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EMERGENCY HOUSING NEEDS IN THE AFTERMATH OF KATRINA

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

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EMERGENCY HOUSING NEEDS IN THE AFTERMATH OF KATRINA

Thursday, September 15, 2005

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING
AND COMMUNITY OPPORTUNITY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:03 a.m., in Room 2128, Rayburn House Office Building, Hon. Robert Ney [chairman of the subcommittee] presiding.

Present: Representatives Ney, Miller of California, Brown-Waite, Harris, Pearce, Davis of Kentucky, Waters, Carson, Lee, Sanders, Scott, Cleaver, Green, Frank, Gonzalez, and Clay.

Chairman NEY. [Presiding.] The committee will come to order.

I would ask unanimous consent that our colleagues, Congressman Aderholt of Alabama and Congressman Gonzalez of Texas, be permitted to participate in today's hearing. Without objection, the two Members are more than welcome to be participating in today's hearing.

Also, I would add that also Congressman Lacy Clay of Missouri, who is a member of the full committee but not the subcommittee, should also participate. Without objection, he is also added.

I am going to make my opening statement horrifically brief because we want to hear from you. Members are welcome to have opening statements, but at some point in time when members come in, we will just go ahead straight on with it.

This morning, the Subcommittee on Housing and Community Opportunity meets to continue our discussion on the crucial housing needs in the aftermath of Hurricane Katrina along the Louisiana, Alabama, and Mississippi Gulf Coasts.

Federal and local governments now face the huge task of coordinating the relocation of thousands of individuals, which is one of the discussions, and also what to do with families in the immediate area whose lives have been uprooted due to the Hurricane Katrina situation.

Last week, we had a meeting where I brought together a large group of people from across the housing spectrum to begin discussing how best to respond. I think the meeting was productive. We had participation by Congressman Barney Frank, the ranking member of the full committee, and also our ranking member of the subcommittee, Congresswoman Waters of California, and Mr. Miller and other members that came to that. I think it was a good meeting to have.

According to the Department of Housing and Urban Development, there are 436,800-some units of HUD-assisted housing in the hurricane-affected region. This number includes 15,500 units of elderly housing and 2,500 units of housing for the persons who have disabilities in the Gulf Coast area.

So I think this hearing is very important so that we can see how we can help individuals in the entire Gulf area for the terrible problem that they are into.

With that, I am going to yield to the ranking member.

[The prepared statement of Hon. Robert W. Ney can be found on page 60 in the appendix.]

Ms. WATERS. Thank you very much, Mr. Chairman.

I appreciate very much the tremendous work that you have done since Hurricane Katrina. In particular, I am appreciative of the roundtable that you pulled together where we had housing advocates and others related to the housing industry sharing with us their expertise and their opinions about how we can move very quickly to deal with the housing needs of all of the displaced victims in the Gulf region, the victims of Hurricane Katrina.

As you know, Mr. Chairman, I visited the area and witnessed a lot of the devastation. I was in New Orleans and Baton Rouge and New Iberia, Andalusia, Lafayette, and Alexandria.

More than anything, the temporary shelters that have been established should be simply that: temporary. We have to get people out of these shelters and into what I call transitional housing. And then, of course, we need to build permanent housing. This is an awesome task that must be done.

I am very appreciative that you are in the role that you are in, Mr. Chairman, because I know about your knowledge in this area and your concern for the housing needs, not only of the people of the Gulf region, but for all of the people of this country.

So I would simply say that the information that we will get today will be very helpful to us, but our challenge is to move and move quickly. Someone said it is a test of Congress's ability to seize the opportunity to meet these needs.

So I anxiously await the testimony for today, but more than that I think, Mr. Chairman, if anybody can lead us to get this done quickly, you certainly can. So I am pleased and delighted to be here with you today, and I yield back the balance of my time.

Chairman NEY. I want to thank the gentlelady for her comments.

Mr. Miller?

Mr. MILLER OF CALIFORNIA. Thank you, Chairman Ney.

We had a very good hearing last week, as you said, but the State and local governments are still trying to deal with the effects of the hurricane in that region. We have about 1 million people displaced, with 163,000 people without homes that are in shelters and stuff. This is going to provide quite a challenge, let's say, for the Federal Government dealing with the private sector in partnership in dealing with this issue. We are going to have some huge problems.

Cement was a shortage before this occurred. Plywood, softwood, lumber are just in short supply. So when the impact of this is really felt in trying to rebuild, trying to provide the housing we need out there, this is going to be an insurmountable challenge. I think many factions in the building industry it is going to face some

issues that we have not faced in recent history. That is because of the magnitude of this. We faced shortages in the past and we have always been able to somewhat deal with them, but not to this magnitude.

I am looking forward to the testimony today. We have 90,000 square miles impacted. That is an incredible amount of impact on this country. The needs, we do not really know what they are. That is why this hearing is important, to determine what those needs are. We are hearing from the private sector because we have to work with the private sector. You are going to have to do this. We are going to have to work with you in doing this. The Government cannot handle it without the private sector's involvement.

So that is why I applaud Chairman Ney for calling this hearing today to again better ascertain what our needs are going to be, what part we have to play, and what part we are going to have to partnership with the private sector. I thank you.

I would like to also include the statement by the National Association of Realtors into the record today, without objection.

Chairman NEY. Without objection.

Mr. MILLER OF CALIFORNIA. Thank you.

Chairman NEY. Thank you.

And also, the statement of Ellen Lee from the City of New Orleans, who had to return their today, and a letter from the National Low-Income Housing Coalition to be submitted for the record, if there are no objections.

The gentleman from Massachusetts, Mr. Frank?

Mr. FRANK. Thank you, Mr. Chairman.

I join the ranking member of the subcommittee in expressing our appreciation for your active role here.

I will say, as the ranking member of the full committee, I am very proud that people often comment that the chairman of the committee and I get along very well on a lot of issues, although there are real differences. What we try to show is that you can both have differences and pursue them in a respectful way, and then collaborate in other areas. The chairman and ranking member of this subcommittee have also set a model, I think, for the House.

In fact, a lot has been done in the housing area, not nearly as much as we would like, but more has been done than people realize, partly because they do it together and it is not controversial. And coverage is generated in this society not by the inherent importance of things, but by their controversial nature.

Obviously, we now have a lot to do here. There is clearly agreement on increasing the number of vouchers. One of the things I want to stress, and I believe this committee will feel this very strongly, the vouchers have to be additional vouchers. We already have problems with long waiting lists. We have problems in other cities. I was glad to see that our Senate counterpart Senator Sarbanes moved for additional vouchers. I think that has to be an absolute situation, that any vouchers here be additional.

You then would also avoid the problem of what happens if you simply put this into the existing pool and who gets what priority. Nothing would be more divisive to this country at this time than to have the people who were disadvantaged by this hurricane go

compete with other disadvantaged people elsewhere in the country. So we are talking about, I hope, additional vouchers.

Secondly, for those who have been critical of the voucher program, I guess we are going as a Nation from having a situation in which some people were criticizing vouchers to the mantra being where were they when we needed them, and we have to create them. It shows how important they are. It also is necessary for there to be some waivers because of the red tape that is there, that sometimes makes sense and sometimes does not. This can in some ways give us a chance to experiment with a simplified voucher program, and out of this may come some lessons.

Finally, and this I know is something that we on the Democratic side feel very strongly, the vouchers are essential. They must be accompanied by funding for additional construction. Let me appeal to my conservative friends with regard to free market economics. Emergency vouchers, vouchers that last for 1 year, will contribute zero to the housing supply. No one is going to build housing based on a temporary voucher or a 1-year voucher subject to appropriations.

If we do not want to drive up the price of housing, which is already higher than it ought to be in many parts of this country from the social standpoint, then we should not be adding to the demand for housing without also adding to the supply. Vouchers without construction add to demand without supply.

It is morally essential that we help with that demand. We do not want to leave people homeless. I am not arguing for not going the vouchers. Too many negatives in that sentence. I am arguing for the vouchers. What I am saying is that we must have along with that new construction funds.

I was pleased to see the chairman of the committee and the gentleman from Louisiana yesterday note that the affordable housing fund of the GSE legislation will give us a very quick way to get some funding there, but that cannot be the only thing. We are all agreed to give total priority there to the affected area in the near-term, but there will be people taking these vouchers and going elsewhere in the country. There will be people going to other cities. They will be going to cities, and even though the vouchers are additional, the housing will not be. So we need to be putting more money into the construction of housing in those areas that will be receiving people as well.

Finally, and this is again something that on our side people feel strongly. We have talked to the representatives from the affected areas, Mr. Jefferson and others. It is something that particularly members of our Congressional Black Caucus feel strongly. This is not to be a recipe for the depopulation of New Orleans. We do not want there to be a policy which makes it easier for people to move away. The chairman, based on his own experience, was talking about this. One of our goals is to make it possible for people who have lived in this city and constituted a community in that city to reconstitute that community. It is a very high priority.

I am glad to see that we have given the lead in this, and I appreciate the extra time, because the very fact that in our affordable housing fund amendments that will be on the floor next week that I believe are bipartisanly unanimous, almost unanimously sup-

ported, we are giving priority in the construction of new affordable housing for low and very low income people with the affordable housing fund to the affected region.

That is a commitment that we are here to rebuild New Orleans and rebuild the Gulf Coast and make sure that this does not become a new form of gentrification, urban renewal in which the poor people are dispersed and other people come back.

So all of this is to us a package. I am very pleased that this committee and this subcommittee in particular seem pretty united on this.

Chairman NEY. Thank you.

The gentleman from New Mexico, Mr. Pearce?

Mr. PEARCE. Thank you, Mr. Chairman. I appreciate the hearing.

I just have a couple of remarks just addressing the overwhelming outpouring of generosity from America as a whole. I think our response is to look at the needs and act with dispatch and discernment. We need to be concerned about returning families to stability and normalcy. We need to also simultaneously be concerned about the strength of our economy and the soundness of our job market.

So thank you, Mr. Chairman, for easing us along that path.

Chairman NEY. The gentlelady from California, Ms. Lee?

Ms. LEE. Thank you, Mr. Chairman.

I, too, want to thank you and Congresswoman Waters, our ranking member, for really putting into perspective the framework with which we need to develop our overall housing strategy.

I also agree that our goal should be providing safe and decent housing close to home for those who have been displaced, not substandard housing, and also making sure that they are afforded the opportunity to get home as quickly and as safely as possible. So I think looking at this based on our short-term goals and our long-term goals is very important.

In addition to that, unfortunately there have been some waivers and suspensions of very important protections, such as affirmative action, Davis-Bacon, and what have you, as we rushed to find an appropriate response to this tragedy.

So I would hope that with the housing piece that we ensure that all of our fair housing laws are complied with, our equal opportunity laws, as well as making sure that individuals receive the type of counseling because, of course, the people are traumatized as a result of this disaster. So they need to receive the type of job training, health care and social services, counseling, as well as the help in making the transition in to the temporary housing until they can go home.

So I just want to thank you again.

I want to especially thank Congresswoman Waters for really being on the ground immediately and bringing back the information so that we know exactly what we are doing on this committee so we get it right this time.

I yield the balance of my time.

Chairman NEY. I thank the gentlelady.

The gentleman from Texas?

Mr. GONZALEZ. Thank you very much, Mr. Chairman and Ranking Member Waters, for allowing me to make an introduction of one of the witnesses here today, a constituent newly arrived to San

Antonio. That is Henry Alvarez, the president and CEO of the San Antonio Housing Authority, who is here representing the National Association of Housing and Redevelopment Officials.

Henry came to San Antonio Housing Authority in 2004, and I must say that he inherited the housing authority in a crisis state and has done a fabulous job. He came, of course, from Washington County, where he was the assistant director for housing and tenant services there in the Oregon Department of Housing.

I also wish to stress, and I think maybe Henry will cover this in his remarks, he is native-born and raised in New Orleans, so there is something very personal to what is going on today and the efforts in assisting everyone in our neighboring State of Louisiana.

The citizens of San Antonio are fortunate that someone with the energy and talent of Henry assumed management of the San Antonio Housing Authority at a very critical point in history. I told you it was a crisis status, and it is, and it has not remained so.

In a time of decreasing appropriations for public housing, his work and that of the board of the San Antonio Housing Authority has ensured that this vital agency continues to effectively serve the needs of the people of San Antonio. In essence, he is doing more with less.

I also want to say something briefly about the efforts of local officials in San Antonio to accommodate the almost 13,000 evacuees we have received as a result of the Katrina catastrophe. Mayor Hardberger, County Judge Wolf, and numerous local officials such as Henry, public servants and volunteers, have done a tremendous job in helping out our fellow citizens find housing and necessary services in a very desperate time. With not much more than 24 hours' notice, the citizens of San Antonio and Bell County, as well as the citizens of Texas as a whole, have stepped up and done their duty to help our neighbors in Louisiana and Mississippi.

I do wish to emphasize again the tremendous role that the San Antonio Housing Authority under the leadership of Henry Alvarez has been able to coordinate the housing needs of many of these evacuees.

Again, thank you very much, Mr. Chairman and Ranking Member Waters. I yield back.

Chairman NEY. The gentleman, Mr. Scott?

Mr. SCOTT. Thank you, Mr. Chairman and Ranking Member Waters, for holding this hearing and for other efforts to bring important stakeholders in housing together to discuss rebuilding the lives that were decimated by Hurricane Katrina.

I have seen many efforts developed to provide transitional housing for displaced residents, and I remain concerned that the Government should not simply create unsafe temporary ghettoes or displace residents in substantial housing in other cities. I also believe that we should begin a discussion about providing Government housing for displaced residents.

While the planning and design to rebuild New Orleans and other communities will be determined in large measure by local officials, Congress should have a say in how Federal dollars are spent. I believe that we have an opportunity to rebuild these communities in a way that can open up the doors to the middle class for many impoverished families. After all, race and poverty and class most cer-

tainly did play a role in this disaster, and it is important for us to understand that as we move forward.

Now, how can we accomplish these goals?

First, rather than rebuild pockets of poverty, we should encourage mixed income development. The success of HOPE VI in Atlanta can serve as a model on how to leverage private dollars to rebuild neighborhoods.

Second, we should encourage builders to hire and train local residents in order to provide jobs and skills.

Third, the families who help rebuild their neighborhoods should be given opportunities to become first-time homeowners. This could be based on the Habitat for Humanity program.

Finally, we must ask, what will become of the families who cannot or choose not to return to the Gulf region? We must find ways to give them new opportunities. I do not want to see them just steered into substandard housing and left to join a forgotten class in their next city.

The aftermath of Katrina gives us focus on the class issues that divide America. Congress should take this as an opportunity to encourage building affordable housing nationwide.

Thank you, Mr. Chairman.

Chairman NEY. I thank the members.

We will move on to the panel.

Congressman Gonzalez, of course, has introduced Mr. Henry Alvarez.

Next is Sharon Daly, senior adviser for public policy with Catholic Charities of the United States of America, one of the Nation's largest social service networks, providing networking opportunities, national advocacy and media efforts, training, technical assistance, and financial support.

J.K. Huey is senior vice president of IndyMac Bank, located in Pasadena, California. She is testifying today on behalf of the Mortgage Bankers Association, an association whose members comprise more than 70 percent of the single-family mortgage market.

Kay Miller is president and owner of T.A. Miller, Incorporated, and Tra-Dor, Incorporated, Management, located in Shreveport, Louisiana. She is testifying on behalf of the Council for Affordable and Rural Housing, a nonprofit trade organization that promotes the financing, development, and management of affordable rural housing.

Congressman Aderholt was supposed to be here and could not make it at this moment to introduce you, so I will do it.

David Roberson is the president and CEO of Cavalier Homes, Incorporated, of Addison, Alabama. He is testifying today on behalf of the Manufactured Housing Institute and the Manufactured Housing Association for Regulatory Reform.

Nan Roman is president of the National Alliance to End Homelessness, whose mission is to mobilize the nonprofit public and private sectors in a united effort to address the root causes of homelessness.

Barbara Thompson is the executive director of the National Council of State Housing Agencies, a nonprofit organization committed to advancing the interests of lower income and underserved

people through financing, development and preservation of affordable housing.

Dave Wilson is a homebuilder from Ketchum, Idaho. He is currently serving as president of the National Association of Home Builders, whose 220,000 members seek to promote policies to make housing a national priority and provide safe, decent, and affordable housing for all consumers.

I would note, without objection, your written statements will be made part of the record. You will be each recognized for 5 minutes. The yellow light comes on, which is a warning period that you have 1 minute left. Anything you would like to add after that for the record will be accepted, without objection.

We will begin with Mr. Alvarez.

I thank all the witnesses today for being here.

STATEMENT OF MR. HENRY A. ALVAREZ III, PRESIDENT AND CEO, SAN ANTONIO HOUSING AUTHORITY, SAN ANTONIO, TEXAS, TESTIFYING ON BEHALF OF NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS

Mr. ALVAREZ. Good morning, Mr. Chairman, Ranking Member Waters, Representative Gonzalez.

And to the congressman, let me say, without question, thank you very much. I stand just simply to say thank you for your generosity and your graciousness for having me here.

My name is Henry Alvarez, and I am the president and CEO, basically the chief knucklehead, over at the San Antonio Housing Authority, called SAHA. I am also a native of New Orleans, Louisiana, born in Charity Hospital and a product of its public housing, both Lafitte and Magnolia.

It is my honor and a privilege to appear before you today on behalf of the National Association of Housing and Redevelopment Officials.

Our membership includes 18,000 housing and community development professionals and nearly 3,380 agency members, comprising housing authorities, community development departments and redevelopment agencies.

I want to be brief today and I want to say thank you from the bottom of my heart. We have basically called my friends and family and members of New Orleans and other members of the Gulf Coast region many different names and monikers, but they are my neighbors; they are my friends, and this is a personal event for me because, in some instances, they are actually my family.

Given that, here in San Antonio much of what we have done, we have seen about 13,000 of these families that have been displaced by the hurricane. Four thousand of them remain in the shelters today.

We have taken every conceivable action and appreciate all that you have done to relax the barriers to assist these families, and for the great State of Texas, we have had our arms open very wide for these friends and neighbors of mine to come into our environment and to try to help them as best we can.

Let me share with you now, Mr. Chairman, some of the concerns and recommendations and thoughts of NAHRO.

First, we agree with you. We continue to strongly recommend that Congress authorize and immediately make resources available to fund a minimum of 50,000 emergency tenant assistance vouchers to assist the displaced families of Hurricane Katrina.

These vouchers, however, should be in addition to our existing vouchers products, notwithstanding, as in the city of San Antonio and much of the housing authorities in the country, we have 23,000 families waiting.

As such, I agree that we should not displace those families in addition to having them compete with families displaced by Katrina. We ask that this allocation come as quickly and efficiently as possible. We will add into the record a model for which we believe can assist in doing that.

Notwithstanding, our HUD secretary has relaxed many of the regulatory requirements, but there are some others that we would like to talk about very briefly. We hope that they would relax the 20 percent limitation on project-based vouchers, that we would be allowed to increase the number of residents that we can put in project-based families.

The other issue is that we find some funding to provide security deposits and transportation activities. One of the things that, as we walk through the shelters, folks are concerned about is how do we get from here to there; how do we reunite ourselves with our families; how do you get me off the bus and to where I need to be so that I can see the kids that have been sent someplace else other than San Antonio.

We continue to have one of the greatest humanitarian efforts in the city of San Antonio that I have ever seen. We have seen agencies that for years have never spoken to each other, never as much as said good morning, but they have all come together to help these families of Katrina.

We ask also that in the community development block grant program that you take a look and relax some of the flexibility in that program, particularly as in New Orleans that will be a need for tremendous infrastructure to rejuvenate our local economies and to help create jobs and to provide Section 203 processes for those families that will need to help and assist in rebuilding the great city of New Orleans.

I hope that these things can be done very quickly. There are a lot of us here to talk today, and I do not want to belabor the point, but I want to share with you from the bottom of my heart, we are not talking about just folks. These folks, my family home is in Gentilly, right behind Dillard University, and it is under water. We are talking about folks who are our friends, our neighbors, our family members. I hope that you will move quickly to do whatever is essentially necessary to help these families.

Also, before I conclude my remarks, I would like to say thank you to Congressman Frank for his continuing support for House Resolution 1461, the Federal Housing Finance Reform Act of 2005.

With that, Mr. Chairman, again my heartfelt thanks, and it is a sincere thank you for having me here today. That concludes my statement, and the remaining portions of my remarks will be added to the record, if you have no objection.

[The prepared statement of Henry A. Alvarez III can be found on page 63 in the appendix.]

Chairman NEY. Thank you. No objection, and we appreciate your testimony.

Mrs. Daly?

STATEMENT OF MS. SHARON M. DALY, SENIOR ADVISOR FOR PUBLIC POLICY, CATHOLIC CHARITIES USA

Ms. DALY. Thank you, Mr. Chairman and Ms. Waters, for convening this hearing. My name is Sharon Daly, and I want to thank you.

I am here to represent Catholic Charities USA and its member agencies which in a typical year serve well over seven million poor and vulnerable Americans. Catholic Charities USA is providing critical support wherever it is needed.

You asked us to report on our efforts and its response to the disaster, but I will do so very briefly.

We have already forwarded over $1 million in donor contributions to Catholic Charities agencies in the States hardest hit: Mississippi, Louisiana, Texas, and Alabama. Our disaster funds operate out of a special account and we direct donations to the most affected States as well as to the agencies aiding evacuees across the country. These donations are for temporary food, housing, clothing, and other basic necessities for crisis and grief counseling and financial assistance. Additional funds will be forwarded as they arrive.

We appreciate the generosity of our donors and are respectful of their wishes to provide direct aid to the victims. None of the money donated for Katrina relief will be used for the regular expenses of Catholic Charities, and 96 percent of the donations will go directly for victims.

Following most previous disasters, Catholic Charities agencies serve their communities through long-term assistance. But this time, the lack of emergency aid in many areas has required our agencies to take on new roles to keep people alive until FEMA and the Red Cross and others arrived.

Last weekend, Catholic Charities was the only agency helping people in many communities in Mississippi. Our dioceses in Biloxi and Jackson have already provided food and emergency shelter for several thousand displaced families. Staff and volunteers from our Florida agencies and the Florida Catholic Conference have been on-site in Mississippi since September 5.

In Biloxi, as Charities teams go door to door in the most ravaged areas distributing food and water and other supplies, the commodity most in demand is bleach to clean up the filth in people's houses, houses that they cannot leave because there is no place to go.

We have also been there from day one in Louisiana. Catholic Charities of New Orleans, which a week ago was under 10 feet of water, has been operating out of Baton Rouge and is distributing 400,000 pounds of food daily. The agency operates a medical and respite care center where police and firefighters and other responders working on the ground in New Orleans can get crisis and trau-

ma counseling, medical attention, and other support before returning to duty.

Father Larry Snyder, our president, has been in Baton Rouge for over a week, and Pope Benedict's envoy, Archbishop Cordes, arrived on September 10 in Baton Rouge to provide spiritual and material aid.

Far more is being accomplished than I can report today. Our agencies in an additional 22 States are working to help evacuees providing shelter and emergency assistance and working toward longer-term solutions. My written testimony highlights some of what our agencies are doing.

We have all seen the devastation and the need. Now imagine that instead of seeing it on TV you are living it. Imagine that you have lost everything and are scrambling for water, food, shelter, and basic safety for you and your family. Imagine being helpless. Imagine having witnessed the death and rape of many while you struggle to survive another day. You do not have any safety nets—no car, no house, no credit card, nothing. How would you rebuild?

Our first recommendation is that getting evacuees out of the sports arenas and mass shelters is critical. In communities where the housing stock has been destroyed or is uninhabitable, trailers and manufactured housing are needed immediately. According to FEMA, hundreds of thousands of trailers have been purchased or will be soon, but in many of the hardest-hit areas, there is no emergency housing of any kind.

While trailers are preferable to shelters and sports arenas, they are no substitute for rapid reconstruction of the communities that have been physically, but not spiritually, destroyed.

The kindness and generosity of Americans who have accepted evacuated family, friends, and strangers into their homes must not be abused by the Federal Government. The burden must be shared by all Americans through adequate Government responses, not just by the brave and resourceful and generous. Congress must ensure that the Federal Government gets appropriate housing and services in place before this overwhelming hospitality is exhausted.

We suggest the following.

For emergency housing, the committee should instruct FEMA to reach out to faith-based and community groups, as well as other property owners, that have property suitable for the installation of small numbers of temporary housing units such as trailers.

There are reports that FEMA plans to install 25,000 trailers on property near Baton Rouge. High concentrations of evacuees who are at least temporarily unemployed and have lost everything is a recipe for another disaster.

Chairman NEY. I want to just note to the gentlelady that the time has expired, but if you would like to wrap up and that way we can have time for questions.

Ms. DALY. We also urge, as Mr. Frank and others, Mr. Shays, has said, that it is very important that residents, including low-income residents in these areas, have a chance to participate in the planning for redevelopment.

We agree that there is a need for an enormous increase in emergency Section 8 vouchers in addition to those that are already done. And we would support the recommendations already men-

tioned for waivers of some Section 8 requirements so that landlords who are volunteering for the first time to house Section 8 clients are able to get into the program and people get out of those shelters.

In addition, we think we need money right away to rehab the damaged housing in the Gulf area that has been assisted by housing the Section 8 and 202 and other programs, that have been damaged, but with repair could be habitable fairly soon.

We also urge the committee to adopt—

Chairman NEY. I hate to interrupt the gentlelady.

Ms. DALY. Okay, just 1 more minute, 1 second.

Please find some way to produce more affordable housing for the lowest-income families. There is right now no Federal program that does that, and we need to make sure those families have housing as soon as possible.

Thank you, Mr. Chairman.

[The prepared statement of Sharon M. Daly can be found on page 94 in the appendix.]

Chairman NEY. Thank you. We will have some questions for you where you will be coming back in because I think you have some very valuable thoughts. Thank you.

Mrs. Huey?

STATEMENT OF MS. J.K. HUEY, SENIOR VICE PRESIDENT, INDYMAC BANK, PASADENA, CALIFORNIA, TESTIFYING ON BEHALF OF THE MORTGAGE BANKERS ASSOCIATION

Ms. HUEY. Thank you for inviting MBA to testify on how the mortgage industry is responding to the disaster caused by Hurricane Katrina. I am honored to be here.

I have over 20 years of experience in mortgage servicing and have assisted thousands of borrowers affected by other disasters, including Hurricane Alicia that hit the Texas Gulf Coast in 1983, where I was on-site in Houston helping borrowers with their insurance claims checks. So I understand the anxiety and level of stress that these victims are going through.

I welcome any questions on the general practices of the mortgage companies put into place to assist customers under these circumstances.

MBA estimates that as many as 360,000 mortgages were impacted by Hurricane Katrina. This number includes both loans secured by properties directly damaged from nature, as well as properties affected by secondary economic impacts such as job losses from the hurricane's aftermath.

Immediately upon learning of the damage caused by Hurricane Katrina, mortgage companies began assisting affected borrowers by providing extended grace periods for mortgage payments, waiving late fees, waiving the reporting of derogatory information to credit bureaus, postponing foreclosure actions, and placing calls and e-mails to customers to discuss their needs.

Lenders are also able to assist borrowers with long-term solutions, including providing second mortgages, renovation loans and refinance mortgages, but it is crucial for the borrowers to contact their servicers so that all the options can be explored. To this end,

MBA has undertaken a series of public service announcements in key markets.

MBA has suggestions for how Congress could help meet immediate housing needs.

For instance, Congress could provide a temporary emergency waiver of all requirements for certain programs, such as the Low-Income Housing Tax Credit and HUD subsidy programs.

We also strongly urge Congress to provide funding for an additional 50,000 emergency Section 8 vouchers to be administered by the appropriate local housing authorities, as already recommended.

MBA also supports the waivers granted under the HOME program and strongly supports increased emergency HOME funding. Waivers should remain in place for at least 1 year, and further waivers of matching requirements, income eligibility requirements, and maximum unit subsidies should be included in any relief package for disaster victims in those communities accepting evacuees.

In addition to addressing short-term housing needs, Congress should address how we renovate damaged homes and build new housing in the hurricane-affected areas. We believe FEMA, FHA, and other Government programs can be catalysts for rebuilding the neighborhoods, but current program requirements will be difficult to overcome. For example, attaining an appraisal will be difficult if not impossible in many of these areas because there will be few, if any, comparable sales. In addition, loan limits may need to be waived in order for the Federal Government to insure a wider variety of properties.

MBA also supports lifting the cap for FEMA assistance on repairs and replacement housing, reenacting temporary mortgage and rental assistance programs, increasing the amount of low-income housing stock, applying the Section 223 FHA program to hurricane-affected areas, and relaxing the service area population limits, and income limits under the RHS programs.

The most immediate need of mortgage companies is liquidity. As indicated earlier, mortgage companies are offering short-and long-term forbearance to borrowers. However, mortgage servicers are required to advance principal and interest to investors. MBA urges Congress to grant Ginnie Mae authority to absorb the cost of advancing principal and interest during these forbearance periods.

Finally, in our written testimony we address other important issues outside of the jurisdiction of this subcommittee: brownfields cleanup, tax relief for commercial real estate mortgage investment conduits, and suggestions for relief from no-bids on loans guaranteed by the Department of Veterans Affairs.

Mr. Chairman, Ranking Member Waters, MBA and the mortgage banking industry are committed to helping borrowers who have been affected by this great national tragedy. Our goal, however, is not only to provide for immediate relief of the victims of the hurricane, but to restore the economic health of the affected communities as well.

We appreciate this opportunity to testify, and we look forward to working with you and everyone on this panel. Thank you.

[The prepared statement of J.K. Huey can be found on page 122 in the appendix.]

Chairman NEY. Thank you.

Mrs. Miller?

STATEMENT OF MS. KAY MILLER, PRESIDENT, T.A. MILLER, INC., AND TRA-DOR, INC., MANAGEMENT, SHREVEPORT, LOUISIANA, TESTIFYING ON BEHALF OF THE COUNCIL FOR AFFORDABLE AND RURAL HOUSING

Ms. MILLER. Good morning. My name is Kay Miller. I am representing the Council for Affordable and Rural Housing. I have a development, contracting, and management company. My company mostly handles properties that are in the State of Louisiana.

Our management company over the last couple of weeks has made efforts to help give any assistance that we could to the dislocated people of Hurricane Katrina. We have put them in our community rooms. We have fed them. We have steered them to community efforts that are out there for them and they would not have any way of knowing where and how to reach them. We have waived security deposits. We have paid their first month rent. We have even had utility companies that would not waive their deposits for electricity and for water. We paid those fees for those tenants.

In addition to that, we have gone out in our personal vehicles and trucks and gathered furniture, taken it to these victims, given them a place to live, and given them beds to sleep in.

I appreciate the opportunity to come here and speak on behalf of the citizens of Louisiana, Mississippi, and Alabama. Our hearts go out to them. Their homes were destroyed, but not only that, their communities, their families, their jobs, and the workforce that is going to be necessary to rebuild this part of the Nation.

As said earlier so eloquently, what we need is immediate additional Section 8 vouchers. We need allotment of rural housing vouchers to reach those that are not in the cities, but are in the smaller communities, but nonetheless are impacted by the hurricane. The USDA has been working over the last week or so with emergency rental assistance. I pray that continues, that that is not just a short, 6-month problem-solver, but yet something for the long term.

Of course, the immediate needs are for manufactured housing to be brought in to move people from shelters into a more permanent housing situation so that they can try and mend their lives back together. As stated earlier, the emotional affect of these people that have been affected by Hurricane Katrina is unbelievable. They are walking around in shock. Their emotions run the full gamut. They do not know whether to cry, to laugh, to beg, to plead, to lay down. They really truly are tremendously emotionally scarred by what has happened to them.

Of course, in the long term what we do need is additional affordable housing. Our State in Louisiana especially has been affected. Our occupancy rates were already at an all-time high anywhere from 94 to 95 percent. In my particular management company, we are 100 percent with people on waiting lists and begging for housing.

Our local shelter has been able to place some people, but there is no way of actually knowing the magnitude of the people that are out there wandering, that are looking for somebody to give them

some direction about what it is they need to do and how it is they need to get there.

We are going to need additional hiring of probably HUD and USDA staffs to focus their concentration back on housing. Housing has taken a backseat for the last several years because there were bigger fish to fry, as we say in the State of Louisiana. Housing needs to get back into the limelight. Housing has to be a priority, no matter what the cost.

We are going to have to also consider that we are going to have to work with our local housing finance agencies that are in the three States that are affected. They are going to need additional personnel. Low-income housing tax credits have always been issued on a per capita basis. Those things may have to be looked at. We may need to get additional credits in these states.

The south is very unique in that people that are from the south want to return to the south. They want to live where their families are, their communities are, their friends are. They do not want to completely be displaced forever. Please allow us the opportunity to bring them home.

Thank you very much.

[The prepared statement of Kay Miller can be found on page 149 in the appendix.]

Chairman NEY. Thank you.

Mr. Roberson?

STATEMENT OF MR. DAVID A. ROBERSON, PRESIDENT AND CEO, CAVALIER HOMES, INC., ADDISON, ALABAMA, TESTIFYING ON BEHALF OF MANUFACTURED HOUSING INSTITUTE AND THE MANUFACTURED HOUSING ASSOCIATION FOR REGULATORY REFORM

Mr. ROBERSON. Thank you, Chairman Ney and all of the members of this subcommittee. On behalf of Manufactured Housing, I am proud to be here today to tell you the efforts for our industry and some opportunities for improvement in the relief effort.

