*

The University of Toledo

Master of Business Administration, *1983*; Major: Industrial Relations
Bachelor of Business Administration, *1977;* Major: Operations Analysis

Community

President, Lutheran Services in America-Ohio; Peer Reviewer, Ohio Association Non-profit Organizations Standards of Excellence; University of Toledo College of Business Strategic Planning Committee, Advisory Board, YMCA Camp Storer; Strategic Planning Committee, Lutheran Home Westlake; University of Toledo Business Advisory Council (past chair), Association of Ohio Philanthropic Homes for Aging Managed Care Development Committee; City of Oregon Ohio, Oregon Commercial/Industrial Architectural Review Committee; Vice President, Coalition of Ohio Lutheran Agencies. Co-Chair, Northwest Ohio Lutheran Planning Council, ELCA Northwest Ohio Synod Budget and Finance Committee, ELCA Northwest Ohio Synod Professional Leaders Retreat Committee.

Honors

Doctor of Laws and Letters, Wesley Synod Evangelical Reformed Methodist Church, 2003
Outstanding Young Men of America, *1983*
United States Navy *('67-'72),* National Defense Service Medal, Meritorious Unit Citation

Presentations

University of Toledo College of Business Administration Spring Commencement 5/03, Lutheran Home at Toledo Volunteer Recognition 4/03, University of Toledo College of Business Administration Faculty 2/03, Prince of Peace Oregon 7/01, St. Paul Maumee 10/00, Lutheran Home at Toledo 12/97, St. Paul's Temperance 11/97, Lutheran Village at Wolf Creek 8/97, St. Luke's Temperance 5/97, St. Martin Archbold 2/97, Bank One Columbus 1/97, St. Mark's Toledo 2/96, Central Conference Pastors 12/95, Lutheran Pastors Bowling Green 10/95, Lutheran Men's League Toledo 10/95, Kiwanis Oregon 9/95

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Good Afternoon, Mr. Chairman and other Distinguished Members of the Committee. Thank you for the invitation to speak today.

As a pediatrician, I am not among the usual suspects to testify in support of HR 2895, the National Affordable Housing Trust Fund Bill of 2007. I am here today to share with you new research that recognizes housing as the foundation to excellent child health. I hope to convince you that often that best medical intervention for children is to get them an affordable home and that it is within your power to keep kids healthy through housing.

As many of you know, there are millions of families on waiting lists for affordable housing. In Boston it is not unusual for waiting lists to actually be closed and not accept applications because tens of thousands of families have already applied. Even families in homeless shelters with the highest priority often wait a year and half or more to get a home they can afford. For many families, as they wait on these lists, this means making terrible trade-offs between rent and food, or settling on a home with severe housing problems such pest infestations or mold because it simply is all they can afford.

We know from the Children's Sentinel Nutrition Assessment Program (it is commonly known as C-SNAP) that food insecure children who are eligible but don't receive housing subsidies are twice as likely as those who do receive housing subsidies to have stunted growth by World Health Organization criteria. (Meyers et al Archives of Pediatrics 2005) This is important since one aspect of the bill targets the majority of National Affordable Housing Trust Fund, some 75 percent for extremely low-income families, defined at thirty percent of area median income. This means the children most at risk for stunting, those who are food insecure, could be protected by from stunting, simply by getting an affordable home. As you know, stunting not only limits children's physical growth in the short term but also stunts their life long potential because we know that if your body is not growing, your brain is not growing as well.

Because many families have very few limited choices of homes they can afford, and have to make trade-offs, they often live in substandard conditions, such as infestations with cockroaches. We know these can threaten their children's health. For instance, asthmatic children who are allergic to cockroaches and then exposed to cockroaches in their home are three more times likely to be hospitalized for asthma. (Rosenstreich NEJM 1997) What can be surprising to people is that though 30% of urban children have cockroach allergies, 20% of suburban children also are allergic and exposed, suggesting these substandard conditions can go beyond the stereotypical inner city.(Matsui JACI 2003) Further, new data suggest that exposure to cockroaches in early life may cause immune system changes that can lead to the development of wheezing and asthma. (Finn et al JACI 2000) Young children living in other substandard exposures, such as older homes with leaded paint, are well known to affect development and by recent estimates, can lead to billions of dollars in education and other costs (Landrigan EHP 2002)

Lastly, families having difficulty affording rent may double up with other families, resulting in crowding or move frequently from one place to another. We know children who stay in the same home, and do not move frequently, have better child development outcomes and do better in school. (Zima AJPH 1994)

Another aspect of the bill that I support is the local flexibility offered by the bill. From my experience working in Boston with the Boston Public Health Commission, local Community Development Corporations and some state funded housing developments, the ability for state and local governments to match the best local solutions to their greatest housing needs makes the most sense. In some instances, rental-housing needs are the most pressing or in other localities, homeownership can be targeted as the best outcome. Research has consistently shown home ownership makes housing more stable and is better for overall health. In pediatrics, the best therapies are often tailored ones, and this bill clearly accommodates local needs.

I urge you to support HR 2895 the National Affordable Housing Trust Fund Bill of 2007 because it can ensure that our most vulnerable population, our children, have a safe, decent, affordable home. I leave you with the idea that **a safe, decent, affordable homes is like a vaccine. It literally prevents disease.** A safe home can prevent mental health and developmental problems, a decent home may prevent asthma or lead poisoning and an affordable home can prevent stunted growth and unnecessary hospitalizations. This bill's goal is 1.5 million affordable homes over the next 10 years, and that can mean more than 1.5 million healthier children as a result.

I would like to end with a story that drives home why I think housing can be a medical intervention to make kids better and can keep kids healthy. In my pediatric practice, I take care of a child, Whitney, who I first met when she was only 9 months old. Her family was homeless because they could not afford an apartment of their own. At that time she was already falling off the growth chart, and over the next three months she gained less than a pound, and I needed to hospitalize her because she was becoming dangerously malnourished. She ended up needing to be transferred to a rehabilitation hospital because she had an underlying swallowing problem and stayed for over a month, which you can imagine the cost of that to her insurance. At the rehabilitation hospital, she slowly began to gain weight but as soon as she went back to the shelter she began to lose weight again. After advocating with the help of lawyers from our Medical Legal Partnership at Boston Medical Center, Whitney and her family were finally offered an affordable home in a local public housing development. Once in her new apartment, Whitney began to gain weight, her developmental delays improved, and she was able to thrive. I recently saw her at her physical a few months ago, and at 4 years old, she is starting to learn to read. I tried my best to treat Whitney, with all my medical expertise, including very expensive medical care during hospitalizations, but the best medical intervention, the one that eventually made her well, was a safe, decent, affordable home. It is actually Whitney's birthday today, July 19th, and I can think of nothing better to help her and kids like her to stay healthy than to pass HR 2895 the National Affordable Housing Trust Bill of 2007.