Immediately after Hurricane Katrina hit, our industry started working with FEMA to bring a coordination of efforts on resources, available inventory, other capacity and constraint issues so that FEMA could understand how we could interface with them in the relief effort.

Over the years, Manufactured Housing has played a vital role in providing emergency housing. Last year, our company did provide homes in the relief effort for Hurricane Charlie.

Currently, through working with FEMA, as a result of that, there have been about 2,000 homes that have currently been purchased that came from existing inventories. There has been one bid let by FEMA for the production of 8,000 homes that will very shortly begin production from the industry. There has been a request for proposal from FEMA of 15,000 to 18,000 homes that is still pending and has been pending for over a week.

We believe the industry today has approximately now, after the purchase of these 2,000 homes, 7,000 or 8,000 homes that could be purchased from existing inventories, whether it be new or used. We believe the industry has the capacity to build 15,000 to 20,000

homes by the end of the year, depending on specifications and order times and other variables.

We believe in the first quarter of next year, the industry could build another 10,000 to 15,000 homes, which gives the total amount of homes available over a 6-month period for the relief effort of 35,000 to 40,000 homes. Although there have been many reports in the media of much higher numbers, we believe that is more in line with the real capacity.

Moving forward to see what could happen for immediate improvement of relief efforts, we would encourage Congress to take some specific actions.

The first thing is we need you to help HUD and FEMA and other agencies come together so that certain exemptions or requirements of the various laws and the oversight that they have can be coordinated. For instance, houses purchased from existing inventory may not meet wind-zone requirements for areas where they may be located. We need you to step in and help those issues be resolved between the various agencies. We need you to help in transportation and other issues.

Secondly, we would ask you to look hard to change longstanding guidelines at FEMA surrounding their bid process and the way they interface with manufactured housing, to reduce the paperwork and some of the onerous provisions that are there, to encourage bidding from manufacturers to build relief-effort homes. In our efforts for Hurricane Charlie, we had payments made to us that extended over 166 days. Small businesses cannot afford that kind of cash-flow problem.

There can be unreasonable delivery schedules. There are no force majeure provisions that provide for relief for manufacturers in the event that materials are unavailable. There has been testimony here today surrounding the problems with materials and the design longstanding in FEMA prevents manufacturers from proactively bidding to build product.

In addition to that, we would ask that you would look at those provisions also to ask FEMA to extend contract delivery periods. Houses need to be delivered where they are coordinated with infrastructure. You do not build houses and set them on staging areas and let them sit there for months before utilities are there. There is no reason to speed the process or interrupt business for manufacturers. We can work together to coordinate those efforts.

In addition to that, we think that the Federal Government should extend help for financing of new homes to victims, whether it be through loan guarantees, whether it be through low rates, whether it be through preferential treatment of all types of affordable housing, including manufactured housing, and that all these efforts would have an immediate impact on the relief efforts.

Over the long course, we also see some opportunities. The fact is that we believe that FEMA needs to cooperate in a long-term partnership plan with manufactured housing where we can change the bidding process. We can change the specifications for the houses where we can have industry input to help FEMA save money, speed up response, these types of things. We believe there could be a comprehensive plan for staging areas and otherwise and that

there could be some ongoing production that could speed up the process in the future.

Lastly, I would like to speak just a little bit about the long-term housing solution. Manufactured housing and modular housing has come a long way. We do not have the same old image of the house trailer that a lot of you think we do. We can provide all classes of product today and manufactured housing needs to play a vital role in the recovery for New Orleans and the rest of Louisiana and the Gulf Coast.

We would ask Congress to update and modernize and give preference to financing for manufactured housing and modular through the financing through the GSEs and FHAs. There have been numerous changes for unreasonable underwriting and appraisal guidelines. We need to see things happen to adjust advanced structures and other regulations and encourage new lending.

We also think that it would be proper and important for Congress to work with State and local governments to work on zoning restrictions and other areas. We also think that it is most important that Congress move to execute the Manufactured Housing Improvement Act that started 5 years ago.

Chairman NEY. I do want to caution you that the time is over.

Mr. ROBERSON. I appreciate that, and I thank you today.

[The prepared statement of David A. Roberson can be found on page 164 in the appendix.]

Chairman NEY. We still will take the rest for the record. I am sure there will be questions that will allow you to come back into the conversation.

Mr. ROBERSON. Thank you very much.

Chairman NEY. Thank you.

Ms. Roman?

STATEMENT OF MS. NAN P. ROMAN, PRESIDENT, NATIONAL ALLIANCE TO END HOMELESSNESS

Ms. ROMAN. Thank you so much for inviting me to testify today on behalf of the National Alliance to End Homelessness.

The Katrina disaster has created hundreds of thousands of homeless people. Many of these new homeless people will look a great deal like the 750,000 people who were homeless across America the night before the hurricane hit: desperately poor, disproportionately minority, and often disabled.

Hurricane Katrina was a crisis of massive proportion, but those most affected are the same Americans whom any disaster, personal or natural, can send spiraling into homelessness. The past two decades of work with homeless people and programs have taught us many lessons, and I wanted to share some of those today with respect to Katrina, focusing on the short term.

First, I concur with many other comments here today, that a first goal must be to get people out of the shelter system quickly. Shelter is bad for people. It has all kinds of negative consequences for individuals and families. Those consequences also are very costly to public systems of care.

The question, of course, is not whether to get people out of shelter, but how we do it. Here are a few things that we have learned

over the years, starting with people who need relatively little assistance and moving on from there.

Rent subsidy, if provided quickly, could result in housing stability for as many as 75 percent of households affected, assuming housing is available. We support the use of vouchers. FEMA also, of course, has the authority to provide up to 18 months of rent subsidy at fair market rent, and we strongly recommend that they do so quickly.

Since FEMA does not seem to be doing a good job of dealing with housing or distributing money, it might make more sense to try to get the FEMA resources turned over to the Housing Finance Agencies, the public housing agencies, or somebody who knows more about how to deal with housing.

At least 250,000 of the evacuees were very poor and are going to require more than a short-term rent subsidy. They are going to need longer-term rent subsidy and help negotiating housing placement and services. To link people with housing and services rapidly, grants could be given to local nonprofits or city agencies to provide care management assistance.

Of those 250,000 evacuees who are likely to be extremely poor, about 10 to 20 percent, say 25,000 to 50,000, are likely to be disabled and to need an even more sophisticated combination of services and housing.

We are already hearing anecdotally from Katrina shelters, both in the affected area and across the Nation that those people with more resources are rapidly leaving the shelters, while those people with mental illness, serious stress disorders, untreated substance abuse disorders, physical disabilities, and the elderly are remaining in the shelter system.

To identify and refer this group of people to proper housing, we need to quickly get funding for case management or specialized staff into the shelters. Supportive housing, housing with services, would work well for this population.

I think we made a mistake in the homelessness system by leaving this most vulnerable disabled population to languish for years in shelters, and I hope that with some special attention and resources, we can avoid making that mistake again in the aftermath of Katrina.

In addition to rent subsidies, temporary housing, as everyone has commented, will be needed. Reports are that all available housing in the affected area has been rented or purchased, yet there are 50,000 people remaining in Katrina shelters there, so permanent housing will have to be quickly created for these individuals and families in whatever way possible, as has been discussed.

A few more general thoughts.

An administrative data system that can continually keep up to date on people's location, needs and plans is essential, both to meet immediate housing and service needs and to plan for the future. How can we know the number of temporary or permanent housing units that are needed, that we need to plan for, in the total absence of any reliable information about what people's needs or intentions are?

The Federal Government has already fully tested a homeless management information system that could do the job. The State

of Louisiana, tired of waiting for an okay from FEMA, went ahead and implemented it throughout the State of Louisiana. It should be extended nationwide immediately.

Also, as others have said, new resources are needed. We cannot help the newly homeless people on the backs of those who are already homeless or who are at risk of homelessness. We urge support of the voucher program as well.

And also, I think someone needs to be put in charge of the housing function around Katrina. It is completely uncoordinated. There are tremendous amounts of resources that are going to be spent with no information and no coordination. So I think that an important step, really, is to get someone who knows about housing in charge of this critical activity.

At a minimum, Hurricane Katrina must not be allowed to increase the number of poor and homeless people in our Nation. I think we can aspire to a much higher goal than that, though.

I thank the committee for its commitment, for its interest, and for its bipartisan efforts to do something to help the victims of this terrible disaster.

[The prepared statement of Nan P. Roman can be found on page 170 in the appendix.]

Chairman NEY. I want to thank you.

Ms. Thompson?

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

Ms. THOMPSON. Thank you for this opportunity to testify today on behalf of the National Council of State Housing Agencies. NCSHA represents the housing finance agencies of the 50 States, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

State HFAs allocate the Low-Income Housing Tax Credit, issue housing bonds, and administer HOME and other HUD assistance all across the country.

State HFAs have responded to Katrina with an outpouring of support and concern. State after State, some as far away as Maine and Utah, have offered to provide housing to displaced families. Collectively, HFAs have registered thousands of housing units with FEMA. Many are already housing families.

HFA efforts have not stopped there. Many have contributed staff, technical assistance and other resources to the affected HFAs. Some have even offered to give up some of their own desperately needed Federal housing resources to help meet the dire housing needs in Katrina-afflicted States.

We at NCSHA have tried to do our part. We have focused first on regulatory barriers preventing the immediate housing of families in available housing credit, HOME, and other federally assisted housing. We have asked the IRS and HUD for immediate relief from income qualification and other occupancy rules.

The IRS has responded, providing on September 9 official guidance allowing housing credit property owners all across the country to house families displaced by Katrina regardless of their income. With NCSHA's encouragement, the IRS is now preparing additional relief to facilitate the development of new housing credit

apartments that will be needed in the afflicted States. HUD, too, has taken steps to get displaced families into available housing.

I want to focus the remainder of my time this morning of what still needs to be done.

Congress needs to provide immediate program relief that Federal agencies lack the authority to provide. We have asked this subcommittee, for example, to waive voucher and HOME rules. We have provided staff our detailed proposals.

Tearing down barriers to the use of existing housing resources, however, will not be enough. Resources are woefully insufficient to meet the Nation's housing needs. They were before Katrina and now after Katrina they will be taxed to the breaking point.

States are not turning over housing to Katrina-displaced families because they have no need for it. They are doing it because the needs of families left with nothing are more urgent than the urgent housing needs of other families still waiting. This is a choice States should not have to make.

We urge Congress to provide more housing resources immediately, not only to the afflicted States that need it most, but also to those who have sacrificed their own resources to help those States. We ask you to work with appropriators to provide immediate emergency additional voucher and HOME funding.

In addition, we ask you to re-examine with the appropriators your fiscal year 2006 HUD funding bill to take account of the long-term pressure the Katrina rebuilding effort will place on so many States.

This is also the time to expedite enactment of pending legislation that would make new housing resources available. We especially urge you to enact the GSE bill and the affordable housing grant fund it contains. NCSHA also asks this subcommittee to work with your tax committee colleagues to get additional housing bond and credit resources. Unfortunately, so many of those who lost their homes are the very poor who we cannot reach with many of the housing resources available to us.

It is critical, therefore, that we have as many flexible tools at our disposal as possible because it is only through combining tools like housing credits, HOME grants, and vouchers that we can reach these families.

Finally, though we hope never to face a natural disaster of the magnitude of Katrina again; we know future natural disasters are inevitable. We need to prepare for them now with new housing production and my getting permanent disaster regulatory and statutory relief on the books.

Thank you for this opportunity to testify today.

[The prepared statement of Barbara Thompson can be found on page 175 in the appendix.]

Chairman NEY. Thank you.

Mr. Wilson?

STATEMENT OF MR. DAVID F. WILSON, HOMEBUILDER, KETCHUM, IDAHO, PRESIDENT, NATIONAL ASSOCIATION OF HOME BUILDERS

Mr. WILSON. Thank you, Chairman Ney, members of the subcommittee. On behalf of the 220,000 members of the National Asso-

ciation of Home Builders, I appreciate the opportunity to testify today. I am a builder from Ketchum, Idaho, and the current president of the National Association of Home Builders.

The first point I would like to make this morning is that nothing will happen to rebuild the Gulf region until a local builder pounds the first nail in the first stud to rebuild his own community. That is why one of the first steps that NAHB is taking is rebuilding the housing industry in the areas affected by Katrina.

We believe that up to 9,000 NAHB members have been displaced, lost their homes or businesses, and have otherwise been affected in this tragedy. NAHB and its State and local associations are working as quickly as possible to get these builders back to work and on their feet so they can begin rebuilding their own communities.

Further, in an effort to reach out to our builders on the Gulf Coast, NAHB is placing public service announcements in newspapers and on radio and television in the affected States and in Texas, asking the builders who have been economically disadvantaged or displaced to call a designated number so affiliates can provide them with assistance to help them get back on their feet in their communities. State and local building associations in the region are also helping to organize materials donations to be used in the rebuilding.

Further, our members in Texas have organized a Web site to connect available affordable housing units with evacuees in Houston. This effort resulted in more than 1,000 individual families securing a home in the first 2 weeks of the disaster.

The task of rebuilding is unprecedented, with more than 1 million people homeless or displaced. In Louisiana, Mississippi, and Alabama, Katrina destroyed 275,000 homes, according to the latest estimates by the Red Cross. This is nearly 10 times as many as the previous natural disaster. Further, countless other homes were severely damaged and require immediate extensive repairs.

It is important to remember that the impact from the hurricane is not only being felt in the affected areas, but also in those States taking evacuees where housing must also be provided. We applaud the steps taken by Congress and the Administration to meet the housing needs of those affected by Katrina.

Along these lines, I would respectfully ask Congress to make NAHB a partner in the housing area command. NAHB understands the immediate need to build temporary housing quickly.

However, we believe it is important that the building industry is a long-term partner with the Government on rebuilding those communities. Ultimately, it is important that competitive quality housing is rebuilt and the community character is restored to those affected neighborhoods. Local builders have long been part of their local communities, and it is essential that they be part of the rebuilding of their own communities.

My written statement contains detailed lists of additional recommendations for Congress in addressing both the immediate critical housing needs of evacuees and the long-term reconstruction of housing infrastructure and supply. Let me begin by mentioning a few of our short-term relief recommendations.

First, ensure that the Section 8 housing voucher program can be used to address the emergency needs of existing voucher-holders who were displaced, as well as the newly displaced persons.

Second, ensure the displacement persons can move into units financed with low-income housing tax credits and other HUD programs and quickly and without negative consequences to the owners. This can be accomplished by implementing consistent program waivers across all housing programs such as applying the waivers for income limits provided recently by the IRS for low-income housing tax credit properties to HOME-assisted or other HUD-assisted properties as well.

Next, I want to touch on a few long-term key needs.

First and foremost, Congress will need to ensure the affected communities receive adequate funding for Federal housing programs.

Second, streamlining programs like FHA mortgage insurance, HOME, community development block grants, Section 108 loan guarantees, and USDA rural housing services will ensure the new construction rehabilitation activities can move forward quickly.

Also critical to the massive repair and replacement effort is the need for large amounts of building material. By way of comparison, the recovery from four major hurricanes that struck the Gulf Coast in 2004 is still incomplete, hampered by shortages of roofing, concrete, plywood, and other vital materials. The cost of construction materials has increased more than any time in the past 25 years. Duties imposed by Canadian lumber, Mexican cement, as well as other duties on Brazilian plywood have increased the cost of housing and contributed to the material shortage.

We believe that the immediate need to build temporary housing quickly is very, very important. However, it is important that the building industry be a long-term partner with governments on rebuilding our communities.

Ultimately, it is important that competitive, quality housing is rebuilt and the community character is restored to the affected neighborhoods. Local builders have long been part of their communities and it is essential they are part of the rebuilding.

Thank you very much.

[The prepared statement of David F. Wilson can be found on page 179 in the appendix.]

Chairman NEY. I thank all the witnesses for your testimony.

I do not know really where to begin, but let me ask just a couple of questions and give a couple of observations.

We have some members that have joined us.

I want to go to the issue of the manufactured housing. There is something floating around Congress this morning that I have heard of, and last night, that FEMA—and maybe you can answer this or maybe you can't—that FEMA has asked for 300,000 manufactured homes.

Do you know anything about that?

Mr. ROBERSON. Thank you, Chairman Ney.

As I testified earlier, the only information that we have at the industry so far is currently FEMA has issued contracts to buy 2,000 houses that were in existing inventory. Some of that is going

on to retrofit those to specs that would be suitable for them in the field.

They have issued one contract for the production of 8,000 homes to be built and delivered to the Gulf Coast region. They have also issued what they call an RFP, or request for proposal, to the industry for 15,000 to 18,000 more homes.

As I speak today, there have been no bids awarded or accepted for the production of that, but that is all of the capacity that we have seen for the industry so far is that 10,000 houses from existing and those to be built. We also believe that the industry has the capability to build 15,000 or 20,000 houses here in this fourth quarter and then probably another 10,000 to 15,000 in the next quarter.

Chairman NEY. I just wanted to raise this because this was floating around last night and I was asked to look at this letter. I said no. I am not going to sign that kind of letter. I think this is a panic thing that FEMA is buying 300,000 houses. Maybe they need to buy 300,000, I do not know, but I am just saying at this point in time I just wanted to ask you.

If you are in the industry, has FEMA said, ″Hey, we would like to buy 300,000″?

Mr. ROBERSON. No, they have not. It would be a little bit impractical. Last year, the industry built about 130,000 houses.

Chairman NEY. Okay.

Mr. FRANK. Would the chairman yield for a second?

Chairman NEY. Yes.

Mr. FRANK. I appreciate that. That is why I am grateful that through the chairman's good auspices we are going to have that briefing with FEMA and HUD today.

I will say some of the information we had is that a large number of the temporary units are in fact going to be RVs and not fixed units, which frankly I prefer because that means it is less likely that we are going to have permanent colonies.

But that is part of the information, that a large number of those 300,000 we have heard from some people will be RVs, rather than actually physical homes on-site. That is one of the things that we will be get clarified from FEMA today.

Chairman NEY. I wanted to ask several of the witnesses, Ms. Daly and others, there are a lot of emergencies to start with. As the city is rebuilt, which it has to be rebuilt, what do you do about the levees? I am not going to even get into that today. So we have to make a decision. Do we have one that sustains a level five, a level four?

There are a lot of urgent things, and I know that. But to me, the shelters, and I have heard this over and over; I have heard from our ranking member and others. The shelters, to me, are the absolute urgent, got to be dealt with today issue.

Now a couple of statements I have heard people make in conversation on this is, well, we do not want to dislocate people; we do not want to relocate people. We also do not want what people are calling trailer parks and problems.

But how do you deal with not relocating, but you have to have the temporary housing? Is there any problem you see with temporary manufactured housing in locations close to the affected areas in Louisiana, Mississippi, and the other Gulf States?

Ms. DALY. Mr. Ney, thank you for that question.

We think it is very dangerous if we concentrate large numbers of trailers or manufactured housing close together. You know, all of you know about the problems of densely populated high-rise public housing and how we have had HOPE VI to try to answer those problems. Let's not, as Mr. Scott mentioned, create a lot of new ghettoes.

We do need to get people out of those shelters. You are absolutely right. The elderly are in grave danger in those shelters. We have to get them out.

Chairman NEY. So there is no problem with manufactured housing. It is how many you put into a specific contained area.

Ms. DALY. We are not experts on manufactured housing. We just know you have to get those people out of shelters. If you concentrate them very closely together, you are going to create even more problems and another kind of disaster. There are a lot of nonprofit organizations, churches and so forth, in those areas where you could put trailers scatter-site, so you do not have to concentrate them in one place.

Chairman NEY. Mr. Alvarez?

Mr. ALVAREZ. Congressman, let me suggest just every fabric, every probable solution to the problem should be utilized.

We have one that is extensively working. The voucher program, if it is relaxed and increased in funding, allows families to locate anywhere they want to in any city in America. At the time when it is necessary or available for them to return to whatever city or State they have come from, they would be able to do so. That mechanism is already in place.

Chairman NEY. Due to the nature of some time, and people will have to leave, I will come back to that because on that issue if you only give people the choice to leave the Gulf States, that is the only choice, therefore, they have, if you give them the choice to leave the Gulf States. If you give them a choice to have some manufactured housing in smaller units, then they have a choice. But if you just say, here is the voucher and you can go anywhere in the country you want, you are really not giving them a second choice. You are saying here is the voucher and you will go somewhere else. So I think there is room for both discussions.

Right now, I am going to yield to the ranking member.

Ms. WATERS. I am going to yield to Barney Frank.

Mr. FRANK. I thank the gentlewoman because I have another meeting to go to.

Let me say first, and I appreciate this point, we I think are unified. There are two reasons not to have semi-permanent colonies. One, they are not great in and of themselves. Two, they would retard what is the goal for many of us, which is to give people the maximum chance to come back and reconstitute New Orleans, and particularly lower-income people. We do not want to see a situation in which the lower-income people cannot come back. That is why we have agreement here about an affordable housing fund, giving priority in its first year to them, et cetera.

But also, and my staff has shown me the New York Times that said this as well, and apparently we have heard both from the Recreational Vehicle Association, as well as the Manufactured Housing

Institute, that the great majority of units being purchased for temporary residents are recreational vehicles, or they are called here travel trailers.

That is a good thing because, first of all, you can do them more quickly because you do not have to have the hookups that are needed. Secondly, they are less likely to be permanent. The numbers, apparently the New York Times said last week, are in the ratio of about nine to one, travel trailers to mobile homes.

Many of us here have been strong supporters of manufactured housing, in addition to more conventional homebuilding. There is room for all of this. We will get more of that from FEMA.

Let me ask one point that came up, to Mr. Alvarez. A couple of the members from New York City raised this with us, and that is, the housing authorities are going to be hit with increased heating oil costs, particularly those in the Northeast and in the Midwest. I do not expect it is a major problem in San Antonio, but nobody is exempt totally.

But this is a concern. We know that the cost of home heating oil is going to go up. We also know in the Northeast and in much of the Midwest, that is a major factor.

I do not expect you have anything off the top of your head, but if NAHRO could give us some response there, it does seem to me that some form of fiscal relief to those housing authorities ought to be part of the package because they are going to be confronted in a short term maybe with an unexpected increase in heating oil bills that they have no other way to pay for.

I do not know if you have any response on that.

Mr. ALVAREZ. We do. We will get some materials for you to answer that question. But one of the primary utility functions in Texas is, of course, air conditioning.

Mr. FRANK. Air conditioning, yes.

Mr. ALVAREZ. And it is becoming more and more expensive.

In those locations where they are using heating oil, heating oil today has almost doubled in cost. So I think it is going to be a significant issue to address.

Mr. FRANK. We have had people say in the past, well, air conditioning, that is kind of a luxury, but one of the sad facts out of New Orleans are the frail people, people in poor health, elderly people who died and whose death was, in fact, hastened by 100 degree temperatures. So if anybody thought air conditioning was purely a luxury, one of the sad lessons of New Orleans is that it is not.

I appreciate the gentlelady from California yielding to me. I have to go off actually to a hearing on Iraq, or as I would say, a good way to finance all of this, which is by getting out of there, but that is another topic.

Thank you.

Chairman NEY. The gentlelady?

Ms. WATERS. Thank you very much, Mr. Chairman.

The roundtable that we had I think was very instructive. I think out of that roundtable, we came away with a bit of a consensus about some things. We know that we have to get people out of these temporary shelters. That is number one.

Over the CentralPlex in Baton Rouge, there were 5,000 people. Let's not even talk about what was happening over at the Astrodome. So that cannot last for long. We have to do that.

What I refer to as transitional housing or emergency housing, certainly the RVs or the manufactured housing must be purchased and they must be located in ways that make good sense.

I just heard yesterday that FEMA was talking about locating 25,000 in one place. That shall not be. I mean, that is absolutely unacceptable and I do not think any Member of Congress should support that.

I am not in the business of creating ghettoes. I am in the business of alleviating ghettoes and giving people decent housing. So we cannot support, and I do not think my chair would support, putting 25,000 manufactured housing or RVs and throwing people all into one location.

We talked about ideas such as churches and others being able to offer land or space where you could put these units down in small number. We are also interested, based on some of our conversations about what happened in Florida and how you provide some real management and oversight with these, if it is a church, nonprofit, et cetera. I think we need to understand how we can involve them in helping to manage some of these places.

Now, the other thing that we continue to talk about is this. When I was in Louisiana, every hour I was shocked to learn about another decision that sent 400 people up to Utah. I understand people were sent up to Utah to a barracks that basically sits in the middle of no man's land somewhere.

These people want to come home. We need relocation assistance to make sure that people are able to return near their city and community, such as some of those that I have alluded to in Louisiana and the same thing in Mississippi and in Alabama.

So I think we have to work very closely with FEMA to make sure that they are not making these decisions without the benefit of the input that we are receiving in these roundtables that we are putting together. Permanent housing must be on the agenda in every conceivable way. I think we are committed to the building of housing for low-and moderate-income people. That can get lost in this siting of these units to accommodate the people in the shelters.

So I think basically we are on the right track.

I think one of the things we have to figure out with housing is what to do about people who lost permanent housing, that had no flood insurance, housing that had been handed down perhaps from the family, paid for, et cetera, and what to do about people who lost homes where they had mortgages and no flood insurance.

We have to figure out those two things and expand, don't forget about the needs of the communities that we are talking about going into. Those homeless problems did not go away because we had Katrina. They are still there, and we have to take care of those. The housing needs did not evaporate. We have to pay attention to both of them.

This is an opportunity to seize on every conceivable way by which to do this. We have to look at CDBG; we have to expand CDBG. We have to expand the vouchers. We have to have disaster

funding that will accommodate these homes that were lost that did not have flood insurance.

So I think we are on the right track. We are just going to have to be very tough and very focused about it.

One of the things I asked Congressman Rangel to do yesterday was to look at tax credits for folks who have land that they would like to let us use for the siting of some of these. When I was in three churches in Los Angeles on Sunday, I had people who came up to me and said, ″Ms. Waters, I own 10 acres of land and you can use it.″ We have to find ways to make that work.

I think we give tax credits for everything else; let's give it to some of these landowners in order to use it for some of the temporary housing. It may be some land that we could then talk about building permanent housing on.

I am not in support of trying to keep people out of Louisiana, Alabama, and Mississippi. I am in support of returning them. The culture shock of taking people and throwing them up in cold territories, I mean, it is just too much. We have comments about that. We have one shelter in Los Angeles that people were taken to and the comments that are coming because of everything from food and the way things are done. People are very unhappy and they want out.

So I did not want to get into this. We have enough work to do, but there is one such shelter that we have to find out, okay, what are the rules? We have people in the shelters. They want out. Something is going on here that people just cannot tolerate, they cannot stand, they not like it. Nobody knows what the rules are to get them out.

I talked to FEMA. That was a mistake. Of course, they did not know.

And so, we are going to have to create some rules about how we deal with some of these problems.

You are looking at me as if you are baffled, Mr. Scott. FEMA did not know what to do about people who had been shipped to a shelter, not knowing where they were going in the first place. They did not know what State they were going to, and wanting to get out, and there are no rules for how they get out and get back to Louisiana or to a shelter that is closer to where they came from.

So I do not have any real questions except to say I expect those of you who are housing advocates to help form this consensus with us in these areas, and then we have to put our boxing gloves on and fight like hell to get it done.

Thank you.

Chairman NEY. Thank you.

Mr. Pearce?

Mr. PEARCE. Thank you, Mr. Chairman.

And thank you, everyone, for your testimony.

I have multiple questions so I am looking for the short version of the answer rather than the long version. We only have 5 minutes each.

Ms. Daly, thanks for your work on behalf of Catholic Charities.

How much have you all budgeted for this particular situation?

Ms. DALY. The money that we send out to our Catholic Charities agencies that are serving the survivors comes from donations. So

far we have sent out $1 million. We hope for $10 million shortly. It all depends on donations. This is money contributed by ordinary people.

Mr. PEARCE. Right. Thank you.

Ms. Huey, you mentioned liquidity. Do you think the financial markets will provide adequate liquidity for an area that has been devastated like this?

Ms. HUEY. Well, I think that is one of the greatest challenges that our businesses are concerned about. For example, when I mentioned the opportunity for Ginnie Mae to cover some of the advances, that is going to be critical. As we are having to make those advances, the borrowers are not making payments to us. So it is critical that that is explored.

Mr. PEARCE. Thank you.

Ms. Miller, thanks for your personal testimony about the things that you have seen and done personally in response. You are a developer. How much do you estimate that the shortage of materials that Mr. Wilson talked about is going to increase the cost per foot? What was the cost per foot previously in that area, the Louisiana area, and what will the cost per foot of building be now?

Ms. MILLER. Good question. I know over the last week, we were just beginning to start site utilities and site-work at two properties that we had. I immediately got a phone call from my company requesting that they come and sit down with me. That is never a good sign.

We are already seeing about a 10 or 15 percent increase in the prices of lumber that they are quoting me at this time. They are encouraging me to order materials far in advance of what I would normally need so that they will have it available. My fear is I am not sure if this is panic or if this is going to be worse things to come. It is definitely going to be an issue for construction costs in the future for all of us.

Mr. PEARCE. Thank you.

Mr. Wilson, I have been working with small builders in my State for the last 6 or 8 months. It looks like the EPA has changed some of the regulations and some of the enforcement on small builders, very much threatening their survival.

Has that same push been seen in the affected areas of the Gulf Coast prior to the disaster? Do you need relief from that regulatory push that really was threatening the number of builders who would even be available?

Mr. WILSON. I think that push still continues. EPA is still—we are at odds with them on storm water enforcement, obviously.

Let me mention on materials, I can tell you that OSB and plywood went up 55 percent in the last 4 days. Lumber is up 15 percent, and cement is on an allocation basis. You have to make a reservation to get a load of cement now in most communities in this country.

Mr. PEARCE. The cement question is a larger question. Actually, the builders had requested that we look at the dumping from Mexico about a year ago, and in response to that then we came in with the tariffs. Then when the supply got sucked up by China, now our tariffs have driven the price up by 60 percent.

Do you think the association would back the review of the initial dumping request on Mexico to get that supply available at a cheaper price?

Mr. WILSON. We have actually asked the Administration to look at removing the tariff and are in conversation with Mexico. As you note, cement has gone from $50 a yard to $95 a yard, so it is driving up the cost of construction.

Mr. PEARCE. Ms. Thompson, you talked about the need for $3.5 billion in housing vouchers. At the end of your testimony, you said that we need more resources. Is that even above the $3.5 billion?

Ms. THOMPSON. Yes. I was referring to the voucher funding. In addition, we do need for the long-term rebuilding more resources like more low-income housing tax credits and bonds.

On your point, Congressman Waters, yesterday—

Mr. PEARCE. I am sorry. If you could not address that. It is my question and my time. Thank you.

Ms. THOMPSON. Okay.

Mr. PEARCE. Ms. Roman, you had mentioned that we had 750,000 homeless prior and this is going to add another 250,000. Of that 750,000, if we were to look at individuals, is that 750,000 a static group of people or is it a rotation of people in and out?

And then of the 250,000, if that 750,000 is stable and not decreasing, of the 250,000 can we expect most of those then to stay in the homeless category? Would you address that?

Ms. ROMAN. The 750,000 is a nightly count, so it is not static. Over the course of the year, there are about 2.5 million to 3.5 million people who become homeless. The 250,000 is people who are very poor who became homeless. A million became homeless, but the 250,000 are the people who were very poor.

If those people get rent subsidy, no, they will not remain homeless. None of them should remain in the homeless system. We should be able to get all of them out. Rent subsidy should work for a lot of them and some services. Some will need a little more.

Mr. PEARCE. Thank you, Mr. Chairman. I see my time has elapsed.

Chairman NEY. Thank you.

Mr. Scott?

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

Let me start by making sure we have our hands around the accuracy of the size and scope of this problem. How many people are we talking about that right now we need to get out of the shelters into temporary transitional housing? Does anybody know the answer to that question?

Ms. ROMAN.Number one, I would say there is a big problem with data, and I addressed that in my testimony. I do not know how you can do your jobs when you cannot assess, even to the hundred thousand, how many units of housing are needed and where.

Based on what little we do know, there are 50,000 people, as I understand it from reports from the area, in Katrina shelters in the affected areas as of 2 days ago. This is not all the people in shelters, just those in the affected region.

In the affected region, there is no housing, as I understand it. So people in shelter there could be given rent subsidy, but they cannot

get into any housing in the area. They definitely need temporary housing, as I see it. So that is 50,000 who need temporary housing.

Then in the surrounding area, there was a fair amount of vacancy before Katrina. We have looked at the number of units, without respect to cost, that were vacant before the hurricane from Texas to Georgia, without respect to cost. There were a lot of vacant units, over 200,000. Now how many there are now, I do not know because of course people have spread out to those areas.

I would guess that the farther you get away from the affected area, the more there is vacancy and the more effectively rent subsidies are going to work. The closer you get to the affected areas, the more help people are going to need to get into housing as vacancy rates decrease. But until you get some data, I do not know how you can adequately plan for housing.

I think there is a way to get the data, which I addressed in my testimony. We should implement such a strategy immediately so that we can understand the dimensions of the problem.

Mr. SCOTT. Right.

Ms. ROMAN. One thing we do know is that there are 50,000 in the affected are, in shelter, who have nowhere to go even if they had all the rent subsidy in the world.

Mr. SCOTT. Do we have any more people in the Astrodome? Does anybody know that? Are there any more people in the Astrodome in Houston?

Ms. WATERS. Yes.

Mr. SCOTT. How many in the Astrodome?

Ms. WATERS. I do not know, but you still have people in the Astrodome.