Thank you.

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Zima, Bonnie T., Kenneth B. Wells, and Howard E. Freeman. 1994. Emotional and Behavioral Problems and Severe Academic Delays among Sheltered Homeless Children in Los Angeles County. *American Journal of Public Health* 84(2): 260-264.

Websites:

C-SNAP: http://dcc2.bumc.bu.edu/csnappublic/

Medical Legal Partnership for Children: www.mlpforchildren.org

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STATEMENT OF MR. HILARY SHELTON,
DIRECTOR, NAACP WASHINGTON BUREAU
ON NAACP SUPPORT FOR H.R. 2895,
LEGISLATION TO ESTABLISH A NATIONAL AFFORDABLE HOUSING TRUST FUND
BEFORE THE HOUSE FINANCIAL SERVICES COMMITTEE

July 29, 2007

Good morning. My name is Hilary Shelton and I am here on behalf of the NAACP, our Nation's oldest, largest and most widely recognized grassroots civil rights organization. I am the Director of the NAACP's Washington Bureau, our public policy and federal legislative advocacy arm.

I am here because the guarantee of safe, secure and affordable housing for all Americans has long been a cornerstone of NAACP's legislative policy agenda. While we continue to struggle against housing discrimination, Americans are also finding it increasingly difficult to obtain affordable housing in a safe and secure community that allow us to raise our families on the modest incomes that so many hard working Americans take home. This is especially true for low income Americans and racial and ethnic minorities, and so our struggle continues.

Before I talk about that, however, I would like to first thank Congressman Frank, Congresswoman Waters, and the other Members of this committee and this Congress who have worked so hard and for so long to address the critical housing shortage that is facing too many low income people. I would also like to thank our partners at the National Low Income Housing Coalition, and others who have worked diligently on behalf of a National Affordable Housing Trust Fund.

The NAACP strongly supports H.R, 2895, legislation to establish a National Affordable Housing Trust Fund. For close to half of American families, owning an affordable home or even finding a safe, decent rental unit is financially unattainable.

And although to many it may appear to be common sense, it bears stating here that a safe, secure and affordable home, whether it be owned or rented, is key to a stable family life, which in turn can only benefit communities. Safe, secure and affordable housing leads to, among other benefits, lower health care costs:

children who live in substandard housing are more likely to suffer from debilitating health conditions including asthma and lead poisoning.

But sadly, finding a safe affordable home is becoming increasingly difficult for may Americans and is proving to be especially hard for extremely low income Americans. Unfortunately, a disproportionate number of these people are African American and other racial or ethnic minorities.

Currently, only 46% of all African Americans own their own home, compared to more than 70% of white Americans. Perhaps more troubling than that statistic, however, is the disparate number of African Americans who spend too much of their income, which is already at the low end of the wage scale, on housing and utilities.

The most current numbers we have indicate that 23% of African Americans fall into the "extremely low income" category. Of these men, women, children and families, 73% have "severe housing needs"; in other words, they spend more than 50% of their income on housing and utilities. In summary, half of all African Americans live in unaffordable, inadequate and/or crowded housing.

But of course, this is not only a problem for African Americans. 71% of Hispanic Americans who fall into the "extremely low income" category have severe housing needs and 66% of extremely low income Caucasians pay more than 50%of their income to ensure that they have a roof over their heads. All these numbers add up to one alarming fact: too many Americans of all races and ethnic backgrounds are too often forced to choose between shelter over their head, food on their table, or a winter coat.

If these numbers do not convince you of the clear need for the National Affordable Housing Trust Fund as established in this bill, let me also tell you that the situation is getting worse. In 2003, the US Department of Housing and Urban Development estimated that there was a deficit of 2 million extremely low income rental units; in 2005, that deficit had grown to 4 million. In 2003, HUD estimated that there were 44 affordable rental units available for every 100 extremely low income households. That number dropped to 40 units available in 2005, and the number continues to worsen. Unfortunately, the number of extremely low income households continues to grow as the number of affordable rental units decreases. As a matter of fact, of the 5.8 million black households reporting housing problems in the 2003, 4.9 million cited housing affordability as their biggest problem.

It is because of this growing need that the NAACP strongly supports the establishment of a National Affordable Housing Trust Fund, and especially one that targets the needs of extremely low income Americans. I would remind you that we are talking about men and women who usually work at or near the minimum wage, or are on Social Security. These are the people who most need our help, and unfortunately are often the last to receive it.

Under H.R. 2895, the National Affordable Housing Trust Fund would establish federal housing funds to be used to meet a nation-wide goal of producing, rehabilitating and preserving at least 1.5 million units of affordable housing over the next ten years. It would be based on the more than 270 state and local housing trust funds across the nation that have already produced hundreds of thousands of units.

Furthermore, as a direct result of H.R. 2895, approximately 180,000 much-needed jobs would be created to help produce, rehabilitate and preserve this housing. That is about $5 billion in wage creation, which will grow about 1.7 million residual jobs. So in the eyes of the NAACP this bill is not only needed, it is a good idea which, like many good ideas in this city, was taking too long to become a reality before now.

The NAACP is thus pleased to strongly support H.R. 2895, and I would once again like to thank all of the Members of Congress who have worked so hard to bring us this far. The NAACP stands ready to make the National Affordable Housing Trust Fund a reality.

I would welcome any questions at this point.

NCSHA

Testimony on the National Affordable Housing Trust Fund Act of 2007, H.R. 2895,

Submitted to the

House Committee on Financial Services

by the National Council of State Housing Agencies

July 19, 2007

Chairman Frank, Ranking Member Bachus, and members of the Committee, I am Barbara Thompson, executive director of the National Council of State Housing Agencies (NCSHA). Thank you for the opportunity to testify on behalf of NCSHA in support of the Affordable Housing Trust Fund Act of 2007, H.R. 2895.