Mr. SCOTT. So we have 10,000 in the Astrodome, is that right? I think this is a part of our problem. We do not know the size of the problem. We do not know the scope of the problem. We are here in the dark without even a flashlight feeling our way around. I think the most profound question that was asked, that was put forward from you the panel was who is in charge. Not only do we not know the scope of this problem or the size of the problem, we do not have anybody in charge.

It is a rather pathetic situation, when we need a Department of Housing and Urban Development, we are in the process of that department being dismantled, with many of its programs going over, proposed to go over to the Commerce Department, over to Treasury. And the one model that we do have that we ought to be using for this, HOPE VI, is not even going to be reauthorized.

I would say we are in quite a mess. But let me just ask this, not knowing the size of the problem, but we do know that the first order of business is going to have to be getting folks into transitional housing. I raised the point in my opening comments because I believe that the most urgent need now is two-fold: one, not to put a concentration, and I am almost tempted to say concentration camp atmosphere.

I think that if you thought the Superdome looked pretty bad by pushing a whole bunch of people into close quarters, what a large mistake it would be to even begin to move the process of building these huge trailer camps or transition housing all clustered in together. I do not know what is being done to make sure that does

not happen. There are all kinds of safety and health reasons and all of that that we have to look at.

The other thing I want to talk about is how important it is to use this process as a way to provide job opportunities, training, or efforts for the people who were directly affected. I mentioned before, everybody wants to push this under the rug: race, poverty, and class. That is the reason why the folks were in the position in the first place. It is obvious that we cannot dismiss that.

The American people, to our good fortune, for every survey that has been mentioned, ABC-Washington Post did a survey where they asked that question about race, where they asked that question about poverty and poorness, and if these were white middle-class people, would they be in this situation, and 76 percent of African Americans said yes; 21 percent of white Americans say yes.

Well, my goodness, that ought to give us an opportunity to respect that opinion and understand, as many of us have been pointing out going forward, why we have to be sensitive to these issues.

I am so concerned as we move into the houses, move into the reconstruction, the approach of the Administration has been to ignore this. The first move was to remove the Davis-Bacon requirements that protects the prevailing wage so that people can have that and not to require an effort.

I do not care what you call it, affirmative action, efforts to make sure that these were African American people who were displaced. Their homes were. Where is the program in there to make sure that they are getting a piece of the action to rebuild? Are there any efforts within your efforts as we move forward rebuilding these communities to make sure that this is taken into consideration?

Because if we do not, this will be a double slap in the face to the people who are the most victimized by this tragedy, if they again get victimized, be put into these huge transitional areas that could become ghettoes, and then not be allowed to take advantage of some of the job training programs or whatever it takes.

If I may, Mr. Chairman.

Chairman NEY. I just want to caution, we are having vote up and there are other members. I just want to caution you.

Mr. SCOTT. I just want to get a response from you in terms of, has anybody given thought to how you can involve and make sure that some of the poor, the lower-income folks who have been affected in this storm will be able to participate in terms of helping to rebuild in the housing area.

Chairman NEY. I have to hold this for a second here. The gentleman is 2 minutes and 44 seconds over. If we have a response, other members will be—

Mr. SCOTT. Okay, fine. That is okay.

Chairman NEY. But it is a valid question. We need a response, but I do want to just caution on that. That is fine.

Mr. Davis, before we go on though, I just want to say one thing. I think you raise an extremely valid point that has to be addressed now. By the end of the day, there is no reason that FEMA, HHS, HUD, or someone by 5 o'clock today we will place that call, can either tell us how many people are in the shelter or a guesstimate or "I do not know."

So you raised a point out of this that I think can be answered by 5 o'clock today, some answer. How many? I don't know. We need to pursue that today.

Mr. SCOTT. Thank you.

Chairman NEY. Mr. Davis.

Mr. DAVIS OF KENTUCKY. Thank you, Mr. Chairman.

I think it is clear that because of the magnitude of the disaster that there is going to be a creative menu of responses dealing with various types of housing questions. I try to look, particularly in my region, at practical and workable solutions. Oftentimes, they are right in front of our eyes and just sometimes the questions are not asked.

I think the idea of engaging folks in rebuilding their own communities is a very, very important thing. But in places like New Orleans, to bring in large numbers of temporary housing or manufactured housing, trailers, et cetera, would constrain transportation efforts, cleanup efforts.

At the same time to the ranking member's wise comments, I think it is inappropriate to build what he called semi-permanent colonies, literally creating camps in which you have to provide utilities, build water infrastructure, transportation access, things like that.

I think we may have in front of us an opportunity. I am curious if you have explored—we have mobile home communities all over the United States. In particular, one of the areas I have interest in are existing slips of availability.

In my own district, Mr. Nathan Smith, who is a community leader, operates a number of mobile home communities, manufactured home communities throughout the Midwest. He made the comment to us that he would offer existing slips in his communities with any type of voucher or Federal reimbursement from families.

One of the things I think that his perspective extends not only regionally, but from a national perspective, that there should be opportunity to encourage displaced families not to end up in camps and clusters of folks with shared experience and not necessarily being part of a community, but encouraging them to move into established stable communities, versus a mass relocation.

Mr. Roberson, particularly, I was wondering if you might comment on what you think the Government should be doing or is doing on this front.

Mr. ROBERSON. Thank you for that question.

We have gathered the information from all of the community and park operators that are within the affected area and the adjacent regions and given that to FEMA so that they can understand what potential they have for placement or siting of homes there.

I think that really in reality that that is a decision that FEMA and probably others in the Government are going to have to make to determine how are you going to displace people. Are you going to keep them close to their home or are you going to put them in other areas?

I cannot tell you where to put them, but I can tell you if you need them built, we will get them there.

Mr. DAVIS OF KENTUCKY. I think you may want to have a backup plan, since FEMA appears to be somewhat stressed at the moment

working with HUD and other housing agencies to make sure that word gets out. I just think it is a great idea to put people in to established communities.

One other quick question, just open to the group. In terms of reconstruction, particularly from a homebuilding perspective, I see just from my own experience in industry that possibly billions of dollars of this reconstruction money could end up just paying Federal bureaucrats and State and local bureaucrats on regulatory compliance that has nothing to do with sound science. Particularly, the way I read current EPA and Corps of Engineers' regulations, the cleanup will be illegal in New Orleans, to do it in a timely manner.

Are there regulations from a practical perspective that without compromising environmental stewardship also encourage more rapid rebuilding? Do you think it is appropriate to waive or modify local and State code regulations, as well as some of the Federal regulations from an EPA, Corps of Engineers standpoint, regarding environmental mitigation, particularly under the Clean Water Act?

Mr. WILSON. I think particularly now that the whole city of New Orleans is wetlands, so we are going to have to do some mitigation there to rebuild on the wetlands. I think from a local level that the State and local municipalities can work on removing the barriers to housing in the processing of building permits, the cost of building permits, the cost of impact fees that are imposed upon that create affordability to housing.

All sorts of those things can be done at the local level. I think we need to look at storm water and the EPA rules in rebuilding these communities.

Mr. DAVIS OF KENTUCKY. I appreciate your group's advocacies with us on the committee as well to remove the ephemeral stream language from wetlands legislation because what I think it is going to do is create an untenable situation for reconstruction, to keep working families out of homes.

I yield back my time, Mr. Chairman.

Chairman NEY. Thank you.

Ms. Carson?

Ms. CARSON. Do you advocate relaxing some of the environmental rules? New Orleans has been saturated with dirty water, et cetera. If somebody goes in to rebuild, do you advocate the builders not having to abide by the rigid environmental criteria in order to build when they have already been affected?

Mr. WILSON. Congresswoman, what I am saying is, the city of New Orleans, it seems to me, should be determined a wetlands like the rest of the portion of the State. It is 12 feet below the water level of the ocean, 12 feet below sea level. You are going to have to look at that.

Would I be allowed to build in another State in another location that was prone to flooding? They would probably make me build the floor two feet above the 100-year flood plain. So I think you have to address those issues in the city of New Orleans in the enforcement of Federal regulations as it affects wetlands and how you are going to deal with that.

I certainly do not subscribe to removing any environmental laws or anything like that, but if you want to rebuild New Orleans and

Mississippi and Alabama in these areas that have been affected, you are going to have to reduce Government regulations to help people get back in their homes where they came from.

Ms. CARSON. I yield back, Mr. Chairman.

Chairman NEY. Mr. Sanders?

Mr. SANDERS. Thank you, Mr. Chairman.

I want to thank all of our panelists for being here with us today.

Ms. Roman mentions that on any given night, there are some 250,000 Americans who are homeless, and that is before Katrina. So obviously what we are seeing is a crisis in America being made worse with the hurricane.

What I would like to get some thoughts on from our panelists is, given the housing crisis that we had before Katrina, given the fact that as I understand it that in the course of the year some 2.5 million Americans will experience some degree of homelessness, given the additional major problems that Katrina is causing in terms of homelessness, what as a Nation are we going to do to finally address the huge housing crisis that we have in America for low-income people?

Now, it seems to me pretty clearly, especially with poverty increasing in America, that the Federal Government is going to have to play a dramatic role if we think that children should not be sleeping out on the street. Again, Katrina makes the need to respond even more dramatic.

Let me start off with Ms. Roman.

If this Congress actually believed that we should not have homelessness, if we actually believed that low-income workers should not be asked to spend 50 percent of their income on housing, if we actually believed that this country should be building large amounts of affordable housing and, as Mr. Scott said, put people to work at good wages in building that housing, if by some chance Congress thought we should do that rather than giving tax breaks to billionaires, what should we be doing?

Ms. Roman?

Ms. ROMAN. I think it is important to use this opportunity to point out that tens of thousands of people are vulnerable to any kind of disaster because of their poor housing and what kind of assistance they need.

Of course, we have millions of people who are at risk of homelessness, 750,000 a night, 3 million a year. We need a significant investment in housing to help people stabilize their lives.

Mr. SANDERS. Do you believe that the Federal Government should be pouring substantial sums of money into addressing the housing crisis?

Ms. ROMAN. Yes, I do.

Mr. SANDERS. Okay.

Mr. Alvarez, what do you think?

Mr. ALVAREZ. Yes, sir.

Let me just briefly give you a description of San Antonio. We support 25,000 families currently. We have approximately 23,000 families still waiting for assistance.

Mr. SANDERS. Almost as many waiting as are in public housing.

Mr. ALVAREZ. That is right. And we received 13,000 evacuees into San Antonio. When they arrived, we only had 75 units of public housing that they could go to.

Mr. SANDERS. And I suspect there was resentment on the part of some of the locals.

Mr. ALVAREZ. Absolutely. So I think and NAHRO's position is that we need to create a production program and focus on housing becoming a fundamental component of decent, safe, and sanitary living anywhere in America.

Mr. SANDERS. I should mention to you that I introduced, with over 200 cosponsors, a National Affordable Housing Trust Fund last year, which, unfortunately, despite widespread bipartisan support, did not get through the leadership.

Let me ask Ms. Daly, what do you think?

Ms. DALY. Mr. Sanders, I think we need a lot of tools, as Mr. Alvarez and others have mentioned. We need many, many tools. But the thing that is lacking right now is a production program for very low-income families with children.

Mr. SANDERS. My understanding is that we are building almost no low-income housing. Am I correct?

Ms. DALY. For very low-income families with children, it is very low. We are still building some 202 housing. There is still low-income housing being created because of the low-income housing tax credit. But those programs have not produced increases in housing for the lowest-income families with children. We do not want to concentrate them in public housing projects. We need to figure out how to do that.

Mr. Alvarez's members and nonprofit organizations across the country that have a lot of experience running the 202 program for elderly and disabled, could duplicate that experience for families with children, but it will not happen without the Federal investment.

Mr. SANDERS. The bottom line is we need massive housing production for lower-income people.

Ms. Miller?

Ms. MILLER. Sir?

Mr. SANDERS. Yes. What do you think?

Ms. MILLER. There is definitely a very strong need for affordable housing, not only in our States, but in the entire country.

Chairman NEY. I am sorry. The time has expired, and I need to move on to two members prior to the bell.

Mr. SANDERS. Thank you, Mr. Chairman.

Chairman NEY. Yes, Mr. Cleaver and Mr. Clay?

Mr. CLEAVER. First, a very short statement. I am concerned about the relaxation of any environmental laws. We are setting people up to be flooded again. If we are losing 35 to 40 miles of wetlands a year, and the wetlands soak up the storm waters, we are setting the people up again. Of course, I think that is tragic.

My question is this. Having grown up in public housing and having seen in Israel, the State of Israel, bringing in the Ethiopian refugees and placing them in some prefabricated housing, where the Russian immigrants, the Jewish Russians who have come to Israel were given, let's use the term ″public housing″ in the three major

cities, and then when the Ethiopians came, they moved them in, and there was chaos, chaos.

Don't you believe that if we start bringing the evacuees into communities where there is existing housing, whether it is trailer parks or public housing, that we are going to have some problems, some serious problems?

Thank you.

Anybody else?

Mr. CLAY. No one wants to tackle that one, Congressman.

Let me just real quickly, may I thank Ranking Member Waters and the chairman for allowing me to sit in on the hearing.

Just one quick question for Mr. Roberson.

We have far in excess of 250,000 homes destroyed by the hurricane. We have over 1 million people displaced. We have shortages of skilled labor, lumber, bricks, and many other building materials. You have many suggestions for alleviating these problems. We also have high unemployment among the citizens that live in those areas, many of them skilled construction laborers, plumbers, electricians, and the like.

Will they be hired? Will you have a priority on hiring, with the requisite skills that you are looking for? Go ahead.

Mr. ROBERSON. Certainly, we are always looking for the opportunity to hire skilled labor in our factories. I do not know whether these people will be located adjacent to be able to be hired, but we are always looking for qualified people.

I think what I was trying to get to earlier today, but ran out of time, is that as you look at the rebuild of the Gulf South region there and the city of New Orleans, one of the things manufactured housing can bring to the table to help assist that area is that because you can have the combination of off-site and on-site construction, with product that is aesthetically suited for the environment that it is going to be placed in.

That is certainly capable in a factory-built environment because you can then utilize the resources of local employment for some of those trade areas, and you can use less-skilled labor because part of those trades move into a factory environment that we can speed up the process, that we can help people get into housing with more affordability, that that we can help New Orleans recover faster if there is a role played by manufactured housing, and we look beyond the fact that we all think that a house trailer is what we do not want. This industry has tremendous capabilities to build product that is very suitable, and we can do it quickly and we can do it more affordably than site-built.

One of the major problems, though, that we still need in that regard to do it is we have to look at two issues: one, our outdated zoning restrictions in many areas and another is we really need Congress to look at sponsorship through the GSEs and FHA financing to just give us equal footing with site-builders. The GSEs were started to give priority for affordable housing. We make the most affordable housing, but we have the most onerous underwriting standards, the toughest appraisal standards. We are discriminated against.

We have people today that cannot buy a manufactured home, but they will finance a site-built home. Something needs to change

about that. I do not know how to do that unless Congress steps in. I believe that if you will look at those issues, you can see manufactured housing can play a vital role over time to the rebuild of that Gulf Coast and to solving a lot of the other affordability issues for America in general. We have raised all these issues and we have a big piece of the pie that needs to be looked at, but it is being overlooked.

Mr. CLAY. Thank you for that response.

Thank you, Mr. Chairman and Ranking Member Waters.

Chairman NEY. Thank you.

I want to thank the panel. Again, we were going to try to get an answer today on the numbers. I think it is a very valid point. We want to work with you, too, in a rapid way with your issues. I thank you so much for your time.

When we come back from the two votes, we will go on to panel two.

Thank you to everyone.

[Recess.]

Chairman NEY. We will begin with panel two.

The first witness is Clanton Beamon. Clanton Beamon is the executive director of the Delta Housing Development Corporation in Indianola, Mississippi. The corporation was formed over 30 years ago as a response to a tornado which leveled the Mississippi delta town of Inverness, leaving hundreds homeless. He is testifying today on behalf of the National Rural Housing Coalition, an organization which promotes better housing and community facilities for low-income rural people.

Jeff Brodsky is the president of the Related Management Company in New York City. He oversees the company's property management activities. Mr. Brodsky is testifying today on behalf of the National Multi Housing Council and then National Leased Housing Association, whose goals are the provision and maintenance of quality affordable rental housing for low-and moderate-income Americans.

Judith Kennedy is the president and CEO of the National Association of Affordable Lenders. The association's 200-member organizations are comprised of banks, thrifts, insurance companies, community development corporations and pension funds committed to increasing private lending and investment in low-and moderate-income communities.

Michelle Norris is senior vice president of development of National Church Residences. She is testifying on behalf of the American Association of Homes and Services for the Aging, whose members sponsor and manage affordable housing for seniors.

I want to welcome all the witnesses.

We will begin with Mr. Beamon.

STATEMENT OF MR. CLANTON BEAMON, EXECUTIVE DIRECTOR, DELTA HOUSING DEVELOPMENT CORPORATION, INDIANOLA, MISSISSIPPI, TESTIFYING ON BEHALF OF THE NATIONAL RURAL HOUSING COALITION

Mr. BEAMON. Thank you. Mr. Chairman, we have all been horrified and humbled by the extent of the destruction wrought by Hurricane Katrina on our southern coastline, particularly in the States

of Mississippi, Alabama, and Louisiana. We pray for all those affected by this tragedy.

In my home State of Mississippi alone, more than 115,000 evacuees are in shelters or temporary locations arranged by the Red Cross, and many more are in hotels and private homes.

Right now, the pressing need is for more temporary housing, both for displaced families and for relief workers. As of Tuesday, September 13 in Jackson, 1,250 trailers or mobile homes had arrived at a central staging area; 135 were ready for occupancy; and 20 were already homes to families in hard-hit Biloxi, where at least 5,000 homes and buildings were destroyed.

We have a lot of work to do before we meet the space goal of 10,000 temporary shelters for displaced families and workers by the end of the month. In response to Hurricane Katrina, we at Delta Housing Development Corporation, like many housing, religious, and other organizations across the region and the Nation, are trying to do our part. On September 1, DHDC had a total of 18 vacancies.

We contacted USDA Rural Development and requested authorization to waive standard requirements of waiting lists, security deposits, credit checks, and income verifications in order to place Katrina evacuees on a priority basis. I received word the same day that the national office of Rural Housing Services had already sent directives to its State offices with instructions on how to assist Katrina evacuees in their financed housing units. We have since filled our 18 spots.

Our next contact was National Equity Fund and Mississippi Home Corporation to get authorization to house the evacuees in our low-income housing tax credit development where we had six vacancies. The request was approved immediately.

On Friday, September 9, 2005, we received notification from the Foundation of the Mid-South that Delta Housing had been designated to receive funds from the Walton Family Foundation and disburse it to families and churches that are providing housing and food to the evacuees.

Additionally, we have been collecting donations from local churches to assist families with utility deposits, collecting food and clothing, and partnering with other groups such as the local Community Action Agency to provide families with rental assistance.

I would like to share with this subcommittee my first encounter with a family displaced by Hurricane Katrina.

On Friday, September 2, I met with Doris, a single mother and her 10 children. Through our conversation, I determined she was living in an apartment owned by the New Orleans Housing Authority and supported by Section 8. I reasoned that there was a good chance she would receive another Section 8 voucher at some point in the future, and I invited her and her family to stay in one of our four-bedroom apartments that we had vacant. I told her we were going to have to walk out on faith in hopes that help would come later. She was very appreciative and very emotional, and so was I.

While Mother Nature does not know rich from poor when she unleashes her fury, it is undeniable and troubling that the majority

of those affected by Katrina were among our Nation's poorest individuals and families even before the storm hit.

The vast majority of the people affected were living in poor, primarily black, non-metro counties and suffered from a lack of affordable, decent housing. In fact, before Katrina, two-thirds of rural America's occupied substandard housing was located in the 16 States that make up the Southeast and comprise Alabama, Louisiana, and Mississippi. Over 40,000 households live in units without adequate plumbing, and over 100,000 people rely on USDA direct and guaranteed loans and other assistance just to remain in their homes.

You have my written testimony, and I will just stop and make some general observations on what is needed next.

In our encounter with the evacuees in Mississippi, the most pressing need right now is furniture. We have vacant units to put them in, and that is good for a person that had nowhere to go, but you put them in an apartment with only a stove and refrigerator. That means we have a long way to go.

Hopefully, FEMA and others and private sources can make some kind of arrangements to make available to these evacuees furniture, not just blankets and inflatable mattresses and mats, but at least at a minimum box springs and mattresses.

Of course, we need to look at some other recommendations. Before the storm, over 40,000 households in the three States lived in units without adequate plumbing. USDA currently has 50,000 low-income direct loan borrowers in the hardest-hit areas. There are approximately another 50,000 recipients of guaranteed loans, and about 10,000 low-income assistance recipients are in coastal areas. Displacement is expected to be widespread.

Obviously, we need better coordination between Federal and State agencies and outreach by such agencies as FEMA, HUD, and USDA to get families helped now. That help should include Section 8 vouchers, Rural Housing Service vouchers, and in addition programs like RHS Section 523, supervising and technical assistance grants can be an important way to provide support to local nonprofit community development organizations in their work on the ground.

The need for greater assistance is particularly acute in rural areas, and any assistance should reflect the immediate need and a long-term commitment to rebuilding. In the short run, the goal is to repair up to 10,000 units of housing, get families 5,000 vouchers, and provide sources for repair of multi-family projects. The long-term goal is to finance the development of over 20,000 units of single-and multi-family housing for rural areas of States hit by Katrina.

With that, Mr. Chairman, I am honored to have had the opportunity to come before your subcommittee to appeal for some assistance for people that are very desperate. We all want to help.

Finally, you know, God decided to give us something that is going to probably rearrange our way of thinking for a long time to come.

Thank you very much.

[The prepared statement of Clanton Beamon can be found on page 73 in the appendix.]

Chairman NEY. Thank you.

Mr. Brodsky?

STATEMENT OF MR. JEFFREY I. BRODSKY, PRESIDENT, RELATED MANAGEMENT COMPANY, LLC, NEW YORK CITY, NEW YORK, TESTIFYING ON BEHALF OF THE NATIONAL MULTI HOUSING COUNCIL AND NATIONAL LEASED HOUSING ASSOCIATION

Mr. BRODSKY. Chairman Ney, my name is Jeff Brodsky and I am the president of Related Management Company. My division owns and manages 25,000 apartments in 135 locations in 11 States of affordable and market-rate housing. Today, I am representing the National Leased Housing Association, the National Multi Housing Council and the National Apartment Association.

I commend you, Chairman Ney, for your leadership, and we thank the members of the subcommittee for your valuable work addressing the important issue of housing the hurricane evacuees.

In particular, we want to commend you, Chairman Ney, for convening the recent roundtable discussions on the issue of the hurricane and what the housing sector can do to assist.

Moving displaced families from temporary shelters into more suitable housing is the first step in rebuilding the thousands of lives affected by the storm. These are extraordinary times that call for both the private sector and Federal, State, and local governments to respond accordingly. The apartment industry stands ready to aid in those efforts.

However, our ability to meet these housing needs is severely restricted because thousands of the apartments potentially available to Katrina's victims receive some form of Federal support and as such as subject to Federal regulations that restrict the use of the properties and impose time-consuming administrative burdens on the property owners prior to leasing these units.

Therefore, we are requesting as applies to Katrina evacuees a temporary emergency waiver of all program requirements for properties funded with the proceeds from multi-family tax exempt bonds, properties financed by the Federal Housing Administration, properties that receive HUD subsidies or Rural Housing Service assistance, or are subject to Treasury rules.

A broad waiver is necessary to maximize the number of units that can be made available to those in need. Otherwise, many of the properties would remain off-limits due to regulatory restrictions. It is not unusual for an affordable housing development to blend the benefits of IRS tax exempt financing, FHA mortgage insurance, HUD rent subsidies, soft-debt source from community development funds, and real estate tax abatements from local communities in the same property.

Unfortunately, distinct occupancy restrictions are applied to the properties for each of these program resources. The apartment communities covered by these Federal programs include millions of market-rate and affordable units owned by private for-profit and nonprofit organizations and public entities. The programs are too numerous to list and extend from mortgage insurance to mortgage interest subsidies, from HODAG to HOME to HOPE VI, from Section 8 to Section 236 to Section 515 and Section 42.

To free up the supply of housing for hurricane victims, we request a broad comprehensive waiver of all program rules for Hurricane Katrina evacuees. This emergency temporary action will allow the industry to respond to the crisis in a more immediate and effective manner.

A step was taken toward that goal on September 9 when the IRS issued Notice 20569. The notice authorized State housing credit agencies to permit temporary housing of individuals displaced by Katrina in low-income housing tax credit properties and temporarily suspended income limitations and non-transient requirements. While this is a good first step, it does not go far enough.

For example, the notice specifically authorizes a waiver of occupancy limits in creating a temporary housing period not to extend beyond September 30, 2006. However, the actual temporary housing period is to be determined individually by dozens of separate State housing credit agencies, and they in turn may determine the appropriate period for temporary housing for each individual project.

In effect, despite the good intentions of the IRS, the owners of thousands of low-income tax credit apartments cannot even now list their apartments as available, as they have to wait for each State and local agency to issue their individual guidance.

In order to receive the benefit of these waivers, State and local participating agencies must adopt the Federal waivers in the form they are issued as soon as possible. Further, State and local agencies must adopt parallel waivers for their own non-Federal program occupancy limits if property owners are to effectively place these units into use.

As you are aware, a significant number of privately owned properties with Section 8 assistance, as well as public housing units, were destroyed by Hurricane Katrina. The funding of the housing sources and subsidies has already been appropriated. We urge Congress to ensure that Section 8 project-based assistance contracts are frozen or suspended to prevent them from expiring while the properties are being rebuilt and, if necessary, facilitate the transfer of such contracts to other properties.

Affordable housing providers of both privately and publicly owned development have an inherent capability to address the immediate housing needs of the evacuees. They are trained and experienced in serving the needs of diverse occupant groups. They routinely partner with Government agencies and have longstanding relationships with local faith-based, nonprofit and government social service providers that may ease the transition of families who want to enter new communities. Our resources are a natural fit for this urgent housing need, as long as regulatory obstacles are removed.

Building owners want to do the right thing. We are ready to accept the business risks and potential cost inherent in the outreach, including the unclear funding of rent, discounted or not, the inability to perform typical background checks on occupants, and resistance from financial partners.

However, we cannot do it alone. We respectfully request the Congress pursue the removal of Federal program barriers to our par-

ticipation that currently do not allow owners to respond to this crisis efficiently and quickly.

Thank you for the opportunity to express our views.

[The prepared statement of Jeffrey I. Brodsky can be found on page 83 in the appendix.]

Chairman NEY. Thank you.

Ms. Kennedy?

STATEMENT OF MS. JUDITH A. KENNEDY, PRESIDENT AND CEO, NATIONAL ASSOCIATION OF AFFORDABLE HOUSING LENDERS

Ms. KENNEDY. Thanks so much.

As usual, after one of your provocative roundtables, the vanguard that is the NAAHL membership got together to discuss some of the challenges you have thrown to us. Our membership was initially banks, but in addition to the major banks, our members now include the 50 blue-chip nonprofits that lend and invest in low-and moderate-income communities.

We much appreciate the experienced staff on both sides of the aisle who have been bipartisan in supporting our efforts to get some order out of this chaos.

In essence, I have to applaud your leadership, but I almost feel like the committee is asking you to reinvent a wheel, a wheel that worked, and you know it from your own disaster experience in the Ohio Valley, and I know it.

II would say if history is any guide, West Virginians want to go back to the hollows; Ohioans want to go back to the river valley; and, of course, southerners will want to go home.

But the difference between this disaster and previous disasters is that by now in other disasters, 2 weeks after displacements, families would have met with a Federal counselor who would have told them what they were entitled to as citizens. They could have made the decision about whether or not they wanted to stay near Louisiana in a mobile home or relocate to their aunt's house in Utah for the duration. Once they got into a stable situation, they would look for permanent housing. And that is when, of course, all of the vouchers come into play.

I will say that you definitely asked the right questions for this hearing because in addition to waivers, what I learned is that there are units available in parts of the country, and FEMA has finally as of Tuesday provided some temporary housing vouchers.

In Alabama on Tuesday, once the word went out that FEMA would pay for rent up to 90 days and utilities, I am told that immediately landlords drove to Baton Rouge, Louisiana, to the mass shelter and asked people if they wanted to relocate to Alabama.

So not only do citizens have the right to make the decision about where they want to go temporarily and permanently, the private sector will respond if the waivers that Mr. Brodsky described are provided and FEMA cooperates.

So we are going to say, do not rob Peter to pay Paul. Obviously, this monumental disaster requires additional resources. It is not fair to take families off a waiting list in Boston because of an influx from Louisiana, but with reliable voucher funding and emergency vouchers for disaster victims, the private sector will respond.

There are minor statutory changes you could make that could have a significant impact. One I learned about from the recommendations of the Comptroller of the Currency. Some banks are already at a statutory maximum of 10 percent invested in what are called ″public welfare investments.″ This ceiling has not been increased since 1992. If you take it up to 15 percent, that will help a lot of banks to respond to this crisis. So this is an important and noncontroverisial provision.

Another suggestion is to enact quickly the multifamily affordable housing goals in the committee's GSE bill. I give you great credit for these and then Senators Santorum, Reed, and Sarbanes agreed with it on the Senate side. The housing goals for Fannie Mae and Freddie Mac are revised in your proposed GSE bill to focus them on low-and moderate-income housing. What I have learned from my members in the week since your roundtable is the expectation is that if we thought the needs for private capital were huge before this disaster, the needs are geometrically greater now.

Let me use one example. A nonprofit comprised of banks from Alabama has been able to do $50 million worth of low-income housing in the last 5 years.

I have to disagree with something that was said on the prior panel. Housing is being built for very low-income families. My nonprofit members have about 90 percent of their units affordable to people under 50 percent of area median income, but they have no national secondary market to sell those loans to. So if Alabama were to be able to sell loans to Fannie Mae and Freddie Mac, that is $50 million tomorrow that would be available with additional vouchers to make new housing in Alabama.

So those are I think noncontroversial simple changes you can make that will have enormous impact.

There are definitely other pending bills proposing resources that would make a huge difference. Mr. Reynolds and Mr. Cardin have introduced in the House the Renewing the Dream tax credit bill that Senator Santorum has introduced for three Congresses now. It subsidizes the gap between the cost to rehabilitate a house and what the family can afford. It would make a huge difference in these disaster States where the cost of land is so low.

You have asked us, and thank you for doing it, what to do to make relief efforts more efficient and effective. I think this has been well explained. I want to leave you with a huge consideration that came out of your roundtable. What will be the impact of rising energy costs on providing housing assistance in the short term and in the long run?

What I learned from the southerners is that although they rely on electricity now, they really believe in Alabama, Louisiana, and Mississippi that once the cost of fuel oil and natural gas starts to increase, their low-cost electricity will necessarily be bid up by the northern States where people are switching to electricity because they cannot afford the oil and the gas.

So what you are looking at in the disaster-stricken States is energy costs tremendously increasing; obviously construction materials and labor costs are also increasing. But honestly, my members see this cost pressure affecting the entire country. They see that

the cost of production and the cost of maintaining affordable housing is going to be higher.

So let me give you one simple example of this impact. Right now, there are developers in the pipeline with tax credits and Section 8 vouchers ready to go to build housing affordable for low-income families, elderly and disabled. Chances are that some of those deals will no longer be feasible.

Deals that are currently pending, using already-appropriated Section 8 and tax credits, are probably going to need to go back to the drawing board and get more subsidy. We are going to need your help with that.

We look forward to working with you both on this emergency issue where FEMA just needs to go back and resume what HUD was doing magnificently before to provide emergency housing, and on providing permanent housing, where obviously resources are going to be the key.

[The prepared statement of Judith A. Kennedy can be found on page 139 in the appendix.]

Chairman NEY. Thank you.

Ms. Norris?

STATEMENT OF MS. MICHELLE NORRIS, SENIOR VICE PRESIDENT OF DEVELOPMENT, NATIONAL CHURCH RESIDENCES, TESTIFYING ON BEHALF OF THE AMERICAN ASSOCIATION OF HOMES AND SERVICES FOR THE AGING

Ms. NORRIS. Thank you, Mr. Chairman.

My name is Michelle Norris. I am here on behalf of the members of the American Association of Homes and Services for the Aging.

AAHSA serves 2 million people every day, 5,600 facilities across the country. It represents mission-driven nonprofit organizations. We have facilities across the continuum that were impacted by the hurricane and the flooding.

My real job is as senior vice president of development for NCR, National Church Residences. We are one of the Nation's largest nonprofit developers and managers of affordable housing. We are in Columbus, Ohio. We have properties in your jurisdiction.

In addition to building affordable housing throughout the United States in 26 of the States, we also have a nationally recognized social service program and we serve the mission of supportive housing for seniors and also for families. We have service coordinators in almost every one of our facilities funded by either Federal or local grants.

My written testimony speaks about the seniors that have been affected, but I can also tell you because we have families that most of our recommendations affect the families that are hit as well. Since many people have already spoken and told you, a lot of the recommendations in my written testimony have so many technical recommendations, I thought I would kind of try to wrap up with a couple of key points that I have heard and I feel like we have seen.

The first one is one that was already mentioned by Mr. Brodsky. That is that regulations right now can stop good works from happening, pure and simple. There are regulations that are still out there that are stopping it from happening. I can give you one ex-

ample. We have a senior high-rise that was 25 years old, senior Section 8, and we just went through a $6 million rehab. Because of that, we had 40 units that were set aside that had not been occupied yet. Wow, this is great. We could actually help seniors move into a project-based Section 8 community right away.