NCSHA has long advocated for new, flexible, state-run affordable rental production resources to leverage those existing funds states now administer to reach even lower income families. We believe Trust funding, if allocated through the states under rational rules compatible with other federal housing program rules, could answer this need.

We urge the Committee also to consider, either through the Trust Fund or another mechanism, creating a source of long-term operating support for rental properties housing extremely low-income families. This is the largest barrier to their development. Short-term operating subsidies, such as those permitted under this bill, do not overcome it. We encourage the Committee to establish a state-run project-based rental assistance program to support the feasibility and long-term operation of rental housing for extremely low-income families, even if on a limited, demonstration basis to start.

NCSHA represents the Housing Finance Agencies (HFAs) of the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. State HFAs have provided affordable housing to millions of families nationwide.

State HFAs allocate the Low Income Housing Tax Credit (Housing Credit) and issue tax-exempt private activity bonds (Housing Bonds) to finance apartments for low-income renters and low-cost mortgages for lower-income first-time homebuyers in virtually every state. They administer HOME funding in 42 states to provide both rental and homeownership opportunities for low-income families. They operate the Section 8 Housing Choice Voucher program in 22 states and administer Section 8 project-based contracts in 42 states.

NCSHA especially wants to thank you, Mr. Chairman, for your commitment to establishing new, dedicated sources of federal support for affordable housing. We are hopeful this strategy will insulate these funds from budget cutting, to which appropriated housing programs have proven especially vulnerable in recent years.

We are also grateful for the Chairman's recognition of the interdependence of federal housing programs and the importance of facilitating their use together. We applaud your unprecedented effort to reach across jurisdictional lines to Ways and Means Committee Chairman Rangel to work with him to remove barriers to the effective combination of tax-based housing programs, such as the Housing Credit, and HUD and USDA housing programs. We are excited by the opportunity the creation of the Trust Fund presents to ensure at its inception its compatibility with other federal housing programs with which its funds will inevitably be combined to accomplish its goals.

Leveraging Housing Credit and Other Production Resources

NCSHA appreciates the Chairman's interest in concentrating Trust Fund resources on the housing needs of extremely low-income families. Much of the recent housing data supports and states regularly report that we are increasingly challenged to meet the needs of these families with the federal housing programs we have, as successful as many of them are.

One especially successful program is the Housing Credit, the single greatest producer of affordable rental housing. With it, state HFAs and their partners over two decades have produced more than 2 million homes—140,000 more each year—with rents affordable to households with incomes of 60 percent of area median income (AMI) or less. Today, about half of the Housing Credit homes they produce annually are financed with Housing Bonds.

Housing Credit and Bond authority, however, is limited. Though Congress nearly doubled it in 2000 and indexed it for inflation, Credit and Bond authority available to states annually does not begin to meet the demand for it. Housing Credit demand outstrips supply by an average of two to one nationally; in some states it is as high as four to one. Housing competes in all states with other private activity bond-eligible activities, with multifamily and single-family housing each receiving an average of 20 percent of available authority annually, not nearly enough to meet the need.

Congress has further reduced already hopelessly inadequate funding amounts for other housing production programs, like HOME, over the last several years. It has cut HOME funding by more than 12 percent since FY 2004.

Even with the resources available to them, our most successful and productive affordable housing production programs struggle to reach our most needy families. Take the Housing Credit, for example. In allocating the Credit, state HFAs are required by law and motivated by mission to give preference to those properties serving the lowest income households and to those serving low-income households for the longest time, and they do. But, the maximum Housing Credit amounts the law allows often are not sufficient to produce housing with rents affordable to very low-income and especially, extremely low-income households.

States must combine other housing subsidies with the Housing Credit to reduce and sometimes eliminate mortgage debt on a property, so its operation can be sustained with lower rents. Even then, the rents necessary to support a property's operation are often unaffordable to extremely low-income families, making rental assistance necessary.

In 2005, more than 75 percent of the developments to which states allocated Housing Credit were supported by other federal housing subsidies. But, as those subsidies have become increasingly scarce, states report it has become more and more difficult to target Housing Credit properties to very and extremely low-income families.

A decade ago, the General Accounting Office (GAO) found Housing Credit properties were serving households with an average income of 37 percent of AMI; GAO acknowledged that many of these properties were supported by other federal and state housing assistance. Of the Housing Credit properties supported by other forms of assistance, GAO reported an average income of 25 percent of AMI.

Though we lack more recent, comprehensive data, we know that in 2005, 42 states allocated some portion of their Housing Credit to homes for very low-income households; 13 of these states dedicated more than half of their Housing Credit to housing such households. Twenty-nine states allocated some portion of their Credit that year to housing extremely low-income households.

Yet, states report it is ever more difficult to target Housing Credit properties to these income levels, as the additional subsidies necessary to their feasibility and operation are in increasingly short supply. With Housing Trust funding, states could extend the reach of the Housing Credit and other production resources they administer to more very low and extremely low-income households.

Maximizing Trust Fund Results

NCSHA is concerned that the Housing Trust bill as written will severely limit its results. To bring the full force of scarce Trust funds to bear on our most urgent housing problems, we urge the Committee to:

- Allocate Housing Trust funds through the states, as they can most effectively and efficiently leverage them with Housing Credit and other production resources they administer and direct them to the greatest relative needs within their jurisdictions;

- Eliminate overly complex and unnecessary rules that limit state flexibility, are barriers to the combination of Trust funds with other housing resources, and add time and cost to development and compliance; and

- Make the match requirement sufficiently flexible that it does not deny jurisdictions funding that they want and need.

State Administration

Mr. Chairman, we commend you and this Committee for entrusting the administration of the GSE affordable housing grant fund to the states. We urge you to maintain your commitment to state administration of these funds and extend it to all funds distributed through the Housing Trust.

States have a proven system and strong track record of effectively and fairly allocating housing resources. They have long successfully administered the Housing Credit under the same kind of allocation system the Trust bill seeks to emulate.

States are the only point where all major federal and state housing resources—the Housing Credit, Bonds, HOME funds, vouchers, Federal Home Loan Banks advances, FHA insurance, and state-provided housing funds and credits—can be accessed in one place. States can most efficiently and effectively leverage these resources to maximize their results. "One-stop shopping" would also significantly reduce the costs incurred by developers in seeking and assembling resources from multiples sources.