When we talked to our HUD office, the answer was we cannot do that because they cannot use it unless you can verify then that they are going to be permanent residents; they cannot use the Section 8.

Chairman NEY. I am sorry. Where is the unit at?

Ms. NORRIS. The unit is in Georgia.

So again, the issue is that they do not want to use the project base. They want to make sure there is a secondary voucher fund that is available for the residents, again a conflict between FEMA and HUD in terms of who is going to pay for those temporary vouchers.

The second example I have is one that was also alluded to by Mr. Alvarez. That is, we have got to move quickly. The regulations, of course, set that aside for a minute.

There is a great example in Columbus, Ohio, that I think this is happening just like in San Antonio. Agencies got together in a place called the Piedmont Center. CMHA came, the housing authority, all the service providers, and they did a one-stop shop. They are getting people in. They are helping them enlist. They are getting them FEMA-registered. They are going through the whole process, including getting them to walk out with a voucher.

The only problem is we have 3,500 people that have already arrived in Ohio. They have 100 vouchers available at CMHA. So their concern, again, is if they start over-leasing on their vouchers, then who is going to pick up that bill? It is just an undecided answer, so we cannot quickly help people move.

The third example I have is what NCR does and what AAHSA is all about is service-enriched housing. The folks that are moving into these facilities right now, we took people that came out of that Piedmont Center and we moved them to one of our properties, actually four families. We moved them into our property, but we gave them the unit and they have nothing. They have absolutely nothing. They have a 3-month-old and they have two 18-year-olds. They have nothing but the clothes on their back—no furniture, no plates for the kitchen, nothing.

So we are working very hard with our social service folks to help those people re-establish their lives. They have no connection with their families, and they need to be able to get stability. There are some amazing stories that are going on out there, but they are one at a time.

In addition to the housing, one of the other gentlemen asked about how do we help these people. It is about also getting them services. There is a great program that HUD has called Service Coordination. If we could expand that, allow it to be taken and moved and help these folks, that would be a fabulous way of doing it.

So there is a lot of stuff that is out there that is good. I see it happening. It is happening at the local levels. But the end answer is that people are still waiting on saying, well, how is FEMA or HUD going to help us fund these initiatives that people are doing?

With that, I can tell you that there are a lot of folks out there, especially in the nonprofit world, that are very much willing and wanting to help. We have the mechanisms, and we are very thankful for this opportunity.

Thank you.

[The prepared statement of Michelle Norris can be found on page 153 in the appendix.]

Chairman NEY. I wanted to mention, the roundtable has been mentioned, and I appreciate your comments on it. I did the roundtable on this because the roundtable is less formal. Some people said an agonizing 3 hours, but you know, that is okay. People are in trauma. I think people appreciate the roundtables. We had bipartisan participation.

But the roundtable allows you to have in a setting, one person will say one thing, and then they come back and somebody else can merge on that. You went back to your members. You get ideas that can come to us. So I think the roundtables were productive. The hearings are good. You get it on the record and we can help each other to help people.

I think out of the roundtables it also wakes us up to the fact, and some statements you made today, as you find these things out, please, our staffs work together completely, Democrat and Republican, on these issues. When you find out, call, because you are probably going to find out before we find out. We are not going to get a call from the executive bureaucracy saying guess what, we cannot get dishes to people today. We are not going to get those calls. So if you can continue to do that, that is going to help us to help people, and I thank you for that.

I have a couple of questions, starting with Mr. Beamon.

I know Mississippi has had devastation, as have Alabama and, of course, Louisiana. We have heard a lot of conversation obviously about the shelters in Louisiana, New Orleans, and the surrounding areas.

Is the same situation occurring in Mississippi or not? Do we have any idea of how many people are in shelters? Are the same problems occurring? Do you have any comment on that issue?

Mr. BEAMON. Yes. You have people in shelters throughout the area that was devastated. As for Jackson, the State capital, there were hundreds of people housed in the coliseum. We had a nursing home, an assisted-care facility, that was without electricity. That got quite a bit of publicity because the people were saying, the patients were saying that everybody around them had electricity and they could not figure out why they did not have it. But there are shelters in other areas other than Jackson, and they had the same problems.

Chairman NEY. You also were saying, though, that there were a certain amount of units available and open that Section 8 could utilize. Is that correct?

Mr. BEAMON. Very few.

Chairman NEY. Very few.

Mr. BEAMON. You have to understand, we had a severe housing shortage in our area before Katrina, so it is even worse now. But we had 18 units available on September 1, and just in Indianola, which is 270 miles from Gulfport, and 350 miles from New Orleans.

People stopped all the way from those areas until they got to us, and we only had those 18 units. For a couple of days and nights, I probably was the most popular man in town. At least we had something.

But you still have several hundred people in the area living with families and in hotels paid for by FEMA and the Red Cross. But we still have a serious, serious problem. Most of our school districts, this is another area that we are going to get tested on. Most of our school districts are underfunded anyway. Now, you have people in the area now having to start school. We have the same problems, but not of the magnitude that some areas have.

Chairman NEY. Thank you.

Mr. Brodsky, I think you made a statement about broad waiver authority. I was just asked a question as we broke for the votes about that. The statement came out of the White House about waivering.

The only thing I was responding to out in the hallway when I was talking to people who were questioning me on this, almost a case-by-case—I guess I am speaking as a Member of Congress—a case-by-case waiver in the sense, not person-by-person, but issue-by-issue.

My definition of ″broad″ is that the executive says we are waivering everything, and how do we know that their waivering is the right thing to do for the short term and long term.

So, for example, I know emergency vouchers have to happen yesterday. I know that. Congress has to move on that. The magic number, what it is, I do not know.

But when you say ″broad waivers,″ what areas are you talking about?

Mr. BRODSKY. Thank you, Mr. Chairman.

The primary issue has to do with who is allowed to occupy units. Every single funding methodology that comes from the Department of Agriculture from Rural Housing through HUD programs through the IRS programs, all of them provide some form of support in return for a restriction on who is occupying the unit.

All we are saying is take away those restrictions so I can put evacuees in there, because I cannot verify their income. I cannot verify who they are sometimes. And make it as clear-cut and as broadly characterized as you possibly can, that you do not have to follow all these rules on who is allowed to occupy the unit. There are too many to list.

What is happening is the Federal, to some extent the IRS, has issued guidelines relating to one program, but there are dozens of programs. They apply to market-rate housing and they apply to affordable housing, more so to affordable housing, clearly.

Examples of the kinds of things that go to occupancy rules, there are tenant-selection plans; there are waiting list programs; there are preferences that are in certain documents; there are income restrictions; there are verification formats; there are reporting guidelines. I could spend days just identifying what all the requirements are.

Just waive anything that relates to who is allowed to occupy the space on a temporary basis for a determined amount of time. The impression that I would provide for you is simply if the IRS has

said that is available to them under certain limited waivers through September 30, 2006, that allows the industry to put people in there and basically say, you can stay here. I would suggest that if it gets to 2006 in September and they are then qualified to follow all the program guidelines, that they could apply and stay, because after all, we are trying to provide resources for them to be stable households, not transitional households.

Chairman NEY. So it would be a waiver with the condition that they are a victim of a disaster in one of the States.

Mr. BRODSKY. It would be characterizable evacuees, and there are a number of ways that the Federal Government can characterize what is the definition of an evacuee, and there are different issues coming out of different agencies at the moment to define that. But let the owners then take all the rest of the risks.

We do otherwise have other risks, but the point is get the barriers out of the way so that we can then say, okay, there is a Web site, hurricanehousing.com, that has not been promoted. That is a national Department of Homeland Security-designated Web site for owners to put on there where they have apartments available nationally. But the owners are not going on there because in many cases they are restricted from doing so.

So just remove the barriers and the goodwill of the stable apartment communities that have availability, not just immediate availability, but people do move out and there are vacancies over time. Let the people go where they want to go; provide a resource where they can see where there are apartments available.

This does not solve all the problems, obviously, but this is from a long-term housing opportunity standpoint, it gets you out of a shelter. It gets you out of temporary involvements. It puts you in a community where your kids are going to school and you can live. And then you can decide if you want to stay there or not longer-term, so you do not have to deal with the problem a second time, when they decide they want to go someplace else.

So those are the kinds of waivers that we are looking for. Unfortunately, there are dozens and dozens and dozens of waivers. I believe that Congress could authorize the entire program listing of occupancy waivers if they wanted to and then ask the States to do exactly the same thing. The IRS simply said to the States, you are authorized by us to waive these things if you want, but now we have to wait for the States. I know you cannot control that, but you could certainly promote it.

Chairman NEY. So our waivers could be done administratively, but some require the statute change. We are meeting today with FEMA. We are communicating with HUD. The purpose of that meeting today is to try to go through the waiver discussion ASAP to see what we can do to be able to get people some immediate relief.

Ms. Kennedy, you raised the issue of the GSE bill. As you know, I was tasked by Chairman Oxley to work on that, and our staffs all worked on that, minority and majority staff. I think we produced a very decent product. It ran into a firestorm of controversy, as you know, and now is moving, which is great. The entire GSE bill is moving.

The question I want to ask you is, how much impact? We have the GSE bill, which is of course, as you know, about a new regulator, which I agree on. You have the housing component in the GSE bill, which is the $5 billion-some which now would be altered for a first-shot by disaster relief and then applies to the rest of the Nation too because there is a balance to help people across the U.S. before the disaster as we had planned.

What type of impact do you think we could make if we remove the housing component out of that bill, the housing goals, but those are the components, housing goals out of that bill, and do a dual-track on the bill? You still go for the regulator. I am not saying any of that drops, but we could move the agreed-to part on the housing goals and fire that off next week to the President. Do you think that could have a better impact?

Ms. KENNEDY. I think it may be the most important thing that this Congress could do for affordable housing for the new millennium. The Community Reinvestment Act provided a regulatory incentive to insured institutions to help meet the credit needs of their communities. So primary lenders, going back to David Rockefeller 30 years ago, figured out ways to lend and invest in low-and moderate-income communities. They started using nonprofit partners in their cities to help them accelerate their progress.

Just to give you one example, Congressman Ney, I have 15 nonprofit lenders in California, Ohio, Massachusetts, New York, Alabama, and Florida that have originated over $20 billion in housing that is almost exclusively affordable to people under 60 percent of area median income. This has been validated by the Federal Reserve of San Francisco. But by and large, they have not been able to sell any of their low-and moderate-income loans to Fannie Mae or Freddie Mac.

So as you are focused on what we need, we need the benefits of a national secondary market. Some of these lenders sell those loans now to insurance companies, and banks often buy these loans, but it is private placements, one at a time. So the market for multifamily mortgages on affordable housing today is like single-family mortgage market 20 years ago. If you had a national secondary market, two Government-sponsored enterprises making a market in them, getting enough volume that you could link Wall Street with these loans on homes affordable to low-and moderate-income families, it would be phenomenal.

Chairman NEY. The other question I have ties into a couple of statements I think Ms. Norris made and Mr. Beamon.

I want to thank you for your answer on GSEs. You gave me an idea when you testified about something we can do that potentially does not kill the overall bill, and it moves something right to the forefront within a matter of days.

A lot of people have not talked about furniture and items. We have talked about temporary housing or how we do things in Section 8 or emergency vouchers.

The question I have to ask you—I will start with Ms. Norris. As you know, I live in Heath, Ohio, about 30 miles from Columbus, Ohio, to the east.

How would be people in just our surrounding area, for example, if you have furniture and you have items; how do you collate that?

How do you get what I think we could raise tomorrow or tonight when I go home and talk to neighbors?

You can give money, and I fully understand that, but also items we have we could get up there immediately, maybe get a truck together and drive it up there. How do you get that information out?

Ms. NORRIS. Again, I think it goes back to what we talked earlier. It is local initiatives.

I really commend Columbus. The mayor, the commissioners from the county, they got this whole energy going, and they put everybody in one spot. That includes the agency folks.

There is one of those organizations that is doing something called Adopt a Family. So they are working with the churches and the nonprofits in the community to say as soon as we get a family and we find them a place to live, you will adopt that family. You can help them get enrolled in school. You can help them get the furniture. It is taking an amazing combination of the funds that can come from the agency and the charity of the locale and make that work.

So I think in Columbus—and maybe we need to start getting out those kind of best practices of places like Columbus, out to the people so that people do not have to reinvent it every single time and find out how those energies can be put together.

Chairman NEY. Yes, Ms. Kennedy?

Ms. KENNEDY. Columbus is definitely the model. I heard about it from my members out there.

But I think one thing for you to pursue with FEMA is whether or not the law still provides entitlements to people who have been displaced by the flood. I have seen references to it in the newspaper. I have even seen it on FEMA's Web site, and I shared that with your staff. It is exactly what I remembered. Everybody is entitled to up to $26,200 for various things.

What apparently has not happened here is that the family who needs furniture has not been told by whoever has handled the application that they are entitled to a living allowance that would include basic furniture, the cribs, the beds, the sofa. So I think one of the things to pursue with FEMA is how come people do not know what their rights are when their Web site describes them?

Chairman NEY. Another issue on the Web site—and I picked this up this morning. You have a HUD Web site, a FEMA Web site, et cetera. That is fine, but electronically, I am no wizard at this, but I am told electronically by our House administration staff, you can take today the FEMA Web site and you can put seven icons on there and it clicks you instantly into other HUD Web sites on everything, and you can do the reverse on the others because people have to click into this Web site and that Web site. So combining also on some pages, just the electronic part of it I think would be something that can be done.

We are having a meeting today. I think there are issues; some of these we can bring up and again try to get them solved. We are placing the phone calls. I expect I would want an answer, again from the Administration today, do they know how many people are in shelters or not, or how many are there, what do they think, so we can get a handle on that. Those are things either we know or we do not know, we have a number or we do not have a number,

and if we do not, how do we find out quickly, not within a 6-month commission study.

So those are the issues again I am stressing that you are raising to us and you raised at the roundtable when the gentlelady was there; Mr. Green was there and others. Those are things we do need to know. I cannot stress to you how helpful you have been on that. I am going to also make a statement and turn to my colleagues who might have some questions. Again, I want to thank you for your work in helping people.

You had mentioned the Ohio Valley floods. We went through three rounds of floods. I have been working for 24 years, and I have been in office on different levels, on floods. We flood. We had some severe ones, three in a row. All 88 counties were declared a disaster last year. We are still trying to pick up the pieces for some people a year later who have fallen between the cracks somehow.

When we talk about, however, the discussions of changing FEMA or reinventing some things—and I am having a summit back home of all of our emergency management people and local officials—we also have to be careful that we do not change things that take us backwards or hinder the ability to keep it simple to help people. Sometimes we think it is complicated now, and in the past it was even worse years before, to be able to get direct help to people.

So I think there is a balancing act there of taking what we know from this disaster and this tragedy and being able to do some reforms that help people, but also watch how we do them. There has to be cooperation in the Congress's involvement and the solicitation of ideas from people that work right out front, as you all do and your groups do in the field.

The other thing is, I commend our communities that have obviously reached out. I have a lot of counties that I have had that were flooded, Tuscarawas, Belmont, and other counties. People were giving money and there have been telethons and support and welcoming people into the communities. But you know, I put myself in the situation, in a mindset of when we went through the floods. We had 7,000 people evacuated from Tuscarawas County. Those 7,000 luckily were able to go back after a period of time, but 7,000 out of a county of 70,000. That is a lot of people.

I cannot imagine where I would just blanketly say, we have had this severe catastrophic event; let's say we had one in one of the counties, and the option I give you as the Government is you can move to Chicago, New York, L.A., Boise, Idaho. That is your option. We move everybody out there. We start to repair the hypothetical total disaster. Well, now a job is open, but your family is out in Chicago, so they can stay there and we are going to bring you to get a job back where you are from, except where do we house you?

So we do have to seek what people want to do. I understand that. But there also have to be the option because if you do not give people the options of some modular homes at least somewhere in the vicinity, then you only give them one choice.

So I applaud the communities of helping, but also by the same token, I want to make sure we do not get away from the ability to give choices so people can still be near their relatives and near the area where they are from. So I think there is a balance to that, in my opinion.

The gentlelady?

Ms. WATERS. I would like to thank you all for being here today.

I would like you to really have an appreciation for the fact that our members are indeed focused on this. They are spread out, trying to be in sometimes three or four different committees at the same time, but very much focused on this issue. Everybody is. So thank you very much for your patience.

This business about what people are eligible for is a puzzle. We are meeting with FEMA today and I am going to try to come out of that meeting having learned how to respond to folks who say and ask the question, what am I eligible for? You would think by now that there would be thousands, millions of flyers everywhere in every shelter with people understanding what they are eligible for. I do not take kindly to some of the responses that we get where they say, well, tell them to go online. What line?

These are people in the shelter, and not only do they not have access to computers, most of them, but some of them have a couple. I was at LSU in Baton Rouge and they had a couple of computers. But many of the folks have never had a computer. They are not computer-literate. They would not know what to do if you sat it down in front of them. Many of them are elderly. Many of them are handicapped, on and on and on.

So in addition to those who have access to a computer or may have, some have one, and it is underwater now, too. I do not know if anybody set up any community computer centers nearby. I have not seen any.

So there should be millions of flyers that are available. My database here of all of the shelters in Louisiana, Texas, Alabama, Arizona, and Georgia is a week old. I am not so sure. I know what has happened since this. A lot more people have been sent out of State because at the time that I got this, there were still people being plucked from rooftops and people who were leaving the Astrodome, et cetera.

But there is no reason why they should not have this information put forth in a very simple way for everybody to understand and know. Social workers who want to help do not know. Ministers who want to help do not know. And so I am really going to be on FEMA today. As a matter of fact, I was saying to the chairman, we know that they are focused on the ground. A lot of what we have been told is they are not available because they are all in-theater or on the ground. I just think that we are going to have to go and get on the ground and stay on the ground until we understand a lot about the operations that are going on.

So I have a real appreciation for your concerns, and saying people do not know what they are eligible for. And absolutely $26,000 could make a heck of a lot of difference when you are trying to get on your feet. So we are going to do everything that we can to try and force some communications, some way to disseminate this information, particularly not only to the people, but to those who help folks. We have many people who need to have, ministers or social workers or others who have the information to be able to help them, because even when they get it, they do not know what to do with it.

So as an old social worker, I feel a real sense of responsibility to get on this and make it work.

Thank you very much.

Chairman NEY. Thank you.

The distinguished gentleman from Texas?

Mr. GREEN. Thank you, Mr. Chairman, and thank you, ranking member, for allowing us to have these hearings. I think they are important.

I do thank you, the members of the panel. You have been outstanding, and I appreciate what you are trying to do to help us.

It appears to me that we are going to be faced with some philosophical introspection, that we are going to have to look deeply within.

I reference this because, as I listened to you talk about persons who are survivors, who are eligible for vouchers, I also know that we have people who are similarly situated who are not survivors, who are starting to ask, ″Where is my help? I, too, am in need.″ And many of them are of the opinion that it is no fault of their own that they are in need. Persons who are adopting families, we have families that were in need of help before this dastardly hurricane came along. They are asking, ″Where is my help?″

What I am saying to you is, I think that we are going to have to look at the whole question of poverty in this country and how we address it because we are finding now that there is a way if we have the will, and we are demonstrating that we have the will as it relates to this disaster.

I support the methodology that is being proposed. I think these are good measures. The whole notion of relaxing the rules so that you can get people into units without having to comply with some rule that says you cannot have your boyfriend in with you, if I understand some of these rules.

But in the final analysis, we have to acknowledge that we have a lot of poverty in this country and that we really have not designed a systematic approach to dealing with the poverty in this country.

There is a rule that I have governed my life by, my political life by. The rule is, it is not enough for things to be right. They must also look right. It may be right for us to give the vouchers to the victims of the hurricane and exclude others who need them, but it does not look right. There is a whole list, a long list of things that we are doing that may be right, but they do not look right. I think that at some point, that catches up with you because the world is watching us.

I will give you a sterling example. We had persons who arrived in Houston by way of bus from the Superdome. We had some other persons who came from that same area, but they managed to get to Houston by car or various means. They could not get into the Astrodome. They came from the same location, but they came by different means of transportation. So we had to look inward and say, is this right for them to be excluded simply because they did not get here on the bus? We did work out a means, thanks to the mayor and the county judge and others who are involved. We were able to resolve the problem.

I think that this is a great opportunity now for us to look beyond Katrina and look at America and decide how we can go forward and deal with the whole question of poverty in America. I think that is the greater question that is really before us. I think that if we govern ourselves by the notion that it is not enough for things to be right, they must also look right, I think we will make some far-reaching decisions that will benefit all of the people who are less fortunate than some of us in this room.

Now, a question. This question goes to all of you in a very general sense.

First, a comment. There is the notion that we need to have the survivors located as close to their homes as possible. This would give them an opportunity to have work in the area, that the money that they will get from the Government can go back into the economy in the State, the $26,000 that goes back into that State's economy. There are all sorts of good reasons why we should do this.

How would you develop a program so that we can have them in the States where they are coming from? That is, those who want to return. Obviously, if people do not want to return, we have to give them the option of staying where they want. In this country, we have freedom of movement. But those who want to return, what is the best way to design a program to get this done?

In Texas, we have approximately 250,000 people and many of them are now leaving Texas. I have heard stories about people going as far away as Utah and some other places, but they are getting removed. They are getting relocated. I am not sure that all of them will traverse that distance back to their States.

So how can we design a system to have them located in their States so that they can help the economy of the States that they are from and continue to be productive citizens in those States? Yes, ma'am.

Ms. KENNEDY. I have worked five major disasters in four States. I have family that was affected in another. Let me be crass and say, show them the money and the market will come.

In other words, by now in a ″normal″ horrendous disaster, families would know that they were entitled to temporary housing allowances. When that word goes out that there are vouchers in Alabama or temporary housing allowances in Texas, the private market responds. As Mr. Brodsky pointed out, there is a HUD housing Web site, housing.net, where landlords can list their available units for people to find out about.

But the key thing, I think, is to think of this disaster relief as an entitlement. A human being gets to decide, because they are entitled to disaster relief assistance, if they want to stay in the area or if they want to try someplace else. It is not uncommon for them to want to stay in the area. That is when having the word of the money get out through pastors as well as realtors and landlords is really important.

People suddenly start to think, you know, I could rent that basement apartment or that garage apartment. Those make perfectly okay temporary housing situations for some families. My family in 1997 spent 4 months in a tourist cabin in the woods of Minnesota, but it was fine because it was within driving distance of their house that they needed to repair. Other people will take the money

and say, I really want to relocate to my aunt in Detroit. They may decide to stay there or they may decide at the end of the temporary housing assistance to return home.

So the prospect of having some mobile homes, I do not agree with RVs, but manufactured housing that is temporary in the smallest possible sites is also important. What you are looking for is clusters of no more than 20 mobile homes together. Sometimes extended families will relocate. All of which is designed to ease the transition to the next step, which is either rebuilding a house or finding a home.

Mr. GREEN. So you would have the vouchers go to the evacuees?

Ms. KENNEDY. As they have in other disasters.

Mr. GREEN. Okay.

Ms. KENNEDY. Yes.

Mr. GREEN. I mention that specifically because I have had a number of community-based organizations to visit with me. They have been very helpful, and they are depleting their resources, and they are asking, how can we replenish our resources so that we can continue to help.

Now when I posed this question to a representative from FEMA, I was told that FEMA does not make direct payments to individuals who are not evacuees, that it does not do this.

Ms. KENNEDY. Well, that is right, but evacuees could be reimbursed. I think what we are up against now is the threshold. Evacuees need to understand what they are entitled to. The agencies that have been helping them and have been carrying the burden need to now relieve themselves of that burden so that the Federal Government can step up.

Mr. GREEN. If I may, then I will come right to you. My concern is these agencies that have carried the burden; we want to leave them with a good feeling about what they have done. Right now, many of them are not feeling real good about the process and the prospect of having depleted their resources. I am not sure what their response will be the next time. I think that we want to make sure that they have a good experience with this to the extent that we can, to continue.

When that representative from FEMA indicated that while, and I found this very interesting, while FEMA cannot pay the individual, FEMA can pay the State and the State can pay individuals. So there is a roundabout way of getting this done. While I am interested in the roundabout way, I am also interested in formalizing that process to the extent that we can so that the State.

And, Mr. Chairman, if I might, I just wanted to share this with you. Having talked to FEMA about reimbursing community-based organizations or faith-based organizations and found out that they cannot make direct payments to these organizations, but the State can and FEMA can reimburse the State.

So right now we are trying to work on some means of formalizing this informal process because we have a lot of faith-based institutions that really stepped up to the plate. It would be great if we could somehow help them to replenish some of their resources. They may not get all of their resources and assets restored, but it would be great if we could get some of those replenished.

So I would like to work with whomever you think appropriate. I have talked to my ranking member about it as well. If that is something we can do, I think it would be great.

Yes, ma'am?

Ms. NORRIS. I guess I would just like to confirm what you are suggesting. That is, I think that the benefits that are coming from FEMA, as has already been suggested, nobody really quite knows how it is working. It really is not easy. There is no ″how to.″ There is a Web site and there is a way for people individually to get a certification, i.e., they get a number. What we cannot find out from anybody, including the FEMA rep that was at one of the shelters, is what did that entitle this person to. The answer was, it depends; we will have to get back to them.

Now how is anybody supposed to make any kind of decision or any of the agencies supposed to help make a decision if nobody knows what this person is going to be entitled to? The fact that they cannot make any kind of decision and get these folks awareness of what their benefits are either through the agencies or through direct conversation with these folks, is really I guess the question we all need to be asking.

How is it that FEMA cannot seem to figure out what people are entitled to? How can we not get that communicated out to the people who are most devastated by the situation? That is what we are seeing on the ground.

Mr. GREEN. Would anyone else like to respond to the question of how you would design the system so that people can get back to their States, their cities, their locales?

Mr. BEAMON. I would like to respond. At some point, we need to involve the Department of Labor with some of their job training programs and the network of job training programs that get funding from them. In this case, the training should go toward displacees, people that have been displaced because of the hurricane. They have a network that several organizations work in several States. I just think this would be one good start. I would like to add this to my list of recommendations.

Mr. GREEN. All right. Now, if I can have one more—thank you, Mr. Chairman—one more thing.

The people who will be working, they obviously will be paid some amount. I will tell you, I almost had tears to well in my eyes when I read about how the normal amount that would be paid may be reduced. We are catching people when they are most vulnerable, when they need help the most, and we are talking about paying them less than we are paying people in other areas who might be doing the very same work. That is very disconcerting. It really is.

I do not know how you would propose that this be addressed, and maybe I am addressing it to the wrong panel. I am just not sure. It causes a lot of heartache to see this kind of thing occurring to people who are most vulnerable, that they are going to be paid less.

Have any of you encountered this before, where the wage-scale was dropped in an area after this kind of devastation?

Mr. BRODSKY. Congressman, it is not really a housing question for me to answer, but just in general I would assume that once programs are characterized to rebuild, there will be a shortage of labor in the area that is qualified to perform, regardless of the number

of dollars that are available to build, and you will not have a price-point problem for labor. But at the moment, nothing is being built.

So I would characterize it more likely as a short-term issue if it exists, and that the only thing I could assume is that with so many people gone, if you are trying to bring in construction labor from all over the country, they will be bidding up the price for labor, not down.

Mr. GREEN. Are you familiar with the specifics of what I am talking about? You are? Okay. I just wanted to make sure.

Any other person want to respond to that? Okay.

Mr. Chairman, I thank you. You have been very generous with your time.

Chairman NEY. I have more time. I want to respond to it, though.

Mr. GREEN. Yes, sir.

Chairman NEY. If I can respond to your question.

Mr. GREEN. Thank you.

Chairman NEY. I am alarmed, alarmed. If Davis-Bacon, after we voted, has been removed, which I think would be the second time in the country's history.

Mr. GREEN. I think it would be the third.

Chairman NEY. Third. You are right. It is three, the third time in the country's history. The goal of removing it would be that you save money and you can use more money. I think that may not happen. I think removing it may at the end of the day people could come in there and there would be a higher price, instead of the $7.50 an hour or whatever it was, and it was low anyway down in some of the States, and it could be a higher price so more money would be eaten up. This is something we have been looking at for 3 days now because we were not involved in this discussion.

Mr. GREEN. Yes, sir.

Chairman NEY. I am alarmed about it. I am alarmed. Our office is looking into it and other members; we have been talking among ourselves. I think it is something that can be so counterproductive and the money will go up to the top of the food chain versus the people that need those jobs and need to be able to work them. So I am alarmed. I am in the same camp as you are on this.

Mr. GREEN. Thank you, Mr. Chairman.

If I may, friends, as a neophyte, I am not sure that I could have landed on a better housing committee than this one. Our chairman truly does care, and it is evidenced not only in his words, but in his deeds. I thank him for his kind comments and I appreciate very much your efforts to be of assistance to us. Thank you.

Chairman NEY. I thank the gentleman for his kind comments.

Anything else to bring before the committee?

Ms. KENNEDY. Just one thing. I have been disturbed by what I have been reading in the newspaper about this housing assistance command. Back to what your point was about the Davis-Bacon and you are not being consulted.

You know, those of us who have done disaster relief before are a little uncomfortable about a defense contractor, the Red Cross, and FEMA, and HUD is mentioned, not just doing disaster relief, but actually developing policy.

So I would just encourage you, because of your leadership in housing, to get into that because I get nervous when I think about contractors who are not familiar with housing influencing policy.

Chairman NEY. Like I said, with respect to that, also thinking about where I live and not giving people a choice, that your only choice is that you are going to go to another State, you are going to take it if you are up against the wall.

Now if you give some choices and people can remain locally, I am not saying it is perfect conditions or whatever, but that is a decision that has to be made pretty soon about immediate emergency or, first of all, emergency waivers, Congress has got to move within days on that, in my opinion. I do not know the magic number.

But again, just to repeat what I said earlier, if you say to a person who has had a catastrophic event, your only option to keep your family safe and you is that we are going to move you seven States over, you are going to take it at the end of the day if you have no choice because you have no options. But if you give options, they can remain local. If you take everybody out of an area and they move and then the next thing you know it is 60 days later, and hey, you have a chance at a construction job down in Mississippi and New Orleans.

Okay, that person comes back. What do they do with the family— because they are now in Utah or Chicago—what do you do with your family? And when they go back, where are they going to live? So why did they move in the first place, when we could do temporary housing?

If we do not move on this temporary housing situation out of the shelters, then there is only going to be one choice, and that choice is to go somewhere else. That is not giving a person a choice, especially people that right now are defenseless.

So I think it is something that we have to move on, how we do it, if FEMA or HUD or whatever have to waive some rules, and I do not know what is the magical number. People are already saying, well, if you bring in the modular housing, you are going to create so many problems. Well, you just do not wipe out the option for people by saying, well, there will be problems if we do that. We have to give people in this situation some ability to have some choices, too.

And some people, I agree with Mr. Green, they may move and not come back, but if you force everybody to move and you do not give them an option, we have done a very disservice to a lot of people and families and to regions and culture.

With that, with no objections, the hearing record will remain open for 30 days for additional questions to be asked or items to be submitted in the record.

I thank the gentleman and the other members of the committee today.

I thank you, especially for your work, for helping people, and your time here in the House.

Thank you.

[Whereupon, at 1:45 p.m., the subcommittee was adjourned.]

A P P E N D I X

September 15, 2005

Opening Statement of the Honorable Bob Ney
Chairman, Subcommittee on Housing and Community Opportunity

Hearing on

"Emergency Housing Needs in the Aftermath of Hurricane Katrina"

September 15, 2005

This morning the Subcommittee on Housing and Community Opportunity meets to continue our discussion on the crucial housing needs in the aftermath of Hurricane Katrina.

Along the Louisiana, Alabama, and Mississippi Gulf Coast, Federal and local governments now face the Herculean task of coordinating the relocation of thousands of individuals and families whose lives have been uprooted due to Hurricane Katrina. Last week, I brought together groups from across the housing spectrum to begin discussing how best to respond and help those devastated by this disaster. This was just the first step, and in the weeks ahead, Congress and the Housing Subcommittee, will stay focused on how to help these citizens recover and rebuild.

While the Federal and local governments continue their response to those families displaced, the housing relief efforts can be categorized into three areas: immediate/emergency housing response, permanent/semi-permanent housing solutions, and long-term reconstruction. A first step in addressing the needs of the hurricane survivors will be assessing the magnitude of the problem and evaluating the availability of existing housing units given that the rental vacancy rate in the U.S. is at a historically high level.

According to the Department of Housing and Urban Development (HUD), there are 436,800 units of HUD-assisted housing in the hurricane affected region. This number includes 15,500 units of elderly housing and 2,500 units of housing for the disabled in the Gulf Coast area. These units provided housing for approximately 1.1 million people. The Housing Authority of New Orleans (HANO) has an inventory of approximately 8,100 public housing units. At the time of Hurricane Katrina, HANO had issued 8,700 Section 8 Housing Choice vouchers in New Orleans. The combination of these two housing sources provided housing to over 40,000 people in the city of New Orleans alone.

In times like these, it is more important than ever for Americans to stand united in helping our fellow citizens. The House of Representatives will continue to stand with the people of the Gulf Coast throughout this effort, and we encourage Americans who want to help to contact charitable organizations in their area. America has overcome challenges in the past. Members of the House and specifically the Subcommittee on Housing and Community Opportunity are prepared to roll up our sleeves and do the hard work to overcome this tragedy.

I look forward to hearing from today's witnesses as to what efforts organizations have taken on the ground in the affected area, what the current needs are, and what regulatory or legislative solutions may be necessary in the immediate future. Today's hearing is an important step in the recovery process and I look forward to an important debate and discussion.