States are uniquely situated to assess housing needs across their jurisdictions and apply limited resources to those they and their affordable housing partners judge most serious, in amounts sufficient to make a difference. States are also in a strong position to evaluate employment, education, transportation, services, and other opportunities that often cut across local jurisdictional lines, yet must be considered in creating healthy and sustainable communities.

States have the ability to bring together various state agencies and resources. They have partnered, for example, with welfare agencies to use Temporary Assistance to Needy Families to provide housing assistance to families transitioning from welfare to work and with state health and human services agencies to obtain Medicaid waivers to cover the cost of services in assisted living.

States do not do this work alone. They creatively partner with local governments, nonprofits, the private sector, resident and community groups, and service providers to identify and address the diverse housing challenges they confront.

Limited and Compatible Rules

NCSHA encourages the Committee to focus the Housing Trust legislation on its goals and limit the requirements it imposes on fund administrators in pursuit of them. We also urge you to ensure that Housing Trust rules are compatible with the Housing Credit and other major production program rules, as the Trust will need to work with these programs to accomplish its goals.

The Housing Trust bill as written is laden with complex rules and requirements that are overly prescriptive, will make it difficult to combine Trust funds with other resources, and will add time and cost to development and compliance oversight. To administer these rules, program administrators will have to identify, collect, measure, quantify, record, store, and report data on numerous housing demographics and characteristics. Taken as a whole, these requirements will impose an enormous burden on program administrators and users alike.

We urge you to vastly streamline and simplify the Trust Fund requirements. For example, we recommend you pare back the bill's selection criteria to a limited number of broad national objectives, such as the Housing Credit law provides. Empower the states and their partners to determine how to best respond to their unique and varied housing needs with the resources available to them.

NCSHA is also troubled by the bill's rent-setting provisions. Limiting rent to 30 percent of a tenant's income rather than 30 percent of a percentage of AMI, such as 30 percent of 50 percent of AMI for very low-income families and 30 percent of 30 percent of AMI for extremely low-income families, will make it very difficult for states to underwrite developments, as they will not be able to predict property income. This will complicate state efforts to combine Housing Trust funds with the Housing Credit and to ensure compliance with both sets of program income and rent rules.

A Flexible Match

NCSHA understands the Chairman's interest in motivating through the bill's match requirement increased housing contributions by states. We ask, though, that the Committee recognize that resources are scarce at the state level, and states already must match HOME and some McKinney-Vento homeless assistance funds.

If you must require a match, we urge you to reduce it to 25 percent, as HOME requires. We also suggest you weigh federal and non-federal contributions equally, since a significant investment of other federal resources will often be necessary to achieve the deep income targeting the Trust requires.

Thank you for the opportunity to share our views. NCSHA and state HFAs look forward to working with you to ensure the Trust Fund lives up to its potential.

Habitat for Humanity®

WRITTEN TESTIMONY

OF

MR. JONATHAN T. M. RECKFORD
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HOUSE COMMITTEE ON FINANCIAL SERVICES
JULY 19, 2007

IN SUPPORT OF
NEW OPPORTUNITIES FOR AFFORDABLE HOMEOWNERSHIP
THROUGH
THE NATIONAL AFFORDABLE HOUSING TRUST FUND ACT OF 2007
HR 2895

Chairman Frank, Ranking Member Bachus, and Distinguished Members of the Financial Services Committee. On behalf of Habitat for Humanity's approximately 1700 affiliates across the United States, I thank you for the opportunity to provide testimony regarding the creation of a national affordable housing trust fund. Habitat for Humanity has long supported the creation of such a fund, and I would like to express the organization's deep appreciation to Chairman Frank and the cosponsors of HR 2895 for committing to move forward with this important legislation this year.

Habitat for Humanity

Habitat for Humanity International (HFHI) is a nonprofit, ecumenical Christian housing organization that seeks to eliminate poverty housing and homelessness from the world, and to make decent shelter a matter of conscience and action.

HFHI was founded in 1976. In the past 31 years the organization has built nearly 250,000 houses, providing over 1,000,000 people in more than 3,000 communities around the world with safe, decent, affordable shelter.

How does it work?

Through volunteer labor, donations of money and materials, and government support, Habitat builds and rehabilitates simple, decent houses with the help of homeowner (partner) families. Habitat houses are sold to partner families at no profit, financed with affordable loans. The homeowners' monthly mortgage payments are used to build still more Habitat houses.

Habitat is not a giveaway program. In addition to a down payment and the monthly mortgage payments, homeowners invest hundreds of hours of their own labor -- sweat equity -- into building their Habitat house and the houses of others. Through homeownership counseling and ongoing support to homeowner families, Habitat enables partner families to meet successfully the responsibilities and challenges of homeownership.

Habitat for Humanity's work is accomplished at the community level by affiliates -- independent, locally run, nonprofit organizations. Each affiliate coordinates all aspects of Habitat home building in its local area -- fund raising, building site selection, partner family selection and support, house construction and mortgage servicing.

The Benefits of Homeownership

Thanks to more than 30 years of working with homeowner partners, Habitat for Humanity well understands that low-cost alternatives to the traditional mortgage market must exist so that low-income families can enjoy the benefits of homeownership. Perhaps the best testament to low-income households' ability to carry an appropriate mortgage is that even as many unfortunate borrowers have fallen behind or defaulted on mortgages provided through the sub-prime market, some Habitat for Humanity affiliates are experiencing their lowest delinquency and default rates in years.[1]

We at Habitat for Humanity have witnessed the transformational benefits of homeownership, and recent scholarly research has confirmed what we have learned through experience. Homeownership provides an important means to accumulate wealth, to stabilize families, to improve children's educational outcomes and reduce their emotional and behavioral problems, and to increase civic

[1] Crosby, Jackie, "Habitat's Defaults Are Lowest in a Decade", Minneapolis-St. Paul Star Tribune, July 5, 2007

participation and build stronger communities. Following are just a few of the homeownership benefits that have been confirmed through scholarly research.

Homeownership Creates Wealth

- Owning a home, especially for lower-income households, is an important means of wealth accumulation. For low-income minority families median average annual homeownership wealth appreciation is $1,712 whereas non-homeownership wealth accumulation over the same period is $0.[2]
- Homeownership increases intergenerational wealth accumulation through improved educational achievement in children, which leads to greater earnings when these children enter the workforce.[3]

Homeownership Benefits Children

- Children of homeowners are more likely to stay in school, and daughters of homeowners are less likely to have children by age 18.[4]
- Owning a home leads to a higher quality home environment for children, improves their cognitive achievement (9% in math and 7% in reading), and reduces their behavioral problems (by 3%).[5]
- Children who spend all of their childhood in a home owned by their parents are 19% more likely to obtain a college degree than children whose parents always rented. Every additional year a child lives in a home owned by their parents, the probability that they will obtain a college degree increases.[6]
- Owning a home is also associated with lower levels of emotional and behavioral problems in children and adolescents.[7]

Homeownership Strengthens Communities

- Homeowners are more likely to know their congressman and school board chair by name, and are more likely to vote in local elections and to engage to solve local problems.[8]

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[2] Boehm, Thomas P. and Alan Schlottmann, *Wealth Accumulation and Homeownership: Evidence for Low-Income Households*, U.S. Department of Housing and Urban Development: Office of Policy Development and Research, December 2004

[3] Boehm, Thomas P. and Alan M. Schlottmann, *Housing and Wealth Accumulation: Intergenerational Impacts*, Low-Income Homeownership: Examining the Unexamined Goal, Nicholas P. Retsinas and Eric S. Belsky eds., Brookings Institution Press: Washington DC 2002

[4] Green, Richard K. and Michelle J. White, *Measuring the Benefits of Homeowning: Effects on Children*, Journal of Urban Economics, v 41, 441-461, 1997

[5] Haurin, Donald R., Toby L. Parcel, and R. Jean Haurin, *Impact of Homeownership on Child Outcomes*, Low-Income Homeownership: Examining the Unexamined Goal, Nicholas P. Retsinas and Eric S. Belsky eds., Brookings Institution Press: Washington DC 2002

[6] Galster, George, et al. *The Impacts of Parental Homeownership on Children's Outcomes During Early Adulthood*, Working Paper: March, 2007

[7] Boyle, Michael H. *Home Ownership and the Emotional and Behavioral Problems of Children and Youth*, Child Development, vol. 73 no. 3: 2002

Homeowners are more likely to be satisfied with their homes and neighborhoods, and are more likely to participate in civic and political activities.[9]

There is little question that homeownership provides families and individuals with the opportunity to improve their lives and, often, to be freed from reliance on government housing subsidies for which funding is often uncertain. By fashioning trust fund legislation in a manner that will provide increased homeownership opportunities to low-income and very low-income households, families which would not qualify for traditional mortgages will have genuine housing choice and the opportunity to enjoy the benefits of homeownership.

Concurrently, the increased production enabled by the fund will open the doors of homeownership to increasing numbers of interested families who rely on federally subsidized housing, thereby growing the number of available, subsidized rental units for families in search of them. Trust fund support for homeownership has the potential, therefore, both to enhance the overall benefit of the fund to the families that it serves and to increase the number of affordable units available to extremely low-income families.

National Housing Trust Fund Legislation (HR 2895)
Habitat for Humanity strongly supports the creation of a national housing trust fund that will create affordable housing opportunities for American households with low, very low and extremely low incomes. Habitat for Humanity's model seeks to create homeownership opportunities and lasting financial security for low-income families.

While Habitat for Humanity believes that national housing trust fund legislation should include provisions for homeownership for low-income people, Habitat remains committed to supporting a fund that is dedicated to addressing a continuum of housing needs, including the critical need for affordable rental units. Habitat for Humanity fully supports efforts to ensure that the affordable housing needs of very low-income and extremely low-income people are addressed by national housing trust fund legislation.

Habitat for Humanity looks forward to working closely with Chairman Frank, national housing trust fund cosponsors, and all members of the House of Representatives to win passage of the National Housing Trust Fund Act of 2007 (HR 2895) at the earliest possible date. Thank you again for the opportunity to share the views and experiences of Habitat for Humanity with the Committee.

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[8] Dipasquale, Denise and Edward L. Glaeser, *Incentives and Social Capital: Are Homeowners Better Citizens?* Journal of Urban Economics, v 45, 354-384, 1999

[9] Rohe, William, George McCarthy, and Shannon Van Zandt, *The Social Benefits and Costs of Homeownership: A Critical Assessment of the Research*, Research Institute for Housing America. May, 2000

MORTGAGE BANKERS ASSOCIATION

July 17, 2007

The Honorable Barney Frank
Chairman, Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Chairman Frank:

On behalf of the Mortgage Bankers Association, I am pleased to inform you of our support for H.R. 2895, the National Affordable Housing Trust Fund Act of 2007. This bi-partisan legislation would create an affordable housing production program that would produce, rehabilitate and preserve housing for low- and moderate-income families across the country.

H.R. 2895 would address some of the critical housing needs of our country by focusing on the housing needs of people who are extremely low-income, while providing flexibility to assist others in need. Quality affordable housing is simply not available for many families in this country. This legislation addresses that need by building on existing federal programs which are currently being used by mortgage lenders to develop and preserve affordable housing. By providing additional funds, more housing can be made affordable to lower-income families.

Using funds generated through program changes contained in other legislation, this legislation could put as much as a billion dollars per year into affordable housing. Importantly, the trust fund is not funded through increased fees on FHA programs but rather utilizes funds generated through increased FHA business volumes – funds that would otherwise likely go back into the Treasury or to fund non-housing related activities.

As you know, we continue to be concerned that in the long-term, pressure could build to increase various FHA fees in order to create more resources for the fund. We support your position that this should never occur and appreciate that you have included a provision in H.R. 1852 capping the mortgage insurance premiums at current levels unless the programs require higher fees to remain self-sustaining.

This legislation is entwined with legislation to reform the regulation of the housing government sponsored enterprises (GSEs) and the revitalization of the FHA. We continue to support the rapid enactment of GSE reform and FHA modernization legislation, both of which would significantly improve our housing finance system. We believe that these legislative efforts should continue to be a high priority for the Committee on Financial Services and Congress.

Thank you for your continued commitment to addressing our nation's housing needs. We support your efforts and look forward to continuing to work with you on this and other issues.