Congresswoman Ginny Brown-Waite

Subcommittee on Housing and Community Development
"Emergency Housing Needs in the Aftermath of Hurricane Katrina"
September 15, 2005

Thank you Chairman Ney for holding this hearing today.

Our prayers and thoughts go out to our neighbors on the Gulf Coast.

As they begin to put their lives back together in the wake of Hurricane Katrina, we are reminded once again that natural disasters are random and affect everyone in the nation. From 1999 to 2004, the overall costs of all natural disasters to the U.S., not just hurricanes, have been estimated at $54 billion per year—roughly $1 billion per week. These costs affect the affordability and availability of homeowners' insurance throughout the nation, not just those areas that are ravaged.

The first step this Congress must take is ensuring that those who lost their homes have a place to live, and I look forward to hearing from our guests today on how we can best accomplish that goal.

However, once that is completed, we must address the long-term needs of homeowners. This long-term need will include affordable, adequate homeowners insurance.

As we all know, states are responsible for stabilizing the costs of insurance premiums for policyholders. The federal government, however, can help in that endeavor by taking steps to reinforce the reinsurance industry. As we learned with TRIA, a strong, viable reinsurance industry leads to reduced costs that primary insurers can offer their customers.

For this reason, I have introduced H.R. 846, the *Homeowners Insurance Availability Act.* My bill creates a program to sell federal reinsurance contracts to homeowner insurers for mega natural catastrophes. This would create an alternative market for primary insurers to purchase reinsurance, and help reduce the cost of property and casualty coverage for homeowners.

As this committee looks to help all homeowners in America, we cannot overlook the reinsurance industry.

Thank you again, Mr. Chairman, for holding this hearing today.

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Testimony of

Henry A. Alvarez III, President and CEO, San Antonio Housing Authority

on behalf of

The National Association of Housing and Redevelopment Officials

Before the Housing and Community Opportunity Subcommittee of the House Committee on Financial Services

September 15, 2005

James M. Inglis, President; **Donald J. Cameron,** SPHM, Senior Vice President; **Sandra Edmonds Crewe,** PhD., PHM, Vice President-Professional Development; **Joseph E. Gray, Jr.,** Vice President-Community Revitalization & Development; **David J. Meachem,** SPHM, Vice President-Member Services; **Elizabeth C. Morris,** Vice President-Housing; **Marjorie C. Murphy,** Vice President-Commissioners; **Raymond P. Murphy, Jr.,** PHM, Vice President-International; **Saul N. Ramirez, Jr.,** Executive Director

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Good morning, Mr. Chairman. My name is Henry Alvarez and I am the President and CEO of the San Antonio Housing Authority (SAHA). I bring you greetings from the great State of Texas and the City of San Antonio. As a native of the City of New Orleans and a product of its public housing, it is my privilege to appear before you today representing the National Association of Housing and Redevelopment Officials (NAHRO). NAHRO's membership includes over 18,000 housing and community development professionals and nearly 3,300 agency members, comprising housing authorities, community development departments, and redevelopment agencies. NAHRO's members administer HUD programs such as Public Housing, Section 8, Community Development Block Grants (CDBG), and the HOME Program. For over 70 years, NAHRO has been the leading housing and community development advocate for the provision of adequate and affordable housing and strong, viable communities for all Americans—particularly those with low- and moderate-incomes.

Thank you for inviting NAHRO to testify on the issue of emergency housing needs in the aftermath of Hurricane Katrina. On behalf of NAHRO's members, let me first thank you, Mr. Chairman, as well as Ranking Member Waters and the other members of this subcommittee for the leadership role the subcommittee has taken during these challenging times. I know I speak for others in saying that we appreciate your commitment to gathering input from national organizations and interest groups in the housing industry. NAHRO shares your belief that the federal response to Hurricane Katrina must include a strong commitment to working with state and local officials to make safe and sanitary housing available as soon as possible to those displaced by the storm..

Our nation's housing authorities and community development departments and agencies are well positioned to play an important role in the recovery effort, given adequate resources to do so. Public housing authorities (PHAs) in affected areas have or will soon establish administrative continuity that will allow them to respond to critical housing needs. Meanwhile, PHAs in areas to which victims have migrated are working to connect displaced individuals and families with housing and other assistance. In affected areas across the country, PHAs are serving as the first point of contact for displaced families and individuals, most particularly the elderly, the disabled

and working families who have new challenges to overcome as a result of the hurricane. Indeed, PHAs are uniquely positioned and qualified to respond to the needs of Katrina's victims.

In San Antonio, over 13,000 evacuees have passed through one of the four major shelters established in the city. Many more have found shelter in churches, homes and other locations. At present, the number remaining in shelters is approximately 4,000, as many have found transitional housing and others have traveled to other cities and towns to re-unite with family and friends. Agencies, officials, businesses and individuals from all sectors of the San Antonio community have joined together in an unprecedented, cooperative and collaborative effort to meet the needs of the evacuees. The Mayor of San Antonio, Phil Hardberger, established a San Antonio Hurricane Relief Fund to direct the contributions resulting from the overwhelming generosity of those within the community. Housing providers from throughout the city and state have come together to address the transitional housing needs of the San Antonio area evacuees.

SAHA has been actively involved in the response effort. Let me share just some of the actions we've taken:

- SAHA activated an Emergency Response Hotline to collect information from displaced families in need of housing.
- SAHA coordinated the efforts of volunteers willing to help displaced families look for housing.
- SAHA established four satellite operations within each shelter to process families currently housed at each temporary shelter.
- SAHA expedited make-ready operations on all available public housing units.
- SAHA provided transportation to HUD-approved public housing families to visit available public housing units.

To date, SAHA has collected information from 1,149 families who have self-identified as having been on housing assistance at the time of the hurricane. Of those, 618 are pending verification through the HUD/REAC approval process, 327 have been approved, and 204 have been issued housing assistance. Additionally, SAHA has compiled information from another 2,025 families who had not been on any form of housing assistance at the time of the hurricane.

The severity of this crisis makes it imperative that HUD, public housing authorities (PHAs), community development (CD) agencies, and industry organizations work together to remove any and all roadblocks to effective and timely action. As we work to expedite our immediate response to emergency and short-term needs, we must also begin to formulate a responsible and comprehensive long-term plan for rebuilding infrastructure and restoring permanent housing units. I have given you some information about what we have done at the local level in my own community. Let me share some of NAHRO's thoughts on what an appropriate federal response should look like.

Two weeks ago, in letters to President Bush and Secretary Jackson, NAHRO President Jim Inglis, Executive Director of the Livonia (MI) Housing Commission, communicated NAHRO's recommendation that Congress authorize and immediately make resources available to fund a minimum of 50,000 emergency tenant assistance vouchers to be directed to hurricane victims who are not currently receiving Section 8 assistance. This request was repeated in a September 2 letter to Chairman Oxley. The issuance of these emergency vouchers, which should feature a full two-year term and portability, must proceed under streamlined procedures with a minimum of red tape.

Members of NAHRO's staff informed me of a Tuesday conference call with housing professionals from the Gulf Coast, including representatives from NAHRO's Southeast and Southwest Regional Councils, as well as leadership from NAHRO's Alabama and Mississippi chapters and the Louisiana Housing Council. During this call, a number of critical concerns were raised. First and most importantly, our NAHRO members indicated that funding for emergency vouchers has been identified as the most urgent priority. Mr. Chairman, we need action on this issue, and we need it as soon as humanly possible. We recognize that fulfilling our recommendation to authorize and fund 50,000 vouchers goes beyond the mere allocation of resources and that in allocating vouchers for these purposes, we will need to examine possible statutory and regulatory changes that would be necessary to effectuate the use of tenant based assistance to meet the needs of families impacted by the hurricane. Mr. Chairman, with your approval, I would like to submit for the record some suggestions that NAHRO has developed for

your review concerning necessary programmatic modifications that would be necessary in order to facilitate the effective use of the voucher program for these purposes. We would be happy to work with staff on these items and would also be happy to recommend further changes in statutory language that may be necessary to implement these recommendations following this hearing.

We were also informed that children dislocated by the hurricane are now being enrolled in new schools in areas to which they have migrated. This is placing a heavy burden on the receiving schools who are doing their best to meet this important need. These school systems need immediate help. Perhaps, this help could be provided initially by FEMA.

Our colleagues on the Gulf Coast also stated that there is a need for greater organization and coordination in the impacted areas. The local housing agencies in impacted areas need effective communication with FEMA so they can either act on their own as centers to provide housing and other assistance to victims or participate at other centers operated by FEMA where victims are being assisted.

NAHRO also recommends that Congress authorize the HUD Secretary to waive both statutory and regulatory provisions for the purpose of applying federal resources in the most flexible, efficient and effective manner to aid local governments as they work to serve the victims of Hurricane Katrina. We suggest that these waivers have a maximum term of five years and be effective upon execution by the Secretary, with subsequent notification to the Congressional committees of jurisdiction. This waiver authority would permit the Department to accommodate a wide range of suggestions made during last week's informal roundtable discussion. I know that NAHRO is not alone in its efforts to gather and provide you with policy recommendations that make sense, and are practical and cost-effective.

The two recommendations I've mentioned – emergency vouchers and waiver authority – must take priority, but there are a number of other actions HUD and Congress should consider once these initial steps have been taken. After waiver authority has been put in place, an additional package of regulatory adjustments by HUD will be needed to facilitate the delivery of housing

assistance. For example, we ask Congress to authorize HUD to supersede the 20% limitation on the use of tenant-based vouchers for project-based assistance and to urge the Department to issue its long-awaited interim rule on this program.

In addition to Section 8 vouchers, local jurisdictions should be encouraged to consider using the Tenant-based Rental Assistance (TBRA) feature of the HOME Program – in combination with some regulatory relief from the Department – to assist victims in meeting housing needs. It should be noted that HUD's Assistant Secretary for Community Planning and Development (CPD), Pamela Patenaude, has already demonstrated her commitment to providing regulatory relief so that CPD programs can be put to the best possible use in relief and recovery efforts. This is a positive development.

NAHRO is concerned that HUD and PHA information systems and personnel resources may come under strain as we work with the Department to coordinate the delivery of aid to victims. In addition to supplying information about vacant public housing units and available vouchers, PHAs can and should work with HUD to supply information concerning available housing stock for which vouchers can be used. In this regard, some consideration should be given to special funding for the addition of qualified staff at HUD and the PHAs who will play a special role in locating housing opportunities for victims, connecting them with assistance, and performing other administrative functions that may require additional staff.

Mr. Chairman, in so many ways, this relief and recovery effort goes beyond simply identifying and providing available units to displaced families. NAHRO has learned from its members that there is a special need for additional resources for transportation of victims to new areas of residence, for temporary housing in those areas, and for housing search assistance to enable the use of vouchers. Lease deposit assistance may also be needed for private sector placements. PHAs providing voucher assistance in areas where families have relocated will need to perform additional housing search functions to aid victims, who will likely be wholly unfamiliar with their new environs. Any aid package should provide resources for these purposes directly to the PHAs that are already performing the housing functions, so victims can obtain what they need to find alternative housing in one place. We believe that local housing agencies in impacted areas

and in areas now receiving hurricane victims can serve as recovery centers to assist hurricane victims and they should be so designated. In this regard we would add that if Congress did not intend for a set-aside of emergency FEMA funds to be budgeted for the purposes noted above, then this need should be addressed in further emergency appropriations.

The disruption of services brought about by Hurricane Katrina may mean that many agencies will be unable to expend currently available funds for their original purposes and according to existing expenditure timelines. Rather than allowing these funds to be lost or rescinded, Congress should ensure that these funds are applied for the benefit of previously assisted victims, particularly by agencies now serving displaced families.

At the same time, none of the actions taken in response to this crisis should result in a net loss of affordable housing and community development resources across the country. Many housing agencies have already stretched thin their budgets in order to offer immediate assistance to devastated and displaced families and individuals. However, these agencies must balance these critical short-term needs with preexisting local affordable housing needs. These first-responder communities want to be able to reassure eligible, locally-based families and individuals that they will not lose out on the opportunity to access housing assistance. As it works to address this crisis, we hope the Congress will move to reimburse local agencies for their initial, unbudgeted outlays.

In addition to the more specific programmatic recommendations that I've mentioned, we believe that HUD should make clear whom they wish to designate as the primary point of contact for the Department with respect to hurricane recovery initiatives. We believe that the Department should designate a senior official who will have plenary administrative authority concerning the Department's efforts to respond to Katrina and we welcome the opportunity to work with that person. Thereafter, we would request that planning meetings be initiated with the Department to ensure a coordinated and streamlined response to meeting housing and other related needs in impacted areas. The planning process we refer to here would include coordination with PHAs and redevelopment departments and agencies, as well as with other agencies of the federal government.

In your letter of invitation, you properly asked for comment on longer-term housing concerns. In considering your charge, we realized that the agencies represented by NAHRO are only part of the picture when we consider the overall need to restore the infrastructures of impacted areas. In particular, we must focus first on restoring the housing units that have been damaged or lost. At this time we do not know the full extent of the need with any certainty, but our preliminary research indicates that there are about 15,600 public housing units and 18,200 tenant-based voucher-assisted units in the areas hit with hurricane force winds. Some will need repair or moderate restoration. Many are surely lost. NAHRO has been assured by our members in the affected area that the existing capital fund for public housing is inadequate for addressing the restoration or replacement of units that have been destroyed or so damaged that repair is not feasible. We recommend the following:

- An assessment should immediately be made to determine the cost of Katrina-related repairs to units that are salvageable. Designated appropriations, separate from the public housing Capital Fund, should be made for distribution to the affected PHAs in order to cover the cost of these repairs.

- A special program should be authorized to permit flexible, streamlined action (including acquisitions of existing properties where advantageous) to replace the public housing units lost. Attention must be paid to ensuring that the restoration of these units proceeds without delay. This program should be funded based on an assumed permitted overall cost per unit and units should be restored to the jurisdictions that have lost them if adequate need can be demonstrated.

- To supplement these new and flexible resources, adequate funding for Community Development Block Grants will be essential for enabling infrastructure recovery at the local level. Flexible CDBG dollars, in combination with statutory and regulatory flexibility from the Department, will also allow communities hosting Katrina evacuees to provide essential services. As I previously noted, the Department has already issued waivers related to the public comment period of the Consolidated Planning process and

the CDBG public services cap. It is our hope the Department will further expedite recovery efforts in affected areas by suspending restrictions on the repair or reconstruction of buildings used for the general conduct of government as well as by removing prohibitions on new housing construction.

- NAHRO believes that special emergency CDBG funding is needed, and needed soon. At the same time, however, the HOME Program could have a part to play in recovery efforts, since HOME is a key source of funds for construction, rehabilitation, and, in some cases, rental assistance. Adequate funding for both programs is essential.

- NAHRO recommends that Congress enact a "Restoration Zone" program, similar to the Empowerment Zone, Enterprise Community, and Renewal Community programs. Implementing a package of federal tax incentives to stimulate the redevelopment of infrastructure and rejuvenate local economies will help to secure a financial future for displaced residents returning to the Gulf Coast.

- At all stages of the federal response, the needs of our most vulnerable populations, including elderly and the disabled, must be given the highest consideration.

Mr. Chairman, with respect to our ability to meet both the short-term needs of families impacted by the hurricane as well as the longer-term needs of families for whom decent affordable housing remains out of reach, NAHRO believes that now is the time to get serious about the production of new units of affordable housing. Mr. Chairman, NAHRO thanks you, Congressman Frank, and other members of this committee for your leadership regarding H.R. 1461, the Federal Housing Finance Reform Act of 2005. By establishing affordable housing funds at Fannie Mae and Freddie Mac, that legislation would create a new, significant source of funding for the production, preservation, and rehabilitation of affordable rental housing. Now more than ever, these new funds would be a welcome resource. These new dollars would be put to good use, both in the areas affected by Hurricane Katrina and throughout the nation. I urge you to do what you can to ensure this bill reaches the House floor for a vote.

Thank you for the opportunity to testify before you today. NAHRO and its members, including the San Antonio Housing Authority, stand ready to advise and assist you as you work to address the housing needs exposed in the aftermath of this terrible tragedy.

NATIONAL RURAL HOUSING COALITION

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Testimony of Clanton Beamon
Delta Housing Development Corporation
Before the
Subcommittee on Housing and Community Opportunity
House Committee on Financial Services
United States House of Representatives
Washington, DC

September 15, 2005

Mr. Chairman and members of the House Subcommittee on Housing and Community Opportunity, my name is Clanton Beamon, Executive Director of the Delta Housing Development Corporation.

Delta Housing Development Corporation (DHDC), based in Indianola, Mississippi, is a non-profit minority corporation chartered in 1971 in response to the devastation caused by a tornado on February 7th of the same year. DHDC currently owns and manages 249 units of multifamily housing in three Mississippi counties.

I am also past President and current Executive Committee Member of the National Rural Housing Coalition, a national membership organization. NRHC is the principle advocate for federal policies and programs aimed at promoting better housing and community facilities in rural America.

Mr. Chairman, we have all been horrified and humbled by the extent of the destruction wrought by Hurricane Katrina on our Southern coastline, particularly in the states of Alabama, Louisiana and Mississippi. We pray for all those affected by this tragedy.

In my home state of Mississippi alone, more than 115,000 evacuees are in shelters or temporary locations arranged by the Red Cross and many more are in hotels and private homes.

Right now, the pressing need is for more temporary housing, both for displaced families and for relief workers. As of Tuesday, September 13th in Jackson, 1,250 trailers or mobile homes had arrived at a central staging area, 135 were ready for occupancy and 20 were already homes to families in hard-hit Biloxi, where at least 5,000 homes and buildings were destroyed.

We have a lot of work to do before we meet the state's goal of 10,000 temporary shelters for displaced families and workers by the end of the month.

In response to Hurricane Katrina, we at Delta Housing Development Corporation, like many housing, religious, and other organizations across the region and the nation, are trying to do our part.

On September 1, 2005 DHDC had a total of 18 vacancies. We contacted USDA Rural Development and requested authorization to waive standard requirements of waiting lists, security deposits, credit checks, and income verifications in order to place Katrina evacuees on priority basis. I received word the same day that the national office of Rural Housing Services had already sent directives to its state offices with instructions on how to assist Katrina evacuees in their financed housing units, and we have since filled our 18 spots.

I next contacted National Equity Fund (NEF) and Mississippi Home Corporation to get authorization to house evacuees in our LIHTC development, where we had six (6) vacancies. The request was approved immediately.

On Friday, September 9, 2005 we received notification from the Foundation of the Mid-South that DHDC had been designated to receive funds from the Walton Family Foundation and disburse it to families and churches that are providing housing and food to the evacuees.

Additionally, we have been collecting donations from local churches to assist families with utility deposits, collecting food and clothing, and partnering with other groups, such as the local Community Action Agency, to provide families with rental assistance.

I would like to share with this subcommittee my first encounter with a family displaced by Hurricane Katrina. On Friday, September 2nd, I met with Doris, a single mother, and her ten (10) children. Through our conversation I determined she was living in an apartment owned the New Orleans Housing Authority and supported by Section 8. I reasoned that there was a good chance she would receive another Section 8 voucher at some point in the future and invited her and her family to stay in a four (4) bedroom apartment we had vacant. I told her we were going to have to walk out on faith in hopes that help would come later. She was very appreciative and very emotional. So was I.

While mother-nature does not know rich from poor when she unleashes her fury, it is undeniable and troubling that the majority of those affected by Katrina were among our nation's poorest individuals and families even before the storm hit. The vast majority of the people affected were living in poor, primarily black, nonmetro counties, and suffered from a lack of affordable, decent housing.

In fact, before Katrina two-thirds of rural America's occupied substandard housing was located in the 16 states that make up the Southeast and comprise Alabama, Louisiana, and Mississippi. Over 40,000 households lived in units without adequate plumbing, and over 100,000 people relied on USDA direct and guaranteed loans and other assistance just to remain in their homes.

Ever since poverty was first officially measured in the 1960s, the nonmetro poverty rate has exceeded the metro poverty rate. In 2002, 14.2 percent of the nonmetro population – approximately 7.5 million people – was poor, as compared to a poverty rate of 11.6 percent in metro areas. Across the South, the nonmetro poverty rate in 2002 was 17.5 percent.

Economic Research Service has defined counties as "persistently poor" if 20 percent or more of their populations were poor over the last 30 years. Nonmetro counties make up the vast majority of America's persistently poor counties, a total of 340 out of 386, of which 280 counties are in the South.

It should be stressed that of the 340 persistently poor counties nationwide, 210 are "black high-poverty" counties, and these are almost exclusively located in the South. A black high-poverty county is defined as such if a majority of the county's poor are black, or if it is only the high incidence of poverty among blacks that brings the county's overall poverty rate above 20 percent.

In Alabama, Louisiana, and Mississippi, as in primarily rural states across the South and country, cost burden - defined as paying more than 30 percent of income for housing - is also a significant problem, exacerbating poverty in high cost areas. Before Katrina, 59 percent of the counties identified by FEMA in the three states as designated disaster areas had poverty rates of 20 percent or more, and in 74 percent of the counties more than 20 percent of the population was excessively burdened by housing costs.

Of Alabama's 22 affected counties, 11 already had persistent poverty rates above 20 percent, all of which were black high poverty counties. And in 15 of the 22 counties over 20 percent of the households were cost burdened by housing.

In Louisiana, of the 64 counties most impacted by Katrina, 41 already had persistent poverty rates of over 20 percent, 32 of which were black high-poverty counties. 40 affected counties in Louisiana already had more than 20 percent of their households paying more than 30 percent of their income toward housing.

And finally, in Mississippi, of the 81 counties identified by FEMA, 49 were already persistently poor, 100 percent of which were black high-poverty counties. 69 of the 81 counties, or 85 percent, already had 20 percent or more households cost burdened by housing.

More information on the poverty rates, incidence of black high poverty, and cost burden in the counties identified by FEMA as designated disaster counties can be found in the table I have included with my testimony.

Ladies and gentlemen, this was the situation on the ground before the hurricane arrived.

Mr. Chairman and members of the subcommittee, as we strive to relieve the suffering of those affected by Hurricane Katrina and move forward to help them rebuild their homes and lives, please do not forget the challenges faced by tens of thousands of residents of Alabama, Louisiana, and Mississippi before the storm arrived. As you contemplate not only the immediate relief, but also the long term rebuilding process, please take into consideration our recommendations to ensure that the reconstruction of these three ravaged states means more than a return to the status quo.

Recommendations

As I have noted, before the storm there was already a lot of inadequate housing in the states hit by the hurricane, much of it in rural areas. The three states of Alabama, Louisiana, and Mississippi have about 4.2 million rural residents; Mississippi has the largest share: 1.8 million rural households.

Before the storm, over 40,000 households in the three states lived in units without adequate plumbing. USDA currently has 50,000 low-income direct-loan borrowers in the hardest-hit areas. There are approximately another 50,000 recipients of guaranteed loans. And about 10,000 low-income assistance recipients are in coastal areas; displacement is expected to be widespread.

I have a number of recommendations. Obviously, we need better coordination between federal and state agencies and outreach by such agencies as FEMA, HUD, and USDA to get families help now. That help should include Section 8 vouchers and RHS vouchers. In addition, programs like RHS Section 525 supervising and technical assistance grants can be an important way to provide support to local non-profit community development organizations in their work on the ground.

The need for greater assistance is particularly acute in rural areas, and any assistance should reflect the immediate need and a long term commitment to rebuilding. In the short run, the goal is to repair up to 10,000 units of housing, get families 5000 vouchers, and provide sources for repair of multi-family projects. The longer term goal is to finance the development of over 20,000 units of single and multi-family housing for rural areas of states hit by Katrina.

There is also a need to provide waivers from some existing regulations. For example, the limitation on section 504 repair assistance should be increased to $20,000. The matching requirement on Rural Housing Preservation Grants should be dropped. All households should be eligible for section 504 grants, not just elderly households. Eligibility for farm

labor housing should be extended to workers in related industries such as shrimp boat fisherman in Louisiana. Congress should apply moratorium relief to households with guaranteed section 502 loans and include the authority to allow for subsequent loans, refinancing and debt relief for all section 502 borrowers.

Immediate relief:

- $65 million for 5,000 vouchers under section 542(B):
- $15 million for section 525 supervisory and technical assistance grant funds for non-profits and public bodies to assist families in gaining assistance;
- $75 million in section 504 home repair grants;
- $50 million for 504 loans; make available to all families;
- $50 million for section 515 for repair of existing development;
- $50 million for section 516 for repair of existing farm labor housing projects;
- $100 million in section 502 deferred mortgage loans to finance repair;
- $25 million for Housing Preservation Grants for single and multi-family renovation.

Rebuilding:

- $1 billion in section 502 loans including deferred mortgages;
- $1 billion for 502 guarantees;
- $450 million in section 515 funds for units of rural rental housing;
- $150 million of section 514/516 funds for farm labor housing;
- $150 million for rural rental assistance.

FEMA Designated Disaster Counties from Hurricane Katrina – Alabama, Louisiana, Mississippi

(Greater than 20% Persistent Poverty Counties in Bold)[1]

State (and Counties/Parishes)	Poverty Rate (2002)[2]	Black High-Poverty County/Parish[3]	Greater than 20% of Population Cost Burdened[4]
ALABAMA	16.1%		
Baldwin	10.1%	-	✓
Bibb	**26.8%**	✓	-
Choctaw	**24.5%**	✓	-
Clarke	**22.6%**	✓	-
Colbert	14.0%	-	✓
Cullman	13.0%	-	✓
Greene	**34.3%**	✓	✓
Hale	**26.9%**	✓	✓
Lamar	16.1%	-	✓
Lauderdale	14.4%	-	✓
Marengo	**25.9%**	✓	✓
Marion	15.6%	-	-
Mobile	18.5%	-	✓
Monroe	**21.3%**	✓	-
Perry	**35.4%**	✓	✓
Pickens	**24.9%**	✓	✓
Sumter	**38.7%**	✓	✓
Tuscaloosa	17.0%	-	✓
Washington	18.5%	-	-
Wilcox	**39.9%**	✓	✓
Winston	17.1%	-	-
LOUISIANA	19.6%		
Acadia	**24.5%**	-	✓
Allen	19.9%	-	✓
Ascension	12.9%	-	-
Assumption	**21.8%**	✓	-
Avoyelles	**26.0%**	✓	✓
Beauregard	15.6%	✓	-
Bienville	**26.1%**	✓	-
Bossier	13.7%	-	-
Caddo	**21.1%**	-	✓

[1] USDA Rural Development Research Report Number 100, July 2004
[2] www.ers.usda.gov/briefing/incomepovertywelfare and www.quickfacts.census.gov
[3] www.ers.usda.gov/briefing/incomepovertywelfare
[4] 2000 Census of Population and Housing, Summary File 3

State (and Counties/Parishes)	Poverty Rate (2002)	Black High-Poverty County/Parish	Greater than 20% of Population Cost Burdened
LOUISIANA (cont'd)			
Calcasieu	15.4%	-	✓
Caldwell	**21.3%**	✓	-
Cameron	12.3%	-	-
Catahoula	**28.1%**	✓	-
Claiborne	**26.5%**	✓	✓
Concordia	**29.1%**	✓	✓
De Soto	**25.1%**	✓	✓
East Baton Rouge	17.9%	-	✓
East Carroll	**40.5%**	✓	✓
East Feliciana	**23.0%**	✓	-
Evangeline	**32.2%**	✓	✓
Franklin	**28.4%**	✓	✓
Grant	**21.5%**	✓	-
Iberia	**23.6%**	✓	✓
Iberville	**23.1%**	✓	✓
Jackson	19.8%	-	-
Jefferson	13.7%	-	✓
Jefferson Davis	**20.9%**	✓	✓
Lafayette	15.7%	-	✓
Lafourche	16.5%	-	-
La Salle	18.7%	-	-
Livingston	11.4%	-	-
Lincoln	**26.5%**	✓	✓
Madison	**36.7%**	✓	✓
Morehouse	**26.8%**	✓	✓
Natchitoches	**26.5%**	✓	✓
Orleans	**27.9%**	-	✓
Ouatchita	**20.7%**	-	✓
Plaquemines	18.0%	-	-
Pointe Coupee	**23.1%**	✓	✓
Rapides	**20.5%**	-	✓
Red River	**29.9%**	✓	✓
Richland	**27.9%**	✓	✓
Sabine	**21.5%**	✓	-
St. Bernard	13.1%	-	✓
St. Charles	11.4%	-	-
St. Helena	**26.8%**	✓	✓
St. James	**20.7%**	-	-
St. John	16.7%	-	✓
St. Landry	**29.3%**	-	✓
St. Mary	**23.6%**	✓	-

State (and Counties/Parishes)	Poverty Rate (2002)	Black High-Poverty County/Parish	Greater than 20% of Population Cost Burdened
LOUISIANA (cont'd)			
St. Martin	**21.5%**	-	✓
St. Tammany	9.7%	-	✓
Tangipahoa	**22.7%**	✓	✓
Tensas	**36.3%**	✓	✓
Terrebonne	19.1%	-	✓
Union	18.6%	-	-
Vermilion	**22.1%**	✓	-
Vernon	15.3%	-	-
Washington	**24.7%**	✓	✓
Webster	**20.2%**	-	✓
West Baton Rouge	17.0%	-	-
West Carroll	**23.4%**	✓	✓
West Feliciana	19.9%	-	-
Winn	**21.5%**	✓	✓
MISSISSIPPI	19.9%		
Adams	**25.9%**	✓	✓
Alcorn	16.6%	-	✓
Amite	**22.6%**	✓	✓
Attala	**21.8%**	✓	✓
Benton	**23.2%**	✓	✓
Bolivar	**33.3%**	✓	✓
Calhoun	18.1%	-	-
Carroll	16.0%	-	-
Chickasaw	**20.0%**	✓	✓
Choctaw	**24.7%**	✓	✓
Claiborne	**32.4%**	✓	✓
Clarke	**23.0%**	✓	✓
Clay	**23.5%**	✓	✓
Coahoma	**35.9%**	✓	✓
Copiah	**25.1%**	✓	✓
Covington	**23.5%**	✓	✓
DeSoto	7.1%	-	✓
Forrest	**22.5%**	✓	✓
Franklin	**24.1%**	✓	✓
George	16.7%	-	-
Greene	19.6%	-	✓
Hancock	14.4%	-	✓
Harrison	14.6%	-	✓
Hinds	19.9%	-	✓
Holmes	**41.1%**	✓	✓

State (and Counties/Parishes)	Poverty Rate (2002)	Black High-Poverty County/Parish	Greater than 20% of Population Cost Burdened
MISSISSIPPI (cont'd)			
Humphreys	**38.2%**	✓	✓
Issaquena	**33.2%**	✓	✓
Itawamba	14.0%	-	-
Jackson	12.7%	-	✓
Jasper	**22.7%**	✓	✓
Jefferson	**36.0%**	✓	✓
Jefferson Davis	**28.2%**	✓	✓
Jones	19.8%	-	✓
Kemper	**26.0%**	✓	✓
Lamar	13.3%	-	✓
Lauderdale	**20.8%**	✓	✓
Lawrence	19.6%	-	✓
Leake	**23.3%**	✓	✓
Lee	13.4%	-	✓
Leflore	**34.8%**	✓	✓
Lincoln	19.2%	-	✓
Lowndes	**21.3%**	✓	✓
Madison	14.0%	-	✓
Marion	**24.8%**	✓	✓
Marshall	**22.0%**	✓	✓
Monroe	17.2%	-	✓
Montgomery	**24.4%**	✓	✓
Neshoba	**21.0%**	✓	✓
Noxubee	**32.8%**	✓	✓
Oktibbeha	**28.2%**	✓	✓
Panola	**25.3%**	✓	✓
Pearl River	18.4%	-	✓
Perry	**22.0%**	✓	✓
Pike	**25.3%**	✓	✓
Pontotoc	13.8%	-	-
Prentiss	16.5%	-	-
Quitman	**33.2%**	✓	✓
Rankin	9.5%	-	-
Scott	**20.7%**	✓	✓
Sharkey	**38.3%**	✓	✓
Simpson	**21.6%**	✓	✓
Smith	16.9%	-	-
Stone	17.5%	-	✓
Sunflower	**30.0%**	✓	✓
Tallahatchie	**32.2%**	✓	✓
Tate	13.5%	-	✓

State (and Counties/Parishes)	Poverty Rate (2002)	Black High-Poverty County/Parish	Greater than 20% of Population Cost Burdened
MISSISSIPPI (cont'd)			
Tippah	16.9%	-	-
Tunica	**33.1%**	✓	✓
Union	12.6%	-	-
Walthall	**27.8%**	✓	✓
Warren	18.7%	-	✓
Washington	**29.2%**	✓	✓
Wayne	**25.4%**	✓	✓
Webster	18.7%	-	-
Wilkinson	**37.7%**	✓	✓
Winston	**23.7%**	✓	✓
Yalobusha	**21.8%**	✓	✓
Yazoo	**31.9%**	✓	✓

TESTIMONY OF JEFFREY BRODSKY

RELATED MANAGEMENT COMPANY, LLC

ON BEHALF OF THE

NATIONAL LEASED HOUSING ASSOCIATION

NATIONAL MULTI HOUSING COUNCIL

NATIONAL APARTMENT ASSOCIATION

BEFORE THE

HOUSE COMMITTEE ON FINANCIAL SERVICES

SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

September 15, 2005

Chairman Ney, Ranking Member Waters and distinguished members of this Subcommittee, my name is Jeff Brodsky and I am the President of Related Management Company. My division manages 25,000 apartments of affordable and market rate housing in 135 locations in 11 states. Today I am representing the National Leased Housing Association (NLHA) the National Multi Housing Council (NMHC) and the National Apartment Association (NAA).