Sincerely,

John M. Robbins, CMB
Chairman
Mortgage Bankers Association

STATEMENT OF
THE NATIONAL ASSOCIATION OF HOME BUILDERS
ON

H.R. 2895
The National Affordable Housing Trust Fund Act of 2007

July 19, 2007

STATEMENT OF THE NATIONAL ASSOCIATION OF HOME BUILDERS ON H.R. 2895 THE NATIONAL AFFORDABLE HOUSING TRUST FUND ACT OF 2007

Introduction

The National Association of Home Builders (NAHB) appreciates the opportunity to submit this statement on the National Affordable Housing Trust Fund Act of 2007 (NAHTF). The trust fund established by this legislation would provide grants and other assistance to support the production, rehabilitation and preservation of affordable housing. NAHB agrees that the substantial unmet housing needs throughout the country justify additional federal attention. NAHB supports the creation of a national affordable housing trust fund that has:

- Income targeting requirements that allow grantees and grant recipients to meet the fullest range of critical housing needs;
- An appropriately comprehensive definition of eligible activities;
- Adequate standards of experience and capacity for grant recipients, along with results-focused allocation criteria, to ensure the best possible use of this valuable resource; and,
- Affordable housing stipulations that allow effective and efficient use of trust fund monies in conjunction with other federal and state housing programs;

In conjunction with legislation to revitalize the Federal Housing Administration, NAHB believes an appropriately structured national affordable housing trust fund can greatly improve housing conditions and opportunities in America's communities. We offer the following observations and recommendations.

The Need for the National Affordable Housing Trust Fund Act

The affordable housing needs in our country are well-documented. The Joint Center for Housing Studies of Harvard University *State of the Nation's Housing 2007* report states that "...housing affordability remains a pervasive problem. In just one year, the number of households with housing cost burdens in excess of 30 percent of income climbed by 2.3 million, hitting a record 37.3 million in 2005." The report cites increasingly heavier cost burdens across income levels:

- Nearly one-half of low-income households, a total of 8.2 million renters and 5 million homeowners, have severe cost burdens;
- Middle-income households increasingly face housing cost pressures, with 45 percent of the 2005 increase in severe cost burdens occurring among households in the middle two income quartiles;
- Among lower middle-income households, 12 percent of owners and six percent of renters were severely cost-burdened.

Cost burdens are not the only housing problem. The report cites overcrowding, especially in urban areas with a shortage of affordable housing, as a problem, in addition to persistent homelessness, stating that about 750,000 persons are homeless on any given night. With regard to federal budget outlays for housing programs, the report says that assistance reaches "...only about one-quarter of eligible renters and virtually no homeowners."

On the supply side, progress to halt the loss of affordable rental units has been minimal. This is not a surprise, given that less federal funding is being devoted to housing programs. The report points out that "housing assistance as a share of total nondefense discretionary spending dropped from 10.2 percent in 1998 to 7.7 percent in 2006."

NAHB Affordable Housing Trust Fund Principles

Appropriate Income Targeting

As stated above, there is a diverse range of unmet housing needs. While it is essential that a national affordable housing trust fund address the country's most critical needs, NAHB believes the fund should focus on all of the significant housing gaps. In particular, the current federal rental housing programs are available only to those with incomes at or below 60 percent of the area median (AMI). A number of recent studies have shown that households in the 60-to-80 percent of AMI range have experienced a dramatic worsening in their capacity to afford safe and decent shelter.

NAHB also believes that a national affordable housing trust fund should provide meaningful support to expand homeownership opportunities, given the important social and economic benefits that derive from owning a home. Program targeting requirements should allow funds to address the full range of housing needs, for both rental and homeownership, as well as to meet diverse geographic needs such as those in rural and economically distressed areas where incomes are abnormally low.

Effective and Efficient Use of Funds

One thing that is clear is that, regardless of the ultimate sources of funding, a national affordable housing trust fund will be a limited resource that will fall short of the tremendous need and demand for such funds. For that reason, it is extremely important to ensure that the funds are used in the most efficient and effective manner. For this to happen, recipients of trust fund grants must have strong experience in producing affordable housing and a track record of successful initiatives. Recipients must also have the capacity to produce housing units in a cost-effective way and complete projects in a timely manner. It is essential that the program eligibility standards require such characteristics for eligible recipients. Furthermore, to avoid unnecessary diminishment of limited grant funds, the allocation/distribution system must be straight-forward and not encumbered by middlemen or other parties that do not add value to the process.

Level Playing Field in Awarding Grants

A related aspect of effective and efficient use of funds is the degree to which grants are awarded to proposals that meet community housing needs. Under some federal programs, non-profit organizations are accorded advantages in the competition for funds. NAHB believes that criteria for awarding national affordable housing trust fund grants should be based on the merits of the proposed housing in meeting the an area's priority housing needs, not on the tax status of the sponsor. However, NAHB believes it is appropriate to base allocation criteria on the capacity of a sponsor to produce cost-effective, quality housing in a timely manner. Allocation criteria should also reflect how well proposals address housing needs in priority geographic areas, including rural areas. In addition, NAHB feels that allocation criteria should provide positive recognition for how effectively proposals leverage other public and private resources.

Compatibility with Other Federal and State Programs

As stated earlier, it is likely that national affordable housing trust fund monies will be combined with resources of other federal and state programs rather than operating as a stand-alone program. Therefore, NAHB believes that it is essential that the trust fund program requirements are flexible enough to be compatible with other key housing programs.

Adequate Tracking and Reporting of Results

NAHB believes it is extremely important that entities allocating national affordable housing trust fund grants are accountable for the results of those expenditures. Allocating entities should be required to establish systems to track the progress and results of the proposals receiving trust fund grants. Entities should report at least annually on the program status and results, as well as on the effectiveness of their allocation criteria and systems.

<u>NAHB Assessment of the National Affordable Housing Trust Fund Act of 2007</u>

Matching Requirements

NAHB supports the matching requirement provision included in H.R. 2895, while allowing for a waiver or reduction for recipients in fiscal distress. States and localities should leverage scarce federal resources to the maximum extent possible, as they have done successfully with the HOME, Community Development Block Grant, HOPE VI and the Section 108 Loan Guarantee programs.

Eligible Activities

H.R. 2895 would permit the use of trust fund grants for construction of new housing; acquisition of real property; site preparation and improvement, including demolition; rehabilitation of existing housing; and provision of incentives to maintain existing housing as affordable housing. The bill also allows the use of NAHTF monies for rental assistance for not more than 12 months. NAHB believes that use of NAHTF monies for rental assistance should be very limited; for example, helping families facing temporary needs, such as homeless prevention. NAHB believes that the focus of this program should be on production of new affordable housing, the preservation of existing affordable housing and moving low-income families into homeownership.

In addition, the bill also allows funding for downpayment assistance, closing cost assistance, and assistance for interest rate buy-downs as methods of assistance for ownership of single family homes. NAHB appreciates the breadth of eligible activities and also supports the bill's prohibition of the use of grant funds for political activities; advocacy; lobbying (directly or through other parties); counseling services; travel expenses; preparing or providing advice on tax returns; administrative (except under specific limitations); and outreach or other costs of recipients.

Eligible Recipients

NAHB strongly believes that the experience and capacity standards for participating in NAHTF activities should be high. Eligible recipients should demonstrate the ability to successfully develop and/or manage affordable housing developments. The transactions to be funded by the NAHTF will be complex and will require expertise in other federal, state and local housing programs, which will be used in conjunction with the NAHTF. Under NAHTF, grant recipients must:

- Demonstrate the experience, ability and capacity (including financial capacity) to undertake, comply and manage the eligible activity;
- Demonstrate familiarity with the requirements of any other federal, state or local housing program that will be used in conjunction with Housing Trust Fund monies; and,
- Make assurances that it will comply with all Housing Trust Fund regulations and requirements.

NAHB believes these requirements would establish adequate eligibility standards to ensure that NAHTF resources are spent wisely and effectively. In addition, NAHB strongly supports the bill's explicit inclusion of for-profit companies as eligible grant recipients. For-profit companies account for the majority of housing production, including affordable housing production, and NAHB believes it is essential to open the proposed program to the strong housing production and management expertise and capacity that the for-profit sector offers.

Allocation Criteria

Under the NAHTF, states and local jurisdictions would be required to develop allocation plans based on priority housing needs, which must include performance goals, benchmarks and timetables for conducing eligible activities. These allocation plans must provide for geographic diversity among selected applicants and must set forth criteria that will be considered in the selection process. The criteria include:

- The merits of the proposed eligible activity, including the extent to which the activity addresses housing needs identified in the allocation plan;
- The ability of the applicant to obligate grant amounts and to undertake activities in a timely manner;
- Amount of assistance leveraged by the applicant from private and other non-federal sources;
- Extent of local assistance;
- Degree proposed activity serves households of mixed income;
- Extent of employment and other economic opportunities for low-income families in the area;
- Extent to which the applicant demonstrates ability to maintain units for affordable use;
- Extent to which area is experiencing an extremely low vacancy rate;
- Extent to which extremely old housing in the area exceeds 35 percent;
- Extent to which housing is accessible to people with disabilities;
- Extent to which housing will be located in proximity to public transportation and job opportunities;
- Extent to which housing serves census tracks in which the number of families below the poverty line is less than 20 percent; and,
- Extent to which housing complies with energy efficiency standards.

NAHB appreciates that the bill's allocation criteria focus on the affordability characteristics of the proposed housing and the housing expertise of the applicant rather than on extraneous issues such as the tax status of the sponsor. NAHB feels it is particularly important to include the first four items on the above list as primary determinants of competitive grant allocations.

Rural Areas

NAHB believes it is important to recognize the special housing needs of rural areas and appreciates that H.R. 2895, in Section 296(d), provides that any grantee that is a state or local jurisdiction that includes any rural areas use a portion of its NAHTF allocation for eligible activities located in rural areas that is proportionate to the identified need for such activities in rural areas. NAHB suggests that this provision could be strengthened, however, by revising Section 295(a)(2) to: "is based on priority housing needs, including priority housing needs in rural areas, as determined by the grantee…" or similar language that specifically mentions rural areas.

Targeting Requirements

NAHTF requires that all trust fund amounts be used to benefit families whose incomes do not exceed 80 percent of area median income (AMI). The majority of the funds, 75 percent, must serve households with incomes that do not exceed the higher of

30 percent of AMI and the poverty line, and not less than 30 percent of the funds must serve households with incomes that do not exceed the maximum eligibility for Supplemental Security Income (SSI).

NAHB believes that the majority of Low Income Housing Tax Credit (LIHTC) program developers will seek the use of NAHTF resources to help meet the extremely low-income targeting requirements increasingly included in state qualified allocation plans (QAPs). Currently, HOME funds and Affordable Housing Program (AHP) funds from the Federal Home Loan Banks are the major source of financing used to help meet these requirements. However, under the deep targeting requirements of NAHTF, because households are limited to paying 30 percent of their adjusted income for rent (which NAHB supports), rental income in most instances will be insufficient to cover a property's debt service and operating costs. Rental assistance and/or up-front capital subsidies will be needed to make such projects financially feasible. NAHB cautions that large portions of NAHTF funds will be needed for each project under the aggressive targeting requirements established in the bill.

In addition, NAHB believes that it will be very difficult to undertake homeownership activities with the targeting requirements provided in H.R. 2895. From a practical perspective, only 25 percent of the funds will be available for homeownership, as these funds may serve households with incomes up to 80 percent of AMI. NAHB wholeheartedly supports increasing homeownership opportunities for low-income households. However, substantial subsidy would be needed to assist home purchases by extremely low-income households. And beyond that, such households are not likely to have the resources to pay for on-going maintenance and replacement of major items such as roofs and appliances, or annual costs such as property taxes. NAHB is concerned that such households would be at great risk of losing their homes in the initial years after purchase. NAHB believes that homeownership assistance should be focused on the families with the greatest ability to maintain their owner status over the long-term.

Given the issues stated above, NAHB believes that the targeting requirements as proposed in H.R. 2895 should be revised to ensure the most efficient utilization of trust funds in addressing the feasibility of rental projects serving extremely low-income households, allowing the development of workforce housing for households with incomes between 60 and 80 percent of AMI, and broadening support for homeownership initiatives. NAHB recommends that all of the NAHTF resources serve low-income households (80 percent of AMI or below) but that the current targeting formula be revised so that 50 percent of the funds is reserved for households with incomes not exceeding 50 percent of AMI and, of that, 30 percent is targeted to households with incomes at 30 percent of AMI or below.