The NLHA represents the interests of 600 member organizations involved in federally assisted rental housing including developers, owners, lenders, housing agencies and nonprofits. NLHA's members provide affordable housing for over three million families.

NMHC represents the interests of the larger and most prominent firms in the multifamily rental housing industry. NMHC's members are the principal officers of these organizations and are engaged in all aspects of the development and operation of rental housing, including the ownership, construction, finance and management of such properties.

NAA is the largest national federation of state and local apartment associations, with 171 affiliates representing nearly 32,000 professionals who own and manage more than five million apartments.

We commend you, Chairman Ney, for your leadership, and we thank the Members of the Subcommittee for your valuable work addressing the important issue of housing the hurricane evacuees. In particular we would like to commend you, Chairman Ney, for convening the recent Roundtable discussions on the issue of Hurricane Katrina and what the housing sector can do to assist. We appreciate your dedication to the issue.

Impediments to Housing the Evacuees

As our nation struggles to recover from one of the worst natural disasters in our history, one of the most pressing needs is to find safe and decent housing for Hurricane Katrina's victims. Moving displaced families from temporary shelters into more suitable housing is the first step in rebuilding the thousands of lives affected by the storm. These are extraordinary times that call for both the private sector and the federal, state, and local governments to respond accordingly.

The apartment industry stands ready to aid in those efforts. However, our ability to meet these housing needs is severely restricted because thousands of the apartments potentially available to Katrina's victims receive some sort of federal subsidy and as such are subject to federal regulations that restrict the use of these properties and impose time-consuming administrative burdens on the property owners prior to leasing these units.

Therefore, we are requesting a temporary, emergency waiver of all program requirements for: properties funded with the proceeds from multifamily tax-exempt bonds; properties financed by the Federal Housing Administration (FHA); and properties that receive HUD subsidies or Rural Housing Service assistance and are subject to Treasury rules. A broad waiver is necessary to maximize the number of units that can be made available to those in need. Otherwise many of the properties would remain off limits due to regulatory restrictions.

The apartment communities covered by these federal programs include millions of market rate and affordable units, owned by private for-profit and non-profit organizations, and public entities. The programs are too numerous to list and extend from tax exempt bond financing to community development funding; from mortgage insurance to mortgage interest subsidies; from HODAG to HOME to HOPE VI; from Section 8 to Section 236 to Section 42.

Among the many requirements in project-based Section 8, tenant-based voucher and other housing programs that are needlessly limiting the supply of housing for hurricane victims include:

- income and student status restrictions and verifications;
- tenant rent contributions;
- initial inspection requirements;
- minimum lease terms;
- household size limits;
- security deposit requirements;
- tenant selection plans;
- waiting list management and residency preferences;
- recordkeeping and/or reporting;
- tenant rent minimums; and
- the required form of lease.

To free up the supply of housing for hurricane victims, we request a broad, comprehensive waiver of all program rules for Hurricane Katrina evacuees. Such emergency and temporary action would allow time for the detailed program requirements to be reviewed and amended to accommodate the long-term housing needs while allowing the industry to respond to the crisis in a more immediate and effective manner.

A step was taken toward that goal on September 9, 2005, when the IRS issued Notice 2005-69, "Relief from Certain Low-Income Housing Credit Requirements Due to Hurricane Katrina." This notice authorized state housing credit agencies to permit temporary housing of individuals displaced by Katrina in Low-Income Housing Tax Credit (LIHTC) properties. Further, it temporarily suspended the LIHTC income limitation and non-transient requirements. While this is a good first step, it does not go far enough.

For example, the notice specifically authorizes a waiver of program occupancy limitations in creating a temporary housing period that may not extend beyond September 30, 2006. However, the actual temporary housing period is to be determined individually by the dozens of individual state housing credit agencies, and they in turn may "determine the appropriate period of temporary housing for each project." In effect, despite the good intentions of the IRS, the owners of thousands of low-income tax credit apartments cannot—even now—list their apartments as available as they have to wait for each state and local agency to issue their individual guidance.

In order to receive the benefit of these waivers, state and local participating agencies must adopt the federal waivers and in the form they are issued, as soon as possible. Further, state and local agencies must adopt parallel waivers for their own, non-federal, housing program occupancy limitation requirements if property owners are to effectively place these units into use. This alone will result in needless delays.

In addition, the IRS limited its waiver guidance to the LIHTC. Similar relief is also necessary for bond-financed properties. We respectfully request that you urge the IRS to grant a broad waiver to those properties as well.

As you are aware, a significant number of privately owned properties with Section 8 assistance as well as public housing units were destroyed by Hurricane Katrina. The funding for the housing subsidies has already been appropriated. We urge Congress to ensure that Section 8 project-based assistance contracts on affected properties are frozen or suspended to prevent them from expiring while the properties are being rebuilt and if necessary facilitate the transfer of such HAP contracts to other properties. The current tenants of those buildings should receive vouchers in the short-term while the building is rehabilitated. Further, a number of victims had been receiving Section 8 tenant-based vouchers and should be able to quickly port those vouchers to other jurisdictions without the normal administrative procedures. Of course, sufficient funding for housing agencies that accept the ported vouchers should be provided.

Given the enormous volume of requests that FEMA is handling, we also request that housing providers not have to wait for FEMA to certify victims before housing them, but instead allow self-certification by displaced residents as authorized by IRS Notice 2005-69, across all federal housing programs. In addition, HUD's Office of Multifamily Housing has informed owners of FHA insured and assisted housing that alternative documentation may be used, but clarification from HUD's Office of Public and Indian Housing Program with regard to FEMA certifications in the voucher program has not been issued.

Without a comprehensive approach, the entire affordable housing sector of the apartment industry is unable to respond to this disaster. This effectively excludes

thousands of new and existing apartments, many of which were specifically designed as family housing, from our national housing response

Affordable housing providers of both privately and publicly owned developments have an inherent capability to address the immediate housing needs of the evacuees. They are trained and experienced in serving the needs of diverse occupant groups and routinely partner with government agencies and have long-standing relationships with local faith-based, non-profit or government social service providers that may ease the transition of families entering new communities. Our resources are a natural fit for this urgent housing need, as long as regulatory obstacles are removed.

Finally, we know of many apartment owners who will provide a housing unit to a victim at no cost. However, current rules prohibit the deductibility of these kinds of donations unless they are made to a qualified tax-exempt organization. To encourage even more generosity by housing providers, Treasury/IRS should clarify that during this declared emergency, assistance provided directly to hurricane victims (i.e., the use of an apartment) can qualify as a charitable donation.

Conclusion

Building owners want to do the right thing. We are ready to accept the business risks and potential costs inherent in this outreach, including the unclear funding of rent, discounted or not; inability to perform typical background checks on occupants; and resistance from financial partners. However, we can't do it alone. We respectfully request that Congress pursue the removal of the additional federal program barriers to our participation that currently do not allow owners to respond to this crisis efficiently.

The apartment industry stands ready to help address the housing needs of the displaced families. Thank you in advance for your efforts to remove the governmental barriers to our participation.

I thank you for the opportunity to testify on behalf of the National Leased Housing Association, the National Multi Housing Council and the National Apartment Association, and wish to offer our assistance to the Subcommittee as you continue your important work to house evacuees. Please continue to include both the public and private housing sectors in our discussions—our members stand ready to serve.

Finally, I have included in the Addendum information about what our members are doing to assist evacuees and I have also included a copy of an industry letter sent to Congress regarding program adjustments that need to be made to house hurricane Katrina evacuees.

ADDENDUM:

Industry Response

The apartment industry response has been overwhelming. In Texas, all of the apartment associations there have activated their members to offer apartments to the evacuees. The Texas Apartment Association and the Houston Apartment Association have been ready, willing and able since day one.

Let me tell you the story of Camden Properties Trust, which is located in Houston, TX.

At present NLHA/NMHC/NAA have asked our members to go to www.hurricanehousing.net and submit their available units. This will allow evacuees access to a national database where they can search for short- or long-term rental housing in the location of their choice. In some cases our owners are offering free housing to those that are the neediest and in many cases owners are offering rent discounts, waiving security deposits and application fees, and are offering flexible lease terms. Some of our members are offering not only free housing, but also have partnered with utility companies, grocery stores, furniture stores and the like to assist the evacuees with essential housing needs. In addition, our industry is offering daily guidance to our members via the web on how to work with evacuees, as well as how to assist the victims themselves with their housing needs. In particular, we want to highlight Camden Property Trust, located in Houston, Texas. Camden Property Trust is one of the largest multifamily real estate investment trusts (REITs) in the nation.

Camden has spearheaded an effort to provide over 400 evacuee families with free short-term rental housing and has worked with industry colleagues to offer rental accommodations to thousands of evacuees in the Houston, Dallas, Austin and San Antonio areas of Texas. They did this by partnering with the United Way and other apartment providers in South and Central Texas.

Camden spearheaded efforts to house evacuees

1) Camden worked with the United Way in Houston and other apartment owners to not only provide homes to Hurricane Katrina evacuees, but they also developed a system by which to place people and then provide them with such essentials as utilities and food in their cupboards;

2) Camden and other owners are providing short-term housing with flexible occupancy and lease terms to displaced individuals and families;

3) Camden is helping the "Camden Family" by providing housing to family members of Camden employees displaced by Hurricane Katrina;

4) Camden has established a way for employees to make charitable contributions to the overall disaster.

Camden helps to house Hurricane Katrina evacuees

In the Houston area, Camden has donated two apartment homes in each of their apartment communities to house the evacuees of Hurricane Katrina and has also agreed to house employee family members impacted by the Hurricane. These 40 apartment homes not only will be rent free to those that have the greatest need, but will also include utilities. The United Way in Houston has administered the placement of families in these apartment homes.

Camden created the "Central Command Center," to match evacuees identified by the United Way with property owners. This allows the housing entity to provide "one-stop shopping" to the evacuee. At the Central Command Center they ask each individual to complete their Hurricane Katrina application, they process the application through their normal business process and ask that the new resident sign all lease documents and required paperwork. After they have completed this process, they receive keys, a move-in package with complete directions to the community and the surrounding area, and a community site map.

The Central Command Center also serves as a donation center for the evacuees. In order to continue the "one-stop shopping" concept, evacuees can obtain essential living items donated by those in the Camden community. The Central Command Center organizes and distributes all items donated for hurricane evacuees living in the Camden community, including those who may have joined other family members living in the community prior to the hurricane. As Camden developed necessary forms and contacts, they shared their knowledge with other housing providers in an effort to get the evacuees out of shelters and into more permanent housing.

Camden helps those that have means but are displaced

For hurricane victims that are coming on their own to Camden seeking housing, Camden is responding with flexibility, sensitivity and concern. Specifically, for any customer that presents identification from areas affected by Hurricane Katrina, i.e. Louisiana, Mississippi, and Alabama, Camden will waive application and administrative fees, offer short-term leases, including leases as short as 30 days, without any up-charge, increase occupancy limits, provide special provisions for utilities and allow residents to cancel their lease without penalty and with only a 30-day notice.

Camden is helping their employees

For immediate family members of Camden employees, Camden is offering to house any family member who has been displaced by Hurricane Katrina in an apartment home for 60 days rent free.

Camden is helping the overall effort

Camden has established a fund to help provide relief to the evacuees of Hurricane Katrina. Like Camden has done in the past with the victims of 9/11 and the Tsunami victims, employees may make charitable contributions to this fund by check, money order or through payroll deduction. Camden will match dollar for dollar the first $50,000 in employee contributions. All collected funds will be donated to three entities, the Camden Family Relief Fund, the United Way Katrina Refugee Relief Fund and the American Red Cross.

It is important to note

Camden created this program with no government intervention; they did it the old fashioned American way, by pulling together during a time of need to house people. This is just one example of the programs that our members have created by working together during this time of crisis. We urge Congress to learn how this program came about and how we might mirror it as future challenges present themselves.

Industry Letter

September 12, 2005

Representative Mike Oxley
Chairman
Financial Services Committee
2308 Rayburn House Office Building
Washington, DC 20515

Representative Robert Ney
Chairman
Subcommittee on Housing and Community Opportunity
Financial Services Committee
B303 Rayburn House Office Building
Washington, DC 20515

Representative Barney Frank
Ranking Member
Financial Services Committee
2252 Rayburn House Office Building
Washington, DC 20515

Representative Maxine Waters
Ranking Member
Subcommittee on Housing and Community Opportunity
2344 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Oxley, Mr. Ney, Mr. Frank and Ms. Waters:

The undersigned organizations are writing to support emergency legislation to assure that victims of Hurricane Katrina are able to be housed as quickly as possible.

While we understand that FEMA is providing housing assistance to many of the families using emergency funding provided by Congress, there are a large number of low income families/elderly and persons with disabilities that have been displaced from public housing or Section 8 units or other assisted housing who will need longer term housing arrangements.

In order to facilitate the housing of these families, it will be necessary to temporarily waive a number of statutory and regulatory requirements as well as provide new voucher authority for hurricane victims.

We request that Congress provide funding for an initial 50,000 emergency Section 8 vouchers to be administered by the appropriate local housing agencies. In addition, we request the following:

A number of privately-owned properties with Section 8 assistance as well as public housing units were destroyed by Hurricane Katrina. The funding for the housing subsidies has already been appropriated. We urge Congress to ensure that Section 8 project-based assistance contracts on affected properties are frozen or suspended to prevent them from expiring while the properties are being rebuilt and if necessary facilitate the transfer of such HAP contracts to other properties. The current tenants of those building should receive vouchers in the short-term while the building is rehabilitated. Further, a number of victims had been receiving Section 8 tenant-based vouchers and should be able to quickly port those vouchers to other jurisdictions without the normal administrative procedures. Of course, sufficient funding for housing agencies that accept the ported vouchers should be provided.

The following requirements should also be suspended for Katrina victims:

- Income/employment verification. HUD and PHAs can easily verify the status of current subsidy recipients through their PIC or TRACs system.
- Tenant rent contributions (including the minimum rent contribution). Many families will not be receiving any income for some time. Congress should waive the tenant rent contribution for three months or until the families or elderly receive their Social Security or employment checks.
- Waiting list rules. Obviously any federally declared disaster victims should be placed at the head of any waiting lists without violating any rules.
- Voucher payment standard ceiling. PHAs should have the ability to raise their payment standards to up to 140 percent of FMR for victims of Hurricane Katrina without HUD permission.
- Initial inspection criteria. PHAs or HUD can inspect the units after move-in.
- Section 8 model lease requirements for project-based Section 8. The need to waive the income, employment, etc. will necessitate a special lease addendum to protect owners and HUD from fraudulent or ineligible applicants discovered subsequent to lease-up.
- One-year lease requirements. Owners should be able to lease units on a month by month basis to enable residents to return to their original homes when applicable or move to other permanent housing.
- Translation (Limited English Proficiency-LEP requirements). Suspend any requirements to translate leases and other documents to avoid delays. Providers can work with volunteers to ensure that verbal translation occurs where necessary.
- Other Programs. HUD should be provided authority to issue waivers as necessary for any statutory requirements for its programs including CDBG and HOME that are deemed necessary to address issues raised within the

framework of assistance for Katrina victims providing such waivers do not violate Fair Housing laws.

We stand ready to work with Congress and HUD to ensure that the low income families impacted by the hurricane are housed swiftly and safely. Our organizations have collectively identified thousands of units that are available for rent.

On September 9, the IRS issued Notice 2005-69, "Relief from Certain Low-Income Housing Credit Requirements Due to Hurricane Katrina." This notice authorized state housing credit agencies to permit temporary housing of individuals displaced by Katrina in Low Income Housing Tax Credit (LIHTC) Properties. Further, it temporarily suspended the LIHTC income limitation and non-transient requirements. We respectfully request that you contact the IRS and urge the agency to issue similar guidance for bond-financed properties.

We believe that Congress will also need to address permanent housing issues for these families by facilitating rehabilitation of the assisted housing stock damaged by the hurricane and new construction to replace any housing that is permanently lost. Our collective housing organizations will be happy to make suggestions to that effect when the immediate needs of the displaced families are accommodated.

Please contact Denise B. Muha, NLHA Executive Director, at 202/785-8888 or dmuha@hudnlha.com with any questions.

Sincerely,

American Association of Homes and Services for the Aging
Council for Affordable and Rural Housing
Institute for Responsible Housing Preservation
Institute of Real Estate Management
National Association of Homebuilders
National Affordable Housing Management Association
National Apartment Association
National Association of Affordable Housing Lenders
National Leased Housing Association
National Multi Housing Council

TESTIMONY OF SHARON DALY,
SENIOR ADVISOR ON PUBLIC POLICY,
CATHOLIC CHARITIES USA

HOUSING NEEDS IN THE AFTERMATH OF HURRICANE KATRINA

BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
SEPTEMBER 15, 2005

HOUSING NEEDS IN THE AFTERMATH OF HURRICANE KATRINA

Thank you, Mr. Chairman, for the opportunity to testify on behalf of Catholic Charities USA and its 1400 member agencies and institutions, which in a typical year serve well over seven million poor and vulnerable Americans of all religions and of no religion who are in need.

We are grateful to the Subcommittee for convening this hearing to focus on the unmet needs for emergency, transitional and permanent housing for communities suffering from the effects of hurricane Katrina. Your letter of invitation asked us to report on our efforts in the disaster area and elsewhere to assist with the immediate needs of Katrina survivors.

Roles of Catholic Charities USA

In 2003, the most recent year for which we have data, Catholic Charities agencies provided food assistance to 4.5 million people; social and mental health services to about 3 million people; and housing services to over half a million people. Now our agencies, which were struggling with waiting lists for essential services before the hurricane, are patching together emergency aid for millions of displaced and desperate people who have lost everything.

Catholic Charities USA has been commissioned by the U.S. Catholic Bishops to represent the Catholic community in times of domestic disaster through emergency and long-term assistance delivered by diocesan social services agencies across the country.

Nearly $1 million in contributions has already been forwarded to the Catholic Charities agencies of New Orleans, Baton Rouge, Houma-Thibodaux and Shreveport, Louisiana; Jackson and Biloxi, Mississippi; Mobile and Robertsdale, Alabama; Galveston-Houston and Tyler, Texas; Atlanta, Georgia; Oklahoma City, Oklahoma; Chicago, Illinois; and the Miami Valley of Ohio. These initial grants are for temporary housing, food, clothing, and other basic necessities; crisis and grief counseling; and financial assistance.

Catholic Charities USA is consistently ranked among the highest and most efficient networks in the country. Based on our experiences with past disasters, about 96 percent of the donations will go directly for victims. We appreciate the generosity of our donors and are respectful of their wishes to provide direct aid to the victims.

Catholic Charities USA's disaster funds operate out of a special account that enables Catholic Charities USA to efficiently and effectively direct donations to where they are needed the most. None of the money donated for Katrina relief will be used for the regular expenses of CCUSA.

More grants are expected to go out in the days to come to those Catholic Charities agencies aiding evacuees throughout the country. As the long-term needs are determined, Catholic Charities USA will fund long-term projects to help evacuees. Over the coming weeks, months, and years our agencies will continue to provide whatever services are necessary to see our neighbors through this difficult time.

Following most previous natural disasters Catholic Charities agencies have served their communities through long-term assistance in redevelopment, housing, counseling, job placement and social services. The devastation post-Katrina and the lack of emergency aid from the designated first-responders in many areas has required

many of our agencies to take on new roles to keep people alive until FEMA, the Red Cross and other agencies arrive.

In particular, in many communities in Mississippi, no other agencies have appeared.

RESPONSE BY CATHOLIC CHARITIES AGENCIES IN MISSISSIPPI

The Seven Florida Catholic Charities Agencies, which have become very proficient in disaster response following the six Florida hurricanes in the past year, jumped into action. The seven dioceses and seven Catholic Charities offices in the state of Florida have adopted the two dioceses in the state of Mississippi-the Diocese of Biloxi and the Diocese of Jackson-to help provide ongoing disaster relief efforts. Staff and volunteers of Catholic Charities of the Archdiocese of Miami and Catholic Charities of the Dioceses of Venice and Pensacola and the Florida Catholic Conference have been onsite in Mississippi since Sept. 5. The Catholic Charities agencies in Florida are providing the technical assistance, staffing and infrastructure in the Biloxi Diocese for disaster relief efforts. The following work has taken place to date:

Diocese of Biloxi

- Assessments made of the devastated areas.
- Plans enacted to open Disaster Recovery Sites.
- Warehouses (parish properties) and equipment located.
- Ongoing coordination with Mississippi State Emergency Management System established.
- Over 5,000 food drop-offs to families have taken place in devastated areas of Biloxi and Gulfport.
- Ten Catholic parishes set up as distribution sites, receiving shipments of supplies for needy families. Those sites are in Biloxi, Gulfport, Columbia, Tylertown, Lucedale, Pascagoula, Wiggins, Delisle, Moss Point, and Hattiesburg.
- Organizing shipments of supplies being received from around the country.
- Coordinating recovery efforts with Catholic parishes.
- Planning to de-contaminate and re-open a warehouse to be the distribution site for long-term needs.

Diocese of Jackson

- Providing technical assistance to Catholic Charities, Diocese of Jackson.
- Assisting local Catholic Charities in coordinating relief efforts with Catholic parishes and other community and faith based groups, especially focusing on the 50,000+ displaced residents that are now in Jackson.
- Helping organize the State warehouse to receive supplies from around the country and routing them to needed areas throughout the state.

Last weekend, Candy Hill, CCUSA's Senior Vice President for Social Policy, was in Biloxi helping the diocesan disaster team go door to door in the most ravaged areas where there was no sign of FEMA. Working

out of the parish hall in St. Mary's Church in Woolmarket, just outside of Biloxi, the Catholic Charities workers distributed food, water and other supplies, but the commodity most in demand was bleach. Residents of storm-damaged houses stood beside huge piles of ruined furniture, clothing, and personal belongings that were covered in mud and reeking of a nauseating stench.

Local residents wanted more than anything else the means to start cleaning up their houses because there is no where else for them to go. Getting control of the filth, mold and mildew was their highest priority on Monday.

Snapshot of Other Local Catholic Charities at Work

Here is a look at just some of the local relief efforts.

- **Catholic Charities of New Orleans**, which was under 10 feet of water a week ago, is operating out of the offices of Catholic Community Services of Baton Rouge. It has begun to distribute 400,000 pounds of food daily in hurricane-affected areas through its Food for Families program, a USDA program and food supplies from America's Second Harvest affiliates across the country.

  In addition, the New Orleans agency is providing care to New Orleans firemen and policemen. The agency has taken over operation of a medical and respite care center in Baton Rouge where responders who are working on the ground in New Orleans can get crisis and trauma counseling, medical attention, and other support services before returning to duty.

- **Catholic Community Services of Baton Rouge** has also set up a grief counseling line and staff members and volunteers from the New Orleans agency are providing counseling at the city's Louis Armstrong International Airport to those being evacuated. So far, more than $109,000 in emergency aid has been distributed. Staff and volunteers are helping find transitional housing for evacuees in shelters and are providing rape crisis counselors for victims of sexual violence. The agency is distributing debit cards for gasoline for parish volunteers who are going into under-served rural areas.

In Baton Rouge, Father Larry Snyder, President of Catholic Charities USA, has been helping to organize relief efforts in the Gulf States for over a week. Pope Benedict XVI's envoy, Archbishop Cordes of the Pontifical Council Cor Unum, the Vatican's charity organization arrived in Baton Rouge on September 10 and joined Cardinal McCarrick of Washington, DC and other bishops to bring spiritual and material aid to victims and relief workers.

- **Catholic Social Services of** Mobile has been serving over 125 clients a day with food, clothing and assistance in obtaining identification. They report that in Bayou La Batre, a small fishing village, the community is completely devastated with nearly half of the homes completely destroyed and residents living in cars or make-shift shelters.

- **Catholic Charities of Memphis, Inc**. is working with other groups in the community to assist the thousands of people who have come to Memphis for refuge. The agency is providing shelter at one of its facilities for 110 evacuees in a former residential facility for girls. In addition to shelter, it is also providing clothing, food, and counseling services for approximately 100-150 people. St. Peter

Ministries, the community outreach division of Catholic Charities of Memphis, is coordinating the registration process for families who need shelter.

- **Catholic Charities of Galveston-Houston** has provided more than $275,000 in funds and resources to more than 1,000 evacuee families.. For those in transit from the disaster area (i.e., traveling to stay with relatives, etc.), Catholic Charities provided one or two nights stay, often at a hotel and funds for food, gas, or transportation to their destination. They are also coordinating with the Red Cross to find longer-term shelter for those with no relatives to go to as well as providing food to these people.

- **Catholic Charities of San Antonio, TX**, has received more than 12,500 evacuees. They are now housed in four shelters. All are receiving basic services. The agency will now start the work of long-term needs as well. The agency is attempting to get set rates from the airlines for transportation for family reunification. FEMA planned to take over the shelters at the end of the week. When FEMA leaves, the agency will begin the process of addressing victims' long-term needs. The agency started an "adopt a family" program and has received hundreds of responses to house families. Catholic Charities has partnered with the Department of Community Initiatives to intake process the 12,500 evacuees who arrived. The agency also partnered with United Way and 211 to provide hundreds of volunteers of doctors, nurses, and others to help with the relief effort.

- **Catholic Charities of Washington, DC**. is working with the 140 parishes of the Archdiocese of Washington and others in the community to find property owners or real-estate agents who can donate vacant housing units.

- **Catholic Charities of Arkansas** has established a hurricane relief office and is asking that all parishes throughout the diocese appoint a volunteer or paid hurricane relief coordinator at the parish level. The agency will provide disaster relief, case management, and resettlement training to all parish relief coordinators so that direct services can provided at the parish level. The Catholic Charities hurricane relief office will be responsible for the overall coordination and support of parish efforts and the coordination of efforts with other relief agencies.

- With more than 30 years of immigration and refugee experience to draw on, **Catholic Charities of Orlando** is identifying and resettling evacuees. To date, at least 125 families identified by Catholic Charities and sister agencies are receiving help. The agency expects that the population will increase by thousands in the next few months.

- **Catholic Charities of Chicago, IL,** has reopened Solace Place, a residential facility on Chicago's South Side, and Maryville Academy in DesPlaines, with a combined capacity of 120 persons. In addition to housing families, Catholic Charities is providing crisis counseling, food and clothing to evacuees who are calling each day for assistance.

- **Catholic Community Service of Southern Arizona**. The Tucson agency is assisting the Red Cross and the Salvation Army to provide mass shelter support at the convention center. The Pima County agency will provide health and mental health, employment, and transportation aid. The agency will be sharing initial case management duties with Urban League and Travelers Aid. The goal is to move people within days after arriving. Nonprofit agencies and members of the faith community are being asked to donate household

items. The schools have agreed to serve all children. The bishop has visited the shelter and agreed to assist with after school program at the Cathedral campus across from the mass shelter.

- **Catholic Charities of San Diego, CA.** is working with the Red Cross to provide housing and other services to evacuees and to establish a community plan that includes non-profiits, county government and city agencies.

- **Catholic Charities/CYO of San Francisco, CA** is working with the city of San Francisco, Red Cross and Salvation Army, setting up a shelter for 300 family members in the lower part of a cathedral for at least 60 days. The Department of Human Services is providing the 24 hour staffing. The agency will back them up on shelter issues and also handle case management, seniors, children, and anything else that might come up. The agency is collectively addressing the issues of transitional housing along with the local housing authority. The Department of Public Health will deal with mental health issues and Catholic Healthcare West, with two hospitals in the city, will provide screening and health care.

- **Catholic Social Services of Atlanta** is helping Hurricane Katrina evacuees by providing the following:

  - Immediate Assistance: CSS continues to assist over 100 individuals and households each day with basic food, clothing, grocery cards, gas cards, phone cards, and housing-related financial assistance. More than $35,000 has been designated for direct relief assistance.

  - Referrals: CSS' strongest role is to help evacuees and their families connect with the various agencies that are providing services and assistance, including American Red Cross, FEMA, Department of Labor, Department of Education, Department of Family and Children Services, and the United Way.

  - Employment: Employment specialists have been mobilized to work with evacuees and their families to secure suitable employment to assist with stabilizing and supporting their families for the months to come.

  - Mental Health Services: Counselors at the Village of St. Joseph Counseling Program have been mobilized to provide "on-call" counseling services to evacuees as well as those individuals who are assisting them. In addition, counselors will be available to provide consultation to parishes to assist in addressing the mental health needs of the people in their care.

  - Spiritual Outreach: CSS recognizes that evacuees and their families have significant spiritual needs, in addition to the many other needs that they face. When asked, staff members pray with evacuees and their families and help them connect with churches of their choice.

- **Catholic Charities of Indianapolis, IN** has been working with the 800 evacuees in the city, taking the lead role in distributing donated funds and materials. A Crisis Office is now open at 1435 N. Illinois Street in Indianapolis. The agency is also working through Catholic Charities USA's Operation Home Away From Home.

- **Catholic Charities of Salina, KS,** is expecting 500 refugees. They will be housed in a recently vacated hospital building, the YWCA, and another shelter. The agency plans to work with the Red Cross to find more permanent housing and jobs.

- **Catholic Charities in Boston, MA** is working with the archdiocese to offer resources to both local and state relief efforts. Archbishop Seán O'Malley has committed to make some diocesan facilities available for

transitional housing when evacuees leave Camp Edwards and/or when evacuees come to Massachusetts through other channels. Catholic Charities in Boston has offered professional counseling and case management services to those at Camp Edwards. It will provide professional skills and services as requested by the dioceses directly affected by the hurricane in Louisiana, Mississippi, and Alabama.

- **Catholic Charities of Lansing, MI** The governor has asked the agency to play a lead role welcoming the first wave of 150 evacuees, and the agency is working with parishes, agencies, hospitals, and others to develop a list of resources that can be made available for the relief effort. These include lists of housing opportunities, job training and placement, health care services, emergency services, counseling, etc. The agency is also working with Catholic schools to assure enrollment opportunities are available

- **Catholic Charities of St. Louis** Evacuees have found and continue to find their way to Catholic Charities and its two primary agencies for people with housing needs - Catholic Charities Housing Resource Center and St. Patrick Center. These two agencies are housing nearly 200 people in motels and are in the process of transitioning them to more permanent housing, employment, and are addressing medical and mental health issues.

Evacuees first register with the Red Cross to start them on the path to assistance as well as connecting them to FEMA. The Red Cross also refers them Catholic Charities' Partnership Center. The Housing Resource Center assists the newly arrived find temporary housing (primarily motels) and provides some direct assistance to prepare them for more permanent housing.

St. Patrick Center has created a database of apartments/houses that are available and overseeing inspections of the units for safety and suitability. It has also prepared volunteer families and churches for a program Catholic Charities has called "Adopt A Family," whereby individuals and groups can adopt people who are being moved into apartments and provide for their physical needs (furniture, clothing, food, etc.). The agency already has several hundred Adopt A Family volunteers.

The agency is also using existing employment programs to assist these incoming people with job needs.

In addition to the individuals making their way to St. Louis on their own, there is an effort to bring people in larger groups to St. Louis in an organized manner by flying them into Lambert Field where a temporary shelter has been created in a hanger at Boeing. The Red Cross is staffing that hanger and will process people as they arrive, assist them to medical help if necessary, and prepare them for temporary housing. Their plan is that within a few days of arrival they will be placed in area motels with vouchers good for two weeks and connected to the Catholic Charities Housing Resource Center for movement into permanent housing as described above.

- **Catholic Charities Kansas City, MO** is working with the City of Kansas City, Red Cross, Salvation Army, HUD and many other organizations. The city has seen about 400 persons from the hurricane area, mainly those persons who fled the area and came here to stay with family members. The Red Cross has set up an initial shelter and is processing them along with meeting their initial needs. The group is working on 250 permanent housing units. The school districts as well as Catholic schools are enrolling students. Job placement, counseling, and other services are being set up. The city will probably receive some of the 4,000 persons sent to St. Louis.

- **Catholic Charities of Central New Mexico** has purchased beds and linens for over 100 evacuees who arrived in the community and helped them move into apartments found for them by the City of Albuquerque. The staff is working closely with the African American Ministerial Alliance, to deliver food

boxes collected by the local food bank. Catholic Charities opened a warehouse and is collecting furniture and household goods from parishes and the general public. Agency staff will assist the Red Cross with follow-up case management and counseling, job placement and housing assistance, including for secondary arrivals.

- **Catholic Charities of Youngstown, OH**, has raised over $60,000 to date for immediate and long-term recovery efforts. Catholic Charities is also participating with the national Catholic Charities USA "Home Away from Home" project to help respond to the possible relocation needs of those families/persons displaced by the hurricane.

- **Catholic Charities of Oklahoma City, OK,** is participating in coordinated community effort to ensure that the needs of affected victims are met. Catholic Charities is providing case management services for long term recovery to anyone affected by Hurricane Katrina. This includes helping people relocate, establish a new home, navigate the system of applying for benefit, job search, financial assistance, etc. The agency has placed a case manager at Victory Center in OKC to assist with the 150 individuals being provided food, clothing, and shelter from that location.

- **Catholic Charities of Portland, OR, is** working with the Red Cross and a network of faith-based agencies in the effort to respond. Agency staff has received numerous calls from people wanting to help, including those offering to take people into their homes.

- **Catholic Charities of Charleston, SC** reports that 600 evacuees are being housed in Greenville, SC. The agency's regional coordinator, who is a Marriage and family therapist, is providing counseling and support to those in the shelter. Staff is compiling a database of families willing to "adopt" evacuee families, donations of comfort kits with toiletries etc., and case management services. The agency's client advocate from its Greenville office is also working with families, helping to find them housing and household goods. Staff is working closely with BonSecours St. Francis Hospital in Greenville, which is prepared to offer host homes to medical personnel coming in from other St. Francis hospitals in their network. In the PeeDee region of South Carolina, the office reports a large number of people who had evacuated on their own. They are now coming in for help with groceries, finding relatives, and household goods and baby needs. Housing is not a problem as there is a large supply of hotel rooms and vacation rentals now that it is off-season in Myrtle Beach. The staff is finding that mental health issues are foremost. Emotional support is needed; the evacuees want to connect with and talk with each other.

- **Catholic Family Service of Amarillo, TX**, has received more than 125 persons from New Orleans into the Red Cross-operated mass shelter on Sunday and does do not expect anymore. After working with Red Cross registration, agency personnel began organizing housing and other services for those in mass care who want to stay in Amarillo long term. Cooperation among City, Red Cross and Faith Based disaster responders has been excellent.

- **Catholic Charities of Central Texas, TX** has opened a disaster response program office in the Bishop's Hall of St. Mary's Cathedral.

- **Catholic Charities Fort Worth, TX,** is leading the VOAD (Volunteer Organizations Active in Disaster) in Tarrant County; is organizing volunteers to help the victims of Hurricane Katrina; and formulating a long-term plan on how to assist these families to find jobs, housing, and financial assistance. The agency is also providing mental health workers, collecting cash donations to assist in long term efforts, and in-kind donations of baby items, toiletries, gift cards for clothing, and new bedding.

- **Catholic Charities of the Diocese of Albany, NY** is sending teams of caseworkers to assist Catholic Charities in Baton Rouge with counseling and direct services to evacuees.
- **Catholic Charities of Arlington, VA**, has a list of host families and shelters to take in families that come to Northern Virginia.
- **Commonwealth Catholic Charities of Richmond, VA** is the central intake agency for the homeless in Richmond, and some evacuees have been placed.
- **Catholic Charities of West Virginia** has accepted 500 individuals from New Orleans and the governor has indicated his desire to accept up to 3,000 people.
- **Catholic Charities of Spokane, WA,** has identified and assessed the suitability of temporary housing options and will provide periodic review and support services through its 15 programs throughout eastern Washington. Families or individuals interested in offering temporary housing are asked to contact their parish priest. The agency is also working with Catholic Charities USA to loan several staff counselors and case managers to areas in need.
- **Catholic Charities of La Crosse, WI,** will identify and screen available housing, assist in placing families in appropriate housing, and provide services to the evacuees as needed. Catholic Charities will work in partnership with the Red Cross and the Salvation Army in meeting the immediate material and psychological needs of evacuees who relocate to the diocese. In that regard, the agency will utilize its emergency services and resettlement staff in its Eau Claire, La Crosse, Stevens Point and Wausau locations to provide case management and emergency assistance.

Each evacuee family relocated to the areas will be immediately provided $50 gift cards for food, clothing and gas. The agency's resettlement staff will meet with each evacuee family to determine their basic needs and assess whether any further assistance or linkages to school, public health, W-2, Income Maintenance, public housing or other community resources are necessary. Mental Health professionals in each office will be available to meet with evacuees to allow them a chance to debrief from their experiences of trauma and to provide solace for their grief. Other services will be provided as necessary.

Far more is being accomplished that we can report today. Many of our agencies, especially in the Gulf Coast, despite damage to their facilities and the loss of and damage to the homes of staff and volunteers, are getting the work done and will tell us about it later. They have their priorities straight.

OPERATION HOME AWAY FROM HOME

Catholic Charities USA is coordinating an emergency housing effort that connects Catholic Charities agencies in the Gulf Coast with other member agencies that identify and screen available accommodations in host cities. Individuals, parishes, and landlords that are willing and able to provide safe and appropriate temporary housing for evacuees will be matched with evacuees who want to escape shelter conditions and are willing to leave the Gulf Coast area. More than 200 offers of housing have already been received through this network. Member agencies are finding available nursing home beds for ill and disabled elderly survivors in shelters.

OBSERVATIONS:

- Production of New Housing for The mental health needs of evacuees as well as people still in devastated communities need immediate and long-term attention. While Catholic Charities agencies and others are working night and day to provide crisis counseling, professional therapy and prescription drugs will be necessary for many victims for a long time.

- Imagine that you had to sit and watch your mother, grandfather, or child die in this disaster. Imagine that for weeks you have had no information on missing family members that you fear are dead. Imagine that you spent days feeling abandoned by your nation.

- Imagine that for days you were helpless when the authorities could not protect children and adults when they were attached, raped, and even killed just a few feet away.

  Moreover, many of those who survived in place and evacuees had pre-existing mental health problems, and now they are separated from their treatment programs and without the prescription drugs needed for stability.

  Living in open shelters with thousands of strangers without privacy or quiet robs even the healthiest people of their God-given human dignity. Relief workers recognize that emergency and transitional housing facilities that can afford privacy and independence are essential to restoring dignity, hope, and stability.

  Typically, FEMA has offered only short-term counseling. The experience in Oklahoma City and New York showed that longer-term treatment must be provided, especially for children and first responders. Housing is key to the success of every other service.

- Getting evacuees out of sports arenas and mass shelters is critical. While evacuees are grateful to have a roof over their heads, mass shelters are dangerous and demoralizing places, especially for families with children, senior citizens and people with disabilities.

- In communities like Baton Rouge and the Gulf coasts of Mississippi and Alabama where the housing stock has been destroyed or is inhabitable, trailers and manufactured housing should be delivered. In most areas, no FEMA emergency housing has yet appeared. According to FEMA, hundreds of thousands of trailers have been purchased or will be with some of the funding appropriated last week, but in many of the hardest-hit areas, there is no emergency housing of any kind.

- While such housing is immensely preferable to the shelters and sports arenas, it is no substitute for rapid reconstruction of the communities that have been physically, but not spiritually, destroyed.

- Many relief workers in Louisiana have been alarmed by reports of FEMA plans to create huge concentrations of trailers. The dangers of such an approach should be obvious to all that have observed the crime, despair, and deterioration of the human spirit that resulted in dense concentrations of tenants in public housing.

- Most evacuees want to be housed as close to their pre-Katrina communities as possible, but they are agreeing to be sent thousands of miles away to get out of shelters and off the streets where there are no shelters.

- The kindness and generosity of Americans who have accepted evacuated family members, friends and even strangers into their homes must not be abused by the federal government. Imagine that you have had a dozen or more people camped out in your home or apartment for over a week. Imagine that you have missed work, given up your privacy, shared your food, spent money on clothing, gasoline, medicine, and other essentials for getting your guests back on their feet. Imagine the stress of overcrowding and living with traumatized people who have lost everything.

  The burden must be shared by all Americans through adequate government responses, not just by the brave, resourceful and generous. Congress must ensure that the federal government gets appropriate housing and services in place before this overwhelming hospitality is exhausted.

HOUSING RECOMMENDATIONS

1. Emergency Housing

The Committee should instruct FEMA to reach out to faith- and community-based groups as well as other property owners in the disaster areas that may have property suitable for installation of small numbers of temporary housing, such as trailers, to house survivors. A high concentration of evacuees who are at least temporarily unemployed and have lost everything is a recipe for another disaster.

2. Redevelopment Planning

In the most devastated communities, residents and aid workers fear that neighborhoods will be bulldozed for development of housing that locals will not be able to afford. There are already reports of plans to relocate casinos to formerly low- and moderate-income residential neighborhoods.

The federal government must take steps to ensure that production of mixed-use housing is funded as soon as environmental cleanup makes the area suitable for rebuilding. Many of the areas where our agencies are working were near industrial sites where flooding spilled toxic chemicals into residential neighborhoods.

Federal redevelopment and reconstruction assistance contracts should be conditioned on efforts to hire workers displaced or unemployed by the disaster. The fastest way to rebuild communities is to provide jobs at a living wage.

Congress should also insist that residents, including low-income residents, of devastated areas be included in redevelopment planning. Based on prior experience, federal requirements for community involvement are essential.

3. **Section 8 Rental Assistance**

Supplemental funding is needed for current voucher holders to support the rental, relocation and administrative costs for displaced families that already had Section 8 vouchers. (HUD has already released portability rules, but the additional money could fill the gaps due to relocation of tenants.)

Section 8 vouchers have many advantages. They are simple to administer and their portability will allow evacuees to move to areas with both available housing and jobs until they are able to return to their original communities.

In communities with some available affordable housing but long waiting lists for Section 8 and public housing, emergency section 8 vouchers are needed.

Landlords who were never before willing to accept Section 8 vouchers are offering apartments for Katrina survivors. Catholic Charities agencies and others are providing a month's rent in many cases, but private agencies do not have the ability to pay rents for the hundreds of thousands of families and individuals who will need housing for months, if not years. The Committee should ensure that HUD has the necessary temporary authority to waive requirements for apartment inspections and income verification so that these opportunities can be seized.

Some of the emergency Section 8 vouchers should be allocated as project-based vouchers to sites that are accepting evacuees.

Moreover, the usual requirements for a one-year's lease, the voucher payment standard ceilings, and minimum rents should be waived for housing for disaster victims for at least one year.

The demand for affordable housing in areas that have accepted evacuees have inflated rents overnight. Consequently, the Fair Market Rents in those areas should be increased for Section 8 certificates to be at all useful.

"Enhanced" vouchers should be authorized for placement of elderly evacuees with health problems in assisted living facilities when other appropriate housing is not available. Getting seniors out of shelters is a matter of life and death.

Owners and managers of Section 8 project-based buildings need guidance on help for displaced residents.

4. **Rehab and Replacement of HUD-Assisted Housing**

There was already a shortage of affordable housing for low and moderate income people in many of the saster areas. Much of the HUD-assisted housing has been damaged or destroyed. Even many of the ructures that can be rehabilitated are inhabitable now. Funding should be authorized for rehabilitation and building of assisted housing programs:

--202 housing for low income elderly and disabled tenants
--811 programs
--Sheltered housing and shelter plus care
--Permanent housing for homeless veterans

Emergency capital repair funds are needed to get assisted housing back "on-line" quickly in those areas not needing massive environmental cleanup.

5. **Family Housing**

There is no program for direct federal subsidies for production affordable rental housing for extremely low-income families with children. The Low Income House Tax Credit and CDBG are effective in stimulating the production of much affordable housing, but they have not resulted in sufficient housing for the lowest income families.

Catholic Charities USA has developed a draft bill for a new program, modeled on the very successful Section 202 housing for the elderly program. Such a program would provide housing to non-profit developers to build and manage scatter-site, low-rise apartments with built-in social services and recreation areas where children can be safe supervised and helped with homework. Catholic Charities agencies and other non-profits with 202 experience would ensure that the new housing would be a good investment for the federal government and assets to local communities. A summary and draft legislative language for such a new program are appended to this testimony.

6. **Emergency Food and Shelter Program**

The Committee should authorize a tripling of the Emergency Food and Shelter Program, which is under the jurisdiction of FEMA but administered by a national board composed of representatives of national faith-based and community-based organizations, with United Way of America as fiscal agent. It is clear that FEMA is not reaching many of the hardest-hit communities at all, but the Salvation Army, Catholic Charities agencies, and other EFSP groups are already there and ready to provide temporary housing, water, food, clothing, and other aid.

The fastest way to get immediate help to those communities is through the EFSP program. The Committee should authorize FEMA to waive the usual planning and allocation procedures to allow the EFSP and UWA get the funding out immediately. While the President may have the authority to make the decision to use part of the already appropriated FEMA for the EFSP program, he has not yet done so. In addition, the usual restrictions on the use of funds should be waived to allow maximum flexibility to purchase and distribute cleaning supplies and other essentials not usually eligible under EFSP.

7. **Housing and Emergency Aid for Immigrants**

Even most legal immigrants are barred from nearly all federal assistance for their first five to ten years in the U.S. The individual and organizational sponsors are expected to help immigrants find jobs, housing, medical care and social services. However, now those sponsoring individuals and organizations in the devastated areas have been wiped out themselves or have taken in other family and friends who have lost everything.

Most recent immigrants have little savings, and many in devastated areas still don't have access to their accounts because of damage to financial institutions.

Immigrants, like their neighbors, fled without documents to prove their identities or immigration status. Like their native-born neighbors, they can't provide birth certificates or the other usual verification necessary for housing assistance.

Like their neighbors, the newcomers have lost jobs, housing, and possessions. Like their neighbors, they want to rebuild their lives. What ever your views on government aid to non-citizens, we ask you to set them aside now and act with compassion and justice to ensure that federal aid programs do not discriminate against these vulnerable newcomers who want nothing more than to become good Americans.

CONCLUSION

Catholic Charities USA and its member agencies have been thrilled by the kindness and generosity of Americans and people throughout the world who are making enormous sacrifices to reach out with their time and treasure to aid Katrina survivors.

Many of the survivors themselves have rallied to help their neighbors, volunteering to go door to door to find the injured and traumatized and to distribute emergency assistance. Many who are themselves homeless have volunteered to help in the shelters and to comfort others who have suffered even more.

The U.S. Congress and this Committee must act quickly now to honor the survivors and the responders by authorizing and appropriating the necessary funding for the housing and other services that are necessary for people to participate in rebuilding their communities or adapting to new ones.

Thank you for this opportunity to tell you about what Catholic Charities agencies are doing throughout the country and what we believe, from their experience on the ground, will need to be the minimum done by the Congress to relieve the on-going suffering of millions.

ATTACHMENTS TO TESTIMONY OF SHARON DALY
SENIOR ADVISOR ON PUBLIC POLICY,
CATHOLIC CHARTIES USA

HOUSING NEEDS IN THE AFTERMATH OF HURRICANE KATRINA

BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
SEPTEMBER 15, 2005

1. Housing Opportunities for Working Families (HOWF): Legislative Proposal for Demonstration Program (draft);

2. Legislative Proposal (draft)

HOUSING OPPORTUNITIES FOR WORKING FAMILIES (HOWF): LEGISLATIVE PROPOSAL FOR DEMONSTRATION PROGRAM

Hurricane Katrina has exacerbated the severe shortage of affordable housing for low-income families. Congressional action to increase the production of safe and affordable housing and provide long-term solutions for these families is critical.

Background Before Hurricane Katrina: The Severe Need for Affordable Housing for Low-Income Families with Children

- 2.5 million very-low-income families with children pay over 50% of their income for housing, and an additional 1 million families with very low incomes pay 30-50% of their income for housing.[1]

- The need for affordable housing far outstrips supply: For very-low-income households, there is a shortfall of 2 million units of affordable housing.[2]

- Families with children are the fastest-growing subpopulation of homeless persons, and the shortage of affordable housing is a major cause of this trend. According to a recent survey of 25 major cities, 41 percent of the homeless population are families with children, up from 32% in 1992.[3] Evidence suggests that families with children make up an even greater proportion of the homeless in rural areas.

- Unstable housing and homelessness impair the healthy development of children. A growing number of studies show, for example, that homeless children have higher rates of acute and chronic health problems, are more likely to suffer developmental delays and behavioral difficulties, and are more likely to be homeless as adults.[4]

- Decent, affordable housing, quality childcare and health care, and other family support services can play an important role in helping low-income families to achieve economic stability and self-sufficiency.[5]

Legislative Proposal: Housing Opportunities for Working Families (HOWF)

Purpose of the Legislation: Housing Opportunities for Working Families (HOWF) will expand the production of affordable housing for low-income working families, especially families with children. Housing produced under HOWF will be integrated with essential support services to promote family well-being, stability, and self-sufficiency. As a demonstration program, the purpose of HOWF is to establish (1) HUD's ability to meet the specific affordable housing needs of low-income, working families; and (2) the ability of private non-profit organizations to develop and manage permanent affordable rental housing for working families.

Authority and Forms of Assistance: HUD would be authorized and directed to allocate grant assistance in the form of capital advances and project rental assistance contracts to private non-profit organizations for the purpose of building affordable rental housing for low-income families.

Eligible Activities: The acquisition of land and the construction, conversion, or rehabilitation of housing would be eligible for grant assistance.

Selection Criteria: Grantees would be selected according to criteria that ensure that HOWF projects are developed efficiently, managed effectively, and meet the needs of low-income families. Selection criteria would include:

- **Housing design:** The design of proposed housing should meet the needs of low-income working families with children, and accommodate the provision of supportive services for these families. Low-density designs that integrate housing with supportive services and community resources would be preferred.

- **Grantee's experience and expertise:** Grantees should have demonstrated expertise in developing and operating affordable rental housing, and the ability to provide or arrange for supportive services for tenant families, such as childcare, after-school youth programs, employment assistance and counseling, job training and skill development, and outpatient health care.

- **Regional need for affordable housing:** The region in which the proposed housing would be located should have a significant unmet need for affordable housing for low-income families.

Tenant Preferences: Grantees would be required to give preference to tenants who are pregnant women or families with children. In addition, grantees would be obligated to meet the following tenant occupancy targets:

- One third of units must be occupied by extremely low-income working families (i.e., families with incomes below 30 percent of area median income)

- An additional one third of units must be occupied by very low-income working families (with incomes below 50 percent of area median income)

- The remaining one third of units must be occupied by working families with incomes below 125 percent of area median income.

For more information, please contact Candy Hill at Catholic Charities USA, (703) 549-1390 ext. 131, chill@CatholicCharitiesUSA.org.

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[1] Harvard University Joint Center for Housing Studies, *The State of the Nation's Housing, 2003*, p. 40. The cited numbers are for households with incomes in the lowest quintile.
[2] ibid, p. 29.
[3] U.S. Conference of Mayors, *A Status Report on Hunger and Homelessness in America's Cities, 2002*, p. 120.
[4] References, and a brief summary of the research can be found in M. Burt, L.Y. Aron, and E. Lee, *Helping America's Homelessness* (Urban Institute, 2001), p. 137f.
[5] See, for example, H. Boushey, *Staying Employed After Welfare* (Economic Policy Institute, 2002), and B. Sard and M. Waller, *Housing Strategies to Strengthen Welfare Policy and Support Working Families* (Brookings Institution, 2002).

Sec. ___

The Housing Act of 1959 is amended to add new section 202A as follows:

Section 202A. Demonstration Program: Housing Opportunities for Working Families (HOWF)

(a) Purpose. The purpose of the program under this section is to demonstrate the ability of: (1) the Department of Housing and Urban Development to meet the specific needs of low income working families where at least one parent is working but whose family income is insufficient to allow the family to find affordable rental housing in their communities; and (2) applicants to provide permanent affordable rental housing to such families.

(b) Authority. The Secretary of Housing and Urban Development is authorized and directed to provide assistance to private non-profit organizations to demonstrate the desirability and feasibility of providing housing opportunities for low income working families. Such assistance shall be provided as (1) capital advances in accordance with subsection (c)(1) of this section, and (2) contracts for project rental assistance in accordance with subsection (c)(2) of this section. The Secretary shall approve no fewer than five and no more than ten such applications for such assistance. Such assistance may be used to finance the construction, reconstruction, or moderate or substantial rehabilitation of a structure or a portion of a structure, or the acquisition of a structure to be used as housing for low income working families in accordance with this section.

(c) Forms of Assistance.

(1) Capital advances. A capital advance provided under this section shall bear no interest and its repayment shall not be required so long as the housing remains available for low income working families. Such advance shall be in an amount calculated with the development cost limitations established in subsection (h) of this section.

(2) Project rental assistance. Contracts for project rental assistance shall obligate the Secretary to make monthly payments to cover any part of the costs attributed to units occupied (or, as approved by the Secretary, held for occupancy) by such families that is not met from project income. The annual contract amount for any project shall not exceed the sum of the initial annual project rentals for all units so occupied and any initial utility allowances for such units, as approved by the Secretary. Any contract amounts not used by a project in any year shall remain available to the project until the expiration of the contract. The Secretary shall adjust the annual contract amount if the sum of the project income and the amount

of assistance payments available under this paragraph are inadequate to provide for reasonable project costs.

(3) Tenant rent contribution. A family shall pay as rent for a dwelling unit assisted under this section the highest of the following amounts, rounded to the nearest dollar: (A) 30 percent of the family's adjusted monthly income; (B) 10 percent of the family's monthly income; or (C) if the family is receiving payments for welfare assistance from a public agency and a part of such payments, adjusted in accordance with the family's actual housing costs, is specifically designated by the agency to meet the person's housing costs, the portion of such payments which is so designated.

(d) Term of commitment

(1) Use limitations. All units in housing assisted under this section shall be made available for occupancy by low income working families for not less than forty years.

(2) Contract terms. The initial term of a contract entered into under subsection (c)(2) of this section shall be 240 months. The Secretary shall, to the extent approved in appropriation Acts, extend any expiring contract for a period of not less than sixty months. In order to facilitate the orderly extension of expiring contracts, the Secretary is authorize to make commitments to extend expiring contracts during the year prior to the date of expiration.

(e) Applications. Funds made available under this section shall be allocated by the Secretary among approvable applications submitted by private non-profit organizations. Applications for assistance under this section shall be submitted by an applicant in such form and in accordance with such procedures as the Secretary shall establish. Such applications shall contain:

(1) a description of the proposed housing;

(2) a description of the assistance the applicant seeks under this section;

(3) a description of the resources that are expected to be made available in compliance with subsection (h) of this section;

(4) a description of (A) the category or categories of working families the housing is intended to serve; (B) the supportive services to be provided to the families occupying such housing; (C) the manner in which such services will be provided to such families, including evidence of such residential supervision as the Secretary determines is necessary to facilitate the adequate provision of such

services; and (D) the public or private sources of assistance that can reasonably be expected to fund or provide such services;

(5) a five-year operating budget for the project; and

(6) such other information or certifications that the Secretary determines to be necessary or appropriate to achieve the purposes of this section.

The Secretary shall not reject an application on technical grounds without giving notice of that rejection and the basis therefor to the applicant and affording the applicant an opportunity to respond.

(f) Selection Criteria. In reviewing applications for projects under this section, the Secretary shall establish selection criteria for assistance under this section, which shall include:

(1) the ability of the applicant to develop and operate the proposed housing, as illustrated by the experience of the applicant in developing and providing (A) housing and services under the Section 202 supportive housing for the elderly [12 U.S.C.A. § 1701q], (B) multifamily housing, or (C) any other federal housing development program;

(2) the need for housing opportunities for low income families in the area the project will serve, taking into consideration the availability of affordable, safe and sanitary rental housing for such families in the area; the waiting list for Section 8 vouchers; and the extent to which Section 8 vouchers are effective at getting voucher recipients into affordable housing in the proposed area to be served;

(3) the extent to which the proposed size and unit mix of the housing will:

(A) enable the applicant to manage and operate the housing efficiently;

(B) ensure that the applicant provides supportive services in an economical fashion;

(C) subject to subsection (i), provide units for families not otherwise qualified as "extremely low income working families" or "very low income working families" under subsection (k) in order to achieve mixed income in the project; and

(4) the extent to which the proposed design of the housing, including any related facilities, will meet the special needs of low income working families;

(5) the extent to which the proposed design of the housing will accommodate the provision of supportive services that the applicant expects the project's residents to need, either initially or over the useful life of the housing, by the category or categories of families the housing is intended to serve;

(6) the extent to which the applicant has demonstrated that it will provide supportive services such as those identified in subsection (g) of this section on a consistent, long-term basis as needed by the families residing in the project; and

(7) such other factors as the Secretary determines to be appropriate to ensure that funds made available under this section are used effectively.

(g) Provision of services.

(1) In general. In carrying out the provisions of this section, the Secretary shall ensure that housing assisted under this section provides a range of services tailored to the needs of the families occupying such housing. Such services may include: (A) child care services; (B) after-school youth development programs; (C) adult education programs; (D) employment assistance and counseling programs; (E) computer and other technical skills training; (F) outpatient health services; (G) nutrition counseling; (H) housing counseling and/or preparation for home ownership; (I) assistance in obtaining other Federal, State, and local assistance available for such residents (including but not limited to physical and/or mental health benefits, nutrition programs, employment counseling, and medical assistance); (J) comprehensive social work services including case management and counseling; and (K) other such appropriate services as determined by the Secretary. The Secretary may permit the provision of services to low income persons who are not residents if the participation of such persons will not adversely affect the cost-effectiveness or operation of the program or add significantly to the need for assistance under this chapter.

(2) Local coordination of services. The Secretary shall ensure that the owners have the managerial capacity to: (A) assess on an ongoing basis the service needs of residents; (B) coordinate the provision of supportive services and tailor such services to the individual needs of residents; and (C) on a continuous basis, seek new sources of assistance to ensure the long term provision of supportive services.

(h) Development cost limitations.

(1) In general. The Secretary shall periodically establish development cost limitations by market area for various types and sizes of housing for low income working families. The cost limitations shall reflect:

(A) the cost of construction, reconstruction, or rehabilitation of housing for such families that meets federal requirements under the American with Disabilities Act [42 USC 12101 et seq.], applicable State and local housing and building codes, and any special neighborhood development standards;

(B) the cost of movables necessary to the basic operation of the housing, as determined by the Secretary;

(C) the cost of special design features necessary to make the project and/or individual dwelling units meet the needs of such families;

(D) the cost of community space and other space necessary to accommodate the provision of supportive services to project residents;

(E) if the housing is newly constructed, the cost of meeting the energy efficiency standards promulgated by the Secretary in accordance with section 12709 of Title 42; and

(F) the cost of land, including ground leases and necessary site improvements.

In establishing development cost limitations for a given market area under this subsection, the Secretary shall use data that reflect currently prevailing costs of construction, reconstruction, or rehabilitation, and land acquisition in the area. For purposes of this paragraph, the term "community space" shall include space for community rooms or buildings, child care centers, computer labs, indoor or outdoor recreation/play areas, outpatient health facilities, or other facilities necessary for the provision of supportive services under subsection (g). Neither this section nor any other provision of law may be construed as prohibiting or preventing the location and operation, in a project assisted under this section, of commercial facilities for the benefit of the residents of the project and the community in which the project is located, except that assistance made available under this section may not be used to subsidize any commercial facility.

(2) Acquisition. In the case of existing housing and related facilities to be acquired, the cost limitations shall include:

(A) the cost of acquiring such housing,

(B) the cost of rehabilitation, alteration, conversion, or improvement, including the moderate rehabilitation thereof and any site improvements, and

(C) the cost of the land on which the housing and related facilities are located.

(3) Annual adjustments. The Secretary shall adjust the cost limitation not less than once annually to reflect changes in the level of construction, reconstruction, or rehabilitation costs based on the market where the housing is located.

(4) Incentives for savings.

(A) Special housing account. The Secretary shall use the development cost limitations established under paragraph (1) or (2) to calculate the amount of financing to be made available to individual owners. Owners which incur actual development costs that are less than the amount of financing shall be entitled to retain 50 percent of the savings in a special housing account. Such percentage shall be increased to 75 percent for owners which add energy efficient features which:

(i) exceed the energy efficiency standards promulgated by the Secretary in accordance with section 12709 of Title 42;

(ii) substantially reduce the life-cycle cost of the housing;

(iii) reduce gross rent requirements; and

(iv) enhance tenant comfort and convenience.

(B) Uses. The special housing account established under subparagraph (A) may be used (i) to provide for services provided to residents of the housing or funds set aside for replacement reserves; or (ii) for such other purposes as determined by the Secretary.

(5) Design flexibility. The Secretary shall, to the extent practicable, give owners the flexibility to design housing appropriate to their location and proposed resident population within broadly defined parameters, and with sufficient allowances for community space to facilitate the delivery of a broad range of supportive services to families as outlined in section (g).

(6) Use of funds from other sources. An owner shall be permitted voluntarily to provide funds from sources other than this section for amenities and other features of appropriate design and construction suitable for housing for low income families if the cost of such amenities is (A) not financed with the advance, and (B) is not taken into account in determining the amount of federal assistance or of the

rent contribution of tenants. Notwithstanding any other provision of law, assistance amounts provided under this section may be treated as amounts not derived from a Federal grant.

(i) Tenant Selection.

(1) In general. An owner shall adopt written tenant selection procedures that are consistent with the overall need for affordable housing for low income families in the area where the project will be developed. Such procedures must be satisfactory to the Secretary as (A) consistent with the purpose of improving housing opportunities for low income working families, especially extremely low income and very low income families; and (B) reasonably related to program eligibility and an applicant's ability to perform the obligations of the lease. Owners shall promptly notify in writing any rejected applicant of the grounds for any rejection.

(2) Occupancy rates.

(A) One third of all housing units assisted under this section, must be occupied by extremely low income working families, as defined in subsection (k)(4).

(B) In addition to those units covered in (A), one third of all housing units assisted under this section must be occupied by very low income working families, as defined in subsection (k)(14).

(C) In addition to those units covered in (A) and (B), the remaining one third of the housing units assisted under this section must be occupied by mixed income working families, as defined in subsection (k)(6).

In addition, owners shall grant a preference for families with children when selecting tenants. Upon determination by the Secretary that these occupancy rates result in units remaining vacant for an extended period of time due to unsuccessful efforts to secure a tenant family of the required income level, the Secretary may grant exceptions to these requirements on a case-by-case basis.

(j) Miscellaneous Provisions.

(1) Technical assistance. The Secretary shall make available appropriate technical and training assistance to assure that applicants having limited resources, particularly minority applicants, are able to participate more fully in the demonstration program.

(2) Civil rights compliance. Each owner shall certify, to the satisfaction of the Secretary, that assistance available under this section will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 [42 U.S.C.A. § 2000d et. seq.], the Fair Housing Act, and other Federal, State, and local laws prohibiting discrimination and promoting equal opportunity.

(3) Owner deposit. The Secretary shall require an owner to deposit an amount not to exceed $25,000 in a special escrow account to assure the owner's commitment to the housing.

(4) Notice of appeal. The Secretary shall notify an owner not less than 30 days prior to canceling any reservation of assistance provided under this section. During the 30-day period following the receipt of a notice under the preceding sentence, an owner may appeal the proposed cancellation of loan authority. Such appeal, including review by the Secretary, shall be completed not later than 45 days after the appeal is filed.

(5) Labor.

> (A) In general. The Secretary shall take such action as may be necessary to ensure that all laborers and mechanics employed by contractors and subcontractors in the construction of housing with 12 or more units assisted under this section shall be paid wages at rates not less than the rates prevailing in the locality involved for the corresponding classes of laborers and mechanics employed on construction of a similar character, as determined by the Secretary of Labor in accordance with the Act of March 3, 1931 (commonly known as the Davis-Bacon Act) [40 U.S.C.A. § 276a et. seq.].
>
> (B) Exemption. Subparagraph (A) shall not apply to any individual who:
>
> > (i) performs services for which the individual volunteered;
> >
> > (ii)(a) does not receive compensation for such services; or (b) is paid expenses, reasonable benefits, or a nominal fee for such services; and
> >
> > (iii) is not otherwise employed at any time in the construction work.

(6) Access to residual receipts. The Secretary shall authorize the owner of a project assisted under this section to use any residual receipts help for the project in excess of $500 per unit (or in excess of such other amount prescribed by the

Secretary based on the needs of the project) for activities to retrofit and renovate the project described under section 8011(d)(3) of Title 42, to provide a service coordinator for the project as described in section 8011(d)(4) of Title 42, to provide a case manager for the project, or to provide supportive services as set forth in subsection (g) to residents of the project. Any owner that uses residual receipts under this paragraph shall submit to the Secretary a report, not less than annually, describing the uses of the residual receipts. In determining the amount of project rental assistance to be provided to a project under subsection (c)(2) of this section, the Secretary may take into account the residual receipts held for the project only if, and to the extent that, excess residual receipts are not used under this paragraph.

(7) Use of project reserves. Amounts for project reserves for a project assisted under this section may be used for costs, subject to reasonable limitations as the Secretary determines appropriate, for reducing the number of dwelling units in the project. Such use shall be subject to the approval of the Secretary to ensure that the use is designed to retrofit units that are currently obsolete or unmarketable.

(k) Definitions.

(1) The term "applicant" means a private non-profit organization.

(2) The term "construction" means erection of new structures or rehabilitation, alteration, conversion, or improvement of existing structures and related infrastructure and site improvements.

(3) The term "development cost" means costs of construction of housing and other related facilities, the cost of movables necessary to the basic operation of the project as determined by the Secretary, and of the land on which it is located, including necessary site improvement, which cost shall be determined without regard to mortgage limits applicable to housing projects subject to mortgages insured under section 231 of the National Housing Act.

(4) The term "extremely low income working families" means families which: (A) have at least one adult who is employed, or is seeking employment, or is engaged in education or job training; and (B) have an annual income that is less than thirty percent of the median income for families of that size in the area in which the project is located.

(5) The term "housing" means structures suitable for dwelling use by families with children which are (i) new structures, or (ii) provided by rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for proposed dwelling use by such families.

(6) The term "mixed income working families" means families which: (A) have at least one adult who is employed, or is seeking employment, or is engaged in education or job training; and (B) have an annual income that is less than 125 percent of the median income for families of that size in the area in which the project is located.

(7) The term "owner" means a private non-profit organization that receives assistance under this section to develop and operate supportive housing for low income working families.

(8) The term "private non-profit organization" means any incorporated private institution or foundation: (A) no part of the net earnings of which inures to the benefit of any member, founder, contributor or individual; (B) which has a governing board (i) the membership of which is selected in a manner to assure that there is significant representation of the views of the community in which such housing is located; and (ii) which is responsible for the operation of the housing assisted under this section; and (C) which is approved by the Secretary as to financial responsibility. Such term also includes a for-profit limited partnership the sole general partner of which is an organization meeting the requirements under subparagraphs (A), (B), and (C), or a corporation wholly owned and controlled by an organization meeting the requirements of subparagraphs (A), (B), and (C).

(9) The term "related facilities" means (A) new structures suitable for use by families residing in the project or in the area as community rooms or buildings, day care facilities, or other essential service facilities necessary for the implementation of the services listed in section (g); and (B) structures suitable for the uses in (A) provided by rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for such uses.

(10) The term "resident" means an individual or family who occupies a unit in a project developed under the terms of this section.

(11) The term "site improvements" shall include, but is not limited to, site alterations necessary for drainage, storm sewers, utility connections, and water and sewer connections.

(12) The term "State" includes the several States and the District of Columbia.

(13) The term "Secretary" means the Secretary of Housing and Urban Development.

(14) The term "very low income working families" means families which: (A) have at least one adult who is employed, or is seeking employment, or is engaged in education or job training; and (B) have an annual income that is less than fifty percent of the median income for families of that size in the area in which the project is located.

(l) Allocation of funds.

(1) Capital advances. Of any amounts made available for assistance under this section, such sums as may be necessary shall be available for funding capital advances in accordance with subsection (c)(1) of this section. Such amounts, the repayments from such advances, shall constitute a revolving fund to be used by the Secretary in carrying out this section.

(2) Project rental assistance. Of any amounts made available for assistance under this section, such sums as may be necessary shall be available for funding project rental assistance for the duration of the contract in accordance with subsection (c)(2) of this section.

(m) Authorization of appropriations. There are authorized to be appropriated for providing assistance under this section such sums as may be necessary for each of fiscal years 2006 through 2026.

Testimony of

the Mortgage Bankers Association

on

"Emergency Housing Needs in the Aftermath of Hurricane Katrina"

Presented by J.K. Huey,

Senior Vice President

IndyMac Bank

and

Chairperson of MBA's

Residential Loan Administration Steering Committee

before the U.S. House of Representatives,
Committee on Financial Services
Subcommittee on Housing and Community Opportunity

September 15, 2005

Mr. Chairman and Ranking Member Waters, my name is J.K. Huey and I am Senior Vice President of Home Loan Servicing for IndyMac Bank. I also serve as Chairperson to the Mortgage Bankers Association's (MBA)[1] Residential Loan Administration Committee. I am here today to let the Committee know how the mortgage industry is responding to Hurricane Katrina and to share with you some ideas of how Congress may be able to help homeowners. In addition, I will share specific needs of the commercial real estate sector that will stimulate economic revitalization. Finally, I would like to discuss some of the challenges our industry faces in the months to come.

For the last two and a half weeks, I have watched with sadness as the waters rose and now as the waters recede. I am sure all of us in this room are watching the rescue, recovery, and clean-up operations with prayers for those who succumbed to nature's wrath, for those living without a home and for those who are charged with rescuing people and keeping them safe. While certainly nothing was perfect over the last two weeks, I have been amazed and proud to watch the brave Coast Guard personnel rescue people from their roofs and attics, and watched as strangers opened their homes, offered money and committed other acts of kindness for fellow Americans in need.

What we have witnessed over these last weeks has been an absolute tragedy, and we mourn the loss of life and homes. Few of us will ever forget the pictures we saw on television and in the newspapers. Our brave rescue workers are continuing their sad work of searching homes for signs of those who perished inside. We are all thinking of them.

Many member companies have operations in the affected areas. The first and most urgent endeavor of these companies was to locate employees and ensure their safety. While I do not have any specific information, it is my great hope that all employees and their families are safe and secure.

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[1] **The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 500,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,900 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.**

The mortgage industry's focus is also on its customers and how to provide the services they need. As with everyone in the country, we want, and in many instances can, provide immediate assistance to those who need it. For those who have mortgage loans with our member companies, we want to ease their burden as much as is possible.

But the mortgage industry will face its own challenges, especially those heavily invested in the affected communities. Those challenges include, among others, maintaining liquidity to provide temporary and long-term forbearance to borrowers, dealing with conflicts among insurance companies over coverage, managing properties that will be abandoned, gaining access to properties to perform inspections and emergency repairs and the resulting costs and losses associated with all of these challenges.

While no firm data are currently available, we estimate that as many as 360,000 mortgages were impacted by Hurricane Katrina. This number includes both loans secured by properties directly damaged by the Hurricane, as well as properties affected by secondary economic impacts, such as job losses from the Hurricane's aftermath.

The industry wants to see the Gulf Coast region prosper again, and we need to support the infusion of capital to these areas and encourage rebuilding of communities.

I. The Mortgage Industry's Response to Borrowers Affected by Hurricane Katrina

As this subcommittee knows, investing in a home is the single largest investment many Americans will ever make. As a result, we recognize that we must be available to our customers, even though some of our own operations have been severely impacted.

Mortgage companies understand the difficulties many borrowers are facing, not only with the loss or damage to their homes, but the emotional toll as well. The inability for many homeowners to return to their properties to assess the damage and begin repairs and rebuilding their lives compounds the stress many of these homeowners are under. The mortgage banking industry is committed to providing assistance to affected borrowers during this time of crisis.

The real estate finance system stepped into motion immediately upon learning of the damage caused by Hurricane Katrina. And by all accounts, our industry's response to borrowers' issues is positive. Mortgage companies are assisting affected borrowers, especially those with severely damaged properties, in the following ways:

- Providing extended grace periods to make their mortgage payments;
- Waiving late fees during this period;
- Waiving the reporting of derogatory information to credit bureaus;
- Waiving delinquency notices;
- Placing outbound calls and emails to customers to discuss their needs for extended forbearance and loss mitigation;
- Postponing foreclosure actions; and
- Requesting property preservation crews to go to affected areas to assess damage and provide emergency protective measures, if needed and appropriate.

Servicers are assisting borrowers in other ways including providing longer-term loss mitigation solutions, and second mortgages, renovation loans and refinance mortgages. But it is critical that borrowers contact their servicers so that all the options can be explored.

MBA understands that many borrowers are displaced from their homes and may not know how to reach the lender to seek out these benefits. In light of this fact, MBA has undertaken a series of public service announcements in major media markets where displaced residents are being housed, as well as in newspapers published in the Gulf Coast states. These advertisements provide lists of servicers' toll free numbers. In addition, MBA is posting servicers' toll free numbers on our website www.mortgagebankers.org and on our consumer-based site www.homeloanlearningcenter.org. We are asking the appropriate government and private sector organizations to further disseminate this information.

MBA has also committed a total of $600,000 in donations to worthy organizations assisting individuals in the disaster areas. MBA has contributed $100,000 to the American Red Cross and is committed to donate an additional $500,000 to Habitat for Humanity International to underwrite the first year of a Program Management Office that will direct Habitat's "Home-In-A-Box" rebuilding initiative. This gift will enable Habitat for Humanity to employ additional experienced and talented individuals from the construction industry and to lay the groundwork for a recovery program focused on impacted families. Many of our member companies and their employees, including IndyMac Bank, are donating substantial amounts to the relief and rebuilding efforts.

It is important to note that mortgage companies are assessing and re-assessing the needs of our customers on an almost continual basis as we learn more about the problems they face and the scope and severity of their property damage. The mortgage industry, however, requires the flexibility to deal with the whole range of customer needs and to deal with our corporate responsibilities to protect the safety and soundness of our institutions and our shareholders. We must also abide by statutory and contractual requirements.

II. Federal Assistance to Address Immediate Housing Needs

The Subcommittee has asked MBA to provide recommendations for addressing both the short-term and long-term housing needs for individuals displaced by the hurricane. We would like to share the following suggestions on immediate housing needs:

a. Removal of Restrictions in Federally Assisted Housing Programs

Currently there are vacant apartments in areas where families were evacuated. Many of these apartments receive some sort of federal subsidy and are subject to federal regulations limiting who may occupy them. In order to provide a comprehensive and coordinated response, Congress should provide a temporary, emergency waiver of all program requirements for: Low-Income Housing Tax Credit (LIHTC) properties; properties funded with the proceeds from multifamily tax-exempt bonds; properties financed by the Federal Housing Administration (FHA); and properties that receive HUD subsidies, including Section 8 vouchers.

Among the many requirements that are limiting the supply of housing for hurricane victims are:

- Income and student status restrictions and verifications
- Tenant rent contributions
- Federal Emergency Management Agency (FEMA) certification
- Waiting list rules
- Initial inspection requirements
- Voucher payment standard ceiling
- Minimum lease terms
- Household size limits
- The required form of lease
- Portability of vouchers

While we appreciate the fact that the Departments of Treasury and HUD have responded in a measured way on programs within each Department's jurisdiction, Congress should act to provide clear authority and direction in this time of national emergency. A comprehensive waiver would allow apartment owners to respond immediately to the enormous need for shelter and avoid unnecessary and needless delays caused by all of the current program rules and regulations. A broad waiver would also allow state and local agencies to respond to this emergency without burdening them with needless paperwork.

b. Additional Federal Funding for Rental Assistance

Because many of the displaced families have lost their jobs, the need for rental assistance is much greater than can be accommodated with existing resources. Congress should provide funding for an initial 50,000 emergency Section 8 vouchers to be administered by the appropriate local housing agencies.

c. HOME Program

The HOME program provides formula grants to states and localities to fund housing activities. It is an affordable housing block grant program. States and localities, in partnership with local organizations, can build, purchase, or rehabilitate housing units available for rent or homeownership or can provide direct rental assistance. The program's great benefit is that it allows states and localities to use the funds for grants, direct loans, loan guarantees, credit enhancements, rental assistance or downpayment assistance. Each community decides for itself what priorities need to be funded.

In the Hurricane Katrina disaster area, HUD has allowed HOME grantees to reprogram previously awarded grants to redirect their funds to disaster recovery activities. HUD has also waived requirements to serve the housing needs of those displaced. HUD has shortened the time frame for amending a participating jurisdiction's consolidated plan, waived the source documentation for income verification, and waived property and rent standards for tenant-based rental assistance. Additionally, HUD has also waived some requirements for those participating jurisdictions that provide housing and shelter for evacuees. All of these waivers should be implemented immediately upon requests from overburdened participating jurisdictions.

MBA supports these waivers to current HOME program requirements to assist the families tragically impacted by the hurricane. MBA strongly supports increased emergency HOME funding to the hurricane disaster communities and those communities temporarily housing the evacuees and, therefore, taxing their resources. Current funding levels did not anticipate a disaster of this magnitude and a program with this flexibility should be used to its utmost. Waivers should remain in place for at least one year, preferably longer, and further waivers of matching requirements, income eligibility requirements, and maximum per unit subsidy restrictions under the HOME program should be included in any relief package for disaster victims and those communities accepting evacuees.

d. Use of Government Real Estate Owned

We are aware that HUD Secretary Jackson is assessing the inventory of HUD-owned homes to determine which ones are immediately available as temporary housing. It is our understanding that 50 percent of its current Real Estate Owned (REO) properties have been earmarked for evacuees, with more to come. The Department of Veterans Affairs (VA) has also announced that it is suspending REO sales and will pledge these properties to house displaced citizens. The

USDA Rural Housing Service (RHS) is undertaking similar action. We applaud Secretary Jackson, Secretary Nicholson and Secretary Johanns for their ingenuity and help. We know that in many cases REO properties are severely distressed and are not habitable because they are missing basic appliances and utilities or fail local safety codes. The FHA, VA, and RHS will need to be freed from restrictions in moving and applying existing internal funds for repairs to REO properties so they meet move-in and local code requirements. Additionally, these entities may likely need appropriations to meet property needs that aren't covered from any insurance proceeds or internal funds.

III. Longer-Term Housing Needs/Renovation Needs

In addition to addressing short-term housing needs, Congress should address the large challenge of renovating homes and apartments, as well as building replacement housing in the Hurricane-affected areas. We believe FEMA, FHA, RHS other government programs can be a catalyst for rebuilding neighborhoods, but current program requirements will be difficult to overcome. For example, obtaining an appraisal will be difficult, if not impossible, in many of these areas because there will be few if any comparable sales (for single family) or rent comparables (for multifamily). Loan limits may need to be waived in order for the Federal government to insure a wider variety of properties. Also, new and increased authority needs to be given to handle the magnitude of assistance we anticipate individuals will need. We offer the following recommendations:

a. Enhancements to FEMA-provided Assistance

Many disaster victims are turning to FEMA and the Small Business Administration (SBA) for assistance. These agencies offer a wide range of disaster relief programs that will be critical to stabilizing local economies in the affected cities and counties and ensuring affected Americans get back on their feet. Over the years, Congress has adjusted the authority FEMA has in providing financial assistance. In some cases it has added new authority and, in others, taken it away. We would encourage a revisiting of these programs. In particular, we suggest the following revisions:

i. Remove FEMA caps on Assistance for Repairs

Currently FEMA has authority to provide individual assistance up to $26,200. There are various caps within that amount for home repair or replacement. We recommended removing those caps in order that the entire amount can be used for home repair or replacement if desired and appropriate.

ii. Temporary Mortgage and Rental Assistance

Prior to 2002, FEMA was permitted under the Stafford Act, 42 USC 5174(b), to provide temporary mortgage or rental assistance to disaster victims who, as a result of financial hardship caused by a major disaster, were unable to continue

paying their pre-disaster rent or mortgages. Unfortunately this form of housing assistance became unavailable for disasters declared on or after May 1, 2002. We believe the re-enactment of this provision would go a long way to assist persons affected by this storm. The authority, if reinstated, should not be subject to the individual cap referenced above.

b. FHA Enhancements

i. Section 223(e) Program:

Congress should consider amending FHA's the Section 223(e) program to apply to Hurricane-affected areas. Section 223(e) is a program that insures loans made to renovate older single- and multi-family housing stock. This change would require 1) an amendment to current statute as Section 223(e) is now limited to "property located in an older, declining urban area" and 2) an appropriation of credit subsidy as these loans are part of the Special Risk Insurance Fund and will probably be determined by HUD to require credit subsidy. An appropriation of credit subsidy in the amount of $70 million over the next two years should be sufficient.

Section 223(e) could be amended by inserting the bold language as provided below.

> Section 223(e). Notwithstanding any of the provisions of this Act except section 212, and without regard to limitations upon eligibility contained in any section of this title or title XI, the Secretary is authorized, upon application by the mortgagee, to insure under any section of this title or title XI a mortgage executed in connection with the repair, rehabilitation, construction, or purchase of property located in an older, declining urban area **or in an area designated for public assistance by FEMA as a result of Hurricane Katrina,** in which the conditions are such that one or more of the eligibility requirements applicable to the section or title under which insurance is sought could not be met, if the Secretary finds that (1) the area is reasonably viable, giving consideration to the need for providing adequate housing or group practice facilities for families of low and moderate income in such area, and (2) the property is an acceptable risk in view of such consideration. The insurance of a mortgage pursuant to this subsection shall be the obligation of the Special Risk Insurance Fund.

By utilizing this program, HUD would have authority to waive underwriting requirements, but must still assure that the property is an acceptable risk.

c.. Enhancements to Rural Housing Service

While we believe that RHS has the authority to amend necessary underwriting guidelines to account for situations that borrowers face due to Hurricane Katrina, we do believe they need to be granted broad authority, such as Section 223(e) gives FHA, to waive a number of program requirements.

Among the temporary program changes we suggest at this time are the following:

- MBA suggests relaxing the service area population limits for RHS programs to ensure they can aid a greater area within the disaster zones. Specifically, 42 U.S.C. 1490q allows the Secretary of Agriculture to waive the rural area definitions. We believe this authority should be utilized to allow RHS to operate in any area that had a pre-hurricane population of 50,000 or less.

- RHS should also be able to relax their income limits for families under their guarantee programs, as directed in Section 502(h)(2). MBA suggests that national median income should be used, in order that all affected areas are treated the same.

- MBA also suggests that Section 502 Guarantee income limits be raised from their current level of 115% of median income to 150% of median income.

- Furthermore, borrowers refinancing under the Section 502 program should have the ability to include repairs into the mortgage. Because the goal of rebuilding is to bring back communities, the income focus that is relevant under normal conditions may be constricting in the disaster areas.

- RHS should be given the authority to relax provisions of Section 502(h)(13)(A) and Section 502(h)(13)(B) to permit refinancing of non-RHS loans under its programs and refinancing to a higher rate, if necessary. MBA believes this would allow RHS to aid those families that currently do not have an RHS loan, but could find relief in refinancing to an RHS loan. Furthermore, it may behoove a mortgagor to refinance to a higher rate, if other characteristics of the RHS mortgage, such as term, provide a financial benefit to the borrower.

RHS, like FHA, would require appropriations to adequately serve the families in these areas. MBA believes, though, that the cost-effective insurance and guarantee programs of FHA and RHS will prompt private capital to return to the area, thus with less direct appropriations from Congress ultimately being required.

d. Increasing Low-income Housing Stock

Because many of the displaced families are low-income and will not be able to afford market rents, long-term building efforts should include new project-based Section 8 rental assistance and increases for low-income housing tax credits and tax-exempt bonds for the States affected by Hurricane Katrina.

IV. Commercial Property Reconstruction & Economic Stimulation: REMIC Legislation

With preliminary damage estimates from Hurricane Katrina currently speculated to reach as high as $100 billion,[2] the rebuilding of the Gulf Coast areas affected by Hurricane Katrina will not occur overnight. The reconstruction and renovation of the commercial spaces in these areas will require a multi-disciplinary team of experts and public/private cooperation at all levels to revitalize these communities suffering from vast devastation. MBA strongly encourages investment in these communities and recommends that immediate measures be taken by Congress to spur community and economic development, in order that these areas may once again be vibrant places to live, work, shop and be entertained.

a. REMIC Legislation

In the House, a bill currently exists to improve the usefulness of REMICs (real estate mortgage investment conduits) by permitting certain technical loan modifications while maintaining qualified tax status. It is:

- HR 1010, introduced March 1, 2005 sponsored by Representatives Foley (R- FL) and Pomeroy (D- ND).

The proposed reform of the real estate mortgage investment conduit (REMIC) loan modification rules would affect real estate owners and tenants, the suppliers of real estate design, construction and renovation services, and the many businesses that provide services in conjunction with real estate sales. The proposed changes would allow REMICs to accommodate real estate owners in maximizing the value of their properties.

These changes are particularly relevant given the recent devastation caused by Hurricane Katrina. The changes would encourage owners to rebuild or renovate their properties, accelerate the flow of construction and renovation funds into the U.S. economy, increase real estate transaction volumes, and enhance the economic stimulus associated with the real estate sector. By maximizing the value of the real estate collateralizing REMIC securities, these changes also

[2] Estimate cited in JPMorgan "CMBS Research Special Topic: Commercial Property Insurance De-Mystified," September 7, 2005

maintain or enhance the security of REMIC bondholders under changing market conditions.

According to the Joint Committee on Taxation's *General Explanation of the Tax Reform Act of 1986*, it was believed that REMICs "should be flexible enough to accommodate most legitimate business concerns while preserving the desired certainty of income tax treatment." The changes recommended under the industry's proposal will not cause REMIC trusts to be engaged in an active business and will not alter the tax treatment of the REMIC vehicle, but will make REMIC rules more responsive to real estate business needs that are heightened in the declared disaster area of Hurricane Katrina.

Here are two of the most common ways in which the proposed changes would be applied by real estate owners in communities throughout the U.S. and particularly by those in the disaster area:

i. Preparing Space for Tenants

When commercial real estate owners lease space to a tenant, they frequently demolish the interior walls used by the previous tenant in order to reconfigure the premises for the incoming tenant. Owners also remove interior fixtures and carpeting, and install new walls, fixtures, paint and carpet for the new tenant. The improvements for a new tenant are known as "tenant improvements" and are negotiated as part of almost every commercial lease.

Under the REMIC rules, a tax opinion must be obtained before demolishing space in conjunction with building tenant improvements. If the space comprises more than 10% of the REMIC collateral, the change could be denied. This requirement makes it difficult for property owners to reconfigure their space in a timely manner and could cause them to lose leases with prospective tenants. Revision of the REMIC rules to permit owners to demolish space in order to construct new improvements would make the REMIC vehicle more useful to real estate owners and in the wake of Hurricane Katrina, provide for the most flexibility in rebuilding. Given the wide-spread water damage to properties affected by Hurricane Katrina, it is easily anticipated that many office buildings, hotels, and retail spaces will need to have greater than 10% of the collateral reconfigured.

ii. Sales of Outparcels or Pad Parcels

Often, commercial sites contain "excess" land which contributes little economic value to the improvements (outparcels) and would be more valuable to a third party. Retail sites often contain land that can be sold to a third party for a free-standing retail facility, often a smaller restaurant, bank or drive-through facility (pad parcels). Under the current REMIC structure, sales of outparcels or pad parcels require a tax opinion. If the value of the outparcel or pad parcel is

believed to materially alter the collateral, the sale could be prohibited under the REMIC structure, even though the cash realized from the sale would be used to pay down the REMIC loan or applied to property reserves as approved by the lender. Thus, the current REMIC rules prevent outparcel or pad parcel sales that would maximize the value of REMIC collateral and reduce risk to REMIC bondholders. The proposed change would allow beneficial sales to be made, at the lender's option, to accommodate development of potential small business sites as part of rebuilding efforts. For example, in a rebuilding effort a borrower may seek to acquire an additional parcel of land to support parking for an office building. The additional parking enhances the value of the building. Existing REMIC rules will not allow additional collateral to transaction even if it enhances the value of the property.

c. Brownfields Legislation

The situation in New Orleans will also have sweeping environmental implications. In all likelihood there will be many newly contaminated properties that fit the Environmental Protection Agencies (EPA) definition of brownfields properties. Special care and maintenance will be required on all environmentally contaminated properties to ensure the health and safety of the people living on and around these areas. Therefore, MBA supports the passage of the proposed legislation offered earlier this year, H.R. 877 sponsored by Representatives Weller, Becerra, and Nancy Johnson that provides for expanded expensing of environmental remediation and clean up costs. The bill will also broaden the current definition of "hazardous substances" to include "toxic substances" (notably, petroleum) contamination. In addition, in October 2004, Congress passed H.R. 1308, which extended brownfields protections through 2005; this bill however, does not contain any funding provisions. MBA encourages providing funding for the enacted brownfield provisions in the Working Families Tax Relief Act signed into law last year and providing permanent extension of the brownfields protections.

V. Mortgage Company Challenges

Mortgage companies have pledged their support to assist borrowers and the communities they serve during this crisis. However, many of the mortgage companies that have faithfully provided credit to and served these communities for decades will face their own challenges. MBA anticipates an increase in defaults and abandonment rates in disaster areas as borrowers choose not to rebuild, are financially unable to rebuild, or not permitted to do so for environmental or other reasons. While it is still too early to predict the exact magnitude of financial losses, some effort should be made to ensure mortgage companies have sufficient liquidity and control over loan loses.

MBA believes it is critical to begin discussing these business concerns and possible solutions before they become a reality or a crisis. Without solutions that

address the entire fabric of these communities – including mortgage companies and other financial services companies – we fear credit could dry up, causing local recession.

The most immediate need of mortgage companies is liquidity. As indicated earlier, mortgage companies are offering short- and long-term forbearance to borrowers. However, pursuant to mortgage-backed securities (MBS) agreements and contractual obligations, mortgage servicers are required to advance principal and interest payments to security holders during these periods of forbearance. In many cases, mortgage servicers must borrower the funds from banks and other financial institutions to make these advances. The debt service on these loans could place servicers under financial strain, especially companies with large concentrations of loans in affected areas. More assistance is needed to ensure liquidity to mortgage companies at no-cost. Freddie Mac, for instance, has indicated that servicers can suspend the advancement of interest for loans subject to its mandatory 90-day period of borrower forbearance. Principal must still be advanced. We applaud Freddie Mac for not imposing the entire burden on the servicing industry. We hope other holders, guarantors or owners of mortgage loans will follow with similar policies. Congress can assist in this area by enhancing Ginnie Mae's authority.

The industry's long-term needs will be for assistance or relief from losses due to catastrophic damage and high default and abandonment rates.

a. Increasing Liquidity: Allow Ginnie Mae to Advance Principal and Interest on Behalf of Issuers without Declaring an Issuer Default

Ginnie Mae's MBS program functions through servicers, referred to as "issuers." As stated above, issuers are required to advance principal and interest due on the mortgages even if the borrower fails to make the monthly payments. We estimate that approximately $6.7 billion in Ginnie Mae guaranteed loans are in the disaster areas.

HUD's Office of General Counsel has indicated that it believes Ginnie Mae does not have authority to make advances of principal and interest on behalf of an issuer without a determination that the issuer is in technical default of its contractual obligations. Such a determination of default creates a sizeable business hardship for any financial institution.

A declaration of a default under the Ginnie Mae Guaranty/Contractual Agreement starts a "domino" default under the terms of other contracts issuers typically have for bank loans and warehouse lines. It also triggers defaults with other investors. In addition, external auditors will note the significance of these defaults and refrain from issuing unqualified opinions on the financial condition of the issuer. All of these repercussions are to the detriment of the issuer who is trying to assist

homeowners in the affected areas. Without relief, we fear the financial strain on many issuers will force them to limit forbearance time frames or face financial ruin.

MBA seeks a statutory clarification that Ginnie Mae can make advances of principal and interest for those issuers that are servicing mortgages in the disaster areas without a determination that an issuer is in default. The advances can be made on an interest-free basis. It is our understanding that Ginnie Mae would not object to this clarification of its authority. We have attached model language that would achieve the objective as Exhibit A.

b. Reducing Exposure to Loss: The Impact of VA No-bids

Unlike FHA, the Department of Veterans Affairs (VA) Loan Guaranty Program does not provide 100% insurance against losses due to default. Nor does the VA (and/or Ginnie Mae) make the servicer whole as do Fannie Mae and Freddie Mac (minus some costs that are not reimbursed). The VA is unique in passing risk of declining market prices to servicers because it provides only a limited guaranty. The guaranty varies, but generally covers 25% of the original loan balance. In the event of a liquidation sale (i.e., foreclosure), the VA uses a statutory formula to determine if it will pay only the guaranty or pay the servicer the outstanding debt (called "total indebtedness) and take title to the property. When the latter occurs the VA sells the REO to recoup the amount paid to the servicer.

When the former occurs and the VA's determines not to take title to the property, it will issue what is called a "no-bid" Advice Letter. A no-bid occurs, by statute, when the net value (fair market value minus a statutory VA "holding cost" factor) is less than the unguaranteed portion of the total indebtedness (unpaid principal balance, allowable interest and advances less any credits). When this occurs, VA will pay the amount of the guaranty, but will not take title to the property. The servicer thus takes any loss after the resale of the property. These losses can be substantial, and in the wake of Hurricane Katrina, could be catastrophic. There is an expectation that there will be substantial borrower defaults and abandoned properties that have servicers facing increased no-bids.

Most VA loans are in Ginnie Mae MBS and, thus, we reiterate that servicers do not get the benefit of the principal and interest payments. The principal and interest is passed through to security holders, who are protected 100% against principal loss by Ginnie Mae's guaranty. The servicer takes the principal, interest and even out-of-pocket loss exposure to a large degree, despite the fact that they receive only a small administration fee per loan as income. Servicers are thus not equipped nor are they compensated to absorb *catastrophic* principal, interest and other losses. While it is true that servicers are aware of the risk exposure associated with the VA program, we believe this risk exposure is one factor for the shrinking demand for VA products. We are concerned that without some

targeted reduction, servicers may abandon the program altogether as too risky or will increase rates to price for the *catastrophic* risk. Standard no-bid risk (non-catastrophic) already accounts for ¼ to ½ percent higher interest rates on VA loans than FHA-insured loans.

In an effort to provide the VA with flexibility in this area and to assist mortgage companies in containing total losses, we ask that Congress consider providing the VA authority to waive the statutory requirement to declare no-bids. We ask that VA be permitted to take conveyance to a property and pay the total indebtedness and out-of-pocket expenses in cases of federally declared disasters areas without having to abide by the no-bid calculation. We also suggest allowing the VA to pay a claim even when conveyance does not occur due to unique circumstances, such as a declaration of hazardous waste contamination on the property. We anticipate that our recommendation would require some infusion of federal funds to support VA's activities in this area.

c, Relaxing Capital Standards

Currently bank regulatory capital standards establish the amount of minimum capital banks must maintain to support their portfolios. One-to-four family mortgages are granted a 50% risk weighting, provided the loans are current and conform to the agencies' credit enhancement or equity standards. This means that banks need hold only 4% capital against these assets. Once a loan becomes 90 or more days delinquent, however, the assets are assessed a 100% risk weighting, requiring 8% capital support. It is unclear at this time, whether the regulatory agencies will consider bank efforts to provide forbearance to borrowers for periods of 90 or more days to require this higher capital support. Of course, failure to meet minimum capital standards carries serious repercussions for these lenders and thus current capital requirements may restrict certain banks' (and thrifts') ability to offer more extensive forbearance periods. We would appreciate any Congressional assistance in seeking some relief from inequitable capital treatment of forbearance periods granted to victims of Hurricane Katrina.

VII. Summary

Mr. Chairman and Ranking Member Waters, MBA and the mortgage banking industry are committed to helping borrowers who have been affected by this great national tragedy. Our goal, however, is not *only* to provide for the immediate relief of the victims of the hurricane, but to restore the economic health of the affected communities as well. Part of that community includes the very mortgage companies that have provided mortgage credit and employ people from these communities. MBA's members and staff are available to you at any point going forward to address these and other issues during the coming months and years. We appreciate this opportunity to testify.

EXHIBIT A

PROPOSED AMENDMENT TO THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION CHARTER ACT

(Title III of the National Housing Act, 12 U.S.C. 1716 et seq.)

AUTHORIZATION OF GINNIE MAE TO ADVANCE PAYMENTS OF PRINCIPAL AND INTEREST ON BEHALF OF GINNIE MAE ISSUER/SERVICERS OF MORTGAGES IN GINNIE MAE GUARANTEED SECURITIES WHERE THE MORTGAGED PROPERTY IS LOCATED IN AREAS DESIGNATED AS PRESIDENTIALLY DECLARED KATRINA HURRICANE DISASTER AREAS

Section 306. (g) (1) of the Ginnie Mae Charter Act (12 U.S.C. 1721 (g) (1) is amended by adding the following sentences to follow and clarify the sentence that reads, "In the event the issuer is unable to make any payment of principal of or interest on any security guaranteed under this subsection, the Association shall make such payments as and when due in cash, and thereupon shall be subrogated fully to the rights satisfied by such payment." The additional sentences to be added as amendments to the Charter will read as follows:

"Without limiting the Association's authority to make such payments as described in the prior sentence, the Association expressly is authorized to make such payments of principal or interest on behalf of and upon the request of any issuer, without a finding of issuer default, 1) if the issuer has an obligation to make such payments due to the failure of a mortgagor to make such payments, and 2) if the associated mortgaged property is located in areas designated as Katrina Hurricane disaster areas. In the event that the Association makes such payments, it shall be subrogated fully to the rights satisfied by such payment. Katrina Hurricane related payments made by Ginnie Mae on behalf of an issuer may be made without payment by the issuer of interest to the Association for its advance of payments of principal or interest."

Explanation of Amendment

Ginnie Mae's mortgage-backed securities program functions through servicers, referred to by Ginnie Mae and in its Charter Act as "issuers." The issuers service the mortgage loans backing Ginnie Mae MBS and, pursuant to their obligations, the issuers advance payments of principal and interest due on the mortgages in the event that a borrower fails to make his or her mortgage payment.

Ginnie Mae MBS are backed by mortgages including approximately $6.7 Billion in unpaid principal balance of mortgages in the disaster area. There is an expectation that there will be a substantial incidence of borrower defaults on these mortgages. Certain small- and medium-sized issuers servicing the mortgages will be unable to make the obligatory advances.

The Office of General Counsel of the U.S. Department of Housing and Urban Development has indicated that it believes Ginnie Mae does not have authority to make advances of principal and interest on behalf of an issuer without a determination that the issuer is in default. Such a determination of default would create a sizeable business hardship for any financial institution.

The Amendment clarifies that Ginnie Mae can make the advances for those issuers servicing mortgages in the disaster area. The advances can be made on an interest-free basis.

It is our understanding that Ginnie Mae would approve of this clarification of its authority.

Statement

Of

Judith A. Kennedy
President and CEO

National Association of Affordable Housing Lenders

Before the

Subcommittee on Housing and Community Opportunity
House Committee on Financial Services
U.S. House Representatives

September 15, 2005

The National Association of Affordable Housing Lenders (NAAHL) represents America's leaders in moving private capital to those in need. NAAHL encompasses 200 organizations committed to increasing private lending and investing in low- and moderate-income (LMI) communities. Members are the "who's who" of private sector lenders and investors in affordable housing and community and economic development, including 50 major banks, 50 of the blue-chip non-profit lenders, and insurance companies, community development corporations, mortgage companies, loan consortia, financial intermediaries, pension funds, and foundations.

All of our members are committed to being part of the solution to the terrible problems resulting from Hurricane Katrina. We appreciate your bipartisan efforts to address these critical housing needs, and are grateful for your interest in our responses to the important questions you raise, as follows

1. Efforts to assist with immediate housing needs

NAAHL members, like so many other Americans, have reached out to local charities and government agencies across the country to see what support they could provide to the disaster victims and the relief effort. The Financial Services Roundtable has submitted a detailed summary of the disaster relief activities and contributions of many of our bank members. Other NAAHL member banks have been: 1) accelerating contributions to United Way, Red Cross and other charities involved in disaster relief; 2) flying in expert grief counselors to support those agencies' efforts