Tracking and Reporting Requirements

NAHB supports the requirements contained in H.R. 2895.

Affordable Housing Requirements

Compatibility with other Federal Housing Programs: NAHB strongly recommends that the affordable housing requirements of the NAHTF be as compatible as possible with other federal housing programs, particularly the LIHTC program. The vast majority of new affordable housing units delivered each year are produced under the LIHTC program, and many developers also rely on the LIHTC program for rehabilitation of existing properties.

Members of Congress on the House Ways and Means Committee and the House Financial Services Committee have been examining reforms to allow greater and more effective use of the LIHTC with HUD programs, such as FHA mortgage insurance. Currently, there are many conflicting and duplicative requirements that increase the costs of production and management and diminish the resources available for housing. NAHB, as well as many other industry stakeholders, have submitted recommendations to these Committees and believe it would be useful to view these suggestions within the context of this proposed new program as well. The following are some relevant examples:

- One agency should be designated to conduct the subsidy layering review;
- The unit inspection process should not be duplicative (the inspection streamlining provisions in H.R. 1851, The Section 8 Voucher Reform Act of 2007, are widely supported by industry groups and tenant advocates); and,
- One compliance report per property should be acceptable for all monitoring agencies.

Maximum Rents and Tenant Contribution to Rent: NAHB supports the rent setting provision in H.R. 2895 and appreciates that the bill distinguishes the maximum rent from the tenant contribution to rent, the latter of which is set at 30 percent of adjusted income. NAHB also supports the provision in the bill that prohibits discrimination against voucher holders.

Visitability: To be considered "affordable housing" under the bill, the units to be assisted with NAHTF funds must be subject to certain legally binding commitments, one of which is to meet such basic visitability standards as the HUD Secretary shall provide by regulation. NAHB does not support this provision. Whether a unit meets visitability or accessibility standards is not among the definitions of "affordable" in any other federal government program. Further, while HUD encourages public housing authorities (PHAs) and their partners to include visitability standards in their HOPE VI projects, there are no requirements to do so and HUD's guidance is minimal. It could take HUD many years to develop regulations related to visitability, which could prevent grantees from using NAHTF resources for homeownership initiatives in the meantime.

NAHB believes that any visitability provisions should be voluntary on the part of the developer. A more appropriate approach to encouraging visitability for projects that use NAHTF resources is to include it as one of the selection criterion to consider when grantees are determining how to allocate their funds. H.R. 2895 has such a provision in Section 295(c)(2)(B)(x).

Duration of Use: H.R. 2895 requires that units assisted with NAHTF resources be subject to all of the affordability requirements for 50 years. No other federal housing program has a 50-year affordability period. NAHB believes it would be more appropriate to set the affordability period to 30 years, which is the same as for the LIHTC program (and is 10 years longer than that for the HOME program).

Owner-occupied Housing: NAHB supports the provisions in H.R. 2895 that restrict the use of NAHTF money for homeownership assistance to first-time homebuyers, set purchase price limits for the home (which are the same as for the HOME program) and require potential homebuyers to complete a program of counseling with respect to the responsibilities and financial management involved in homeownership.

Definitions

NAHB notes that Section 296(f)(B), Forms of Assistance, permits the use of NAHTF money for downpayment assistance, closing cost assistance and assistance for interest rate buy-downs. However, these forms of assistance are not included under Section 299, Definitions. NAHB recommends that downpayment assistance, closing cost assistance and assistance for interest rate buy-downs be included as eligible activities in Section 299 (1).

Conclusion

NAHB commends the Committee's efforts to marshal additional resources for affordable housing through the establishment of a national housing trust fund and believes that it will play a significant role in addressing the nation's urgent and unmet housing needs. NAHB is particularly appreciative that the bill addresses NAHB's priorities related to effective and efficient use of trust fund monies in conjunction with other federal and state housing programs; an appropriately comprehensive definition of eligible activities; adequate standards of experience and capacity for grant recipients; and, results-focused allocation criteria.

NAHB is concerned that the targeting requirements do not address the full range of unmet housing needs, particularly for working households not currently eligible for federal assistance, as well as for low-income potential first-time homebuyers. We urge the Committee to give consideration to revisions to the targeting requirements to meet these needs. NAHB looks forward to working with the Committee on this very important legislation.

The New York Times

ARTHUR OCHS SULZBERGER JR., *Publisher*

THE NEW YORK TIMES **EDITORIAL/LETTERS** *TUESDAY, JULY 3, 2007*

Affordable Housing

Nearly half of the country's lowest-income families suffer from what Harvard's Joint Center for Housing Studies describes as a severe housing cost burden that places them at clear risk of homelessness. These struggling families often live doubled up with relatives and spend more than half of their pre-tax incomes on rent, which means that they keep a roof over their heads only by cutting back on food, clothing and medical care.

The affordable housing crisis was accelerated during the 1980's, when the Reagan administration and Congress backed away from a longstanding federal commitment to affordable housing by cutting construction funds and revising the tax structure in ways that discouraged investment in affordable, multifamily buildings. Congress could reverse those disastrous policies and help the most vulnerable families by passing legislation that would create the National Affordable Housing Trust Fund.

Modeled on successful, state-level programs, the fund would be used to construct, rehabilitate and preserve 1.5 million units of housing over the next 10 years. The money — three-quarters of which would be earmarked for extremely low-income families — would be parceled out to local jurisdictions that would then award grants to entities that build and rehabilitate housing. In exchange for trust fund dollars, a proportionate number of units would be set aside for low-income families. This would encourage healthy, mixed-income developments

The fund would require no new taxes, but would be financed through new contributions made by the government-backed mortgage giants, Fannie Mae and Freddie Mac, and with additional revenue generated by the Federal Housing Administration, which insures mortgages. To put it another way, the government would direct money made from housing right back into the same area.

Hard-line Republicans have opposed similar legislation in the past, arguing that the federal government has no place in the housing business. But the bipartisan support that has materialized for this year's bill suggests that the ideologues have had their day and that the pain and hardship being inflicted by the affordable housing crisis is finally being recognized on both sides of the aisle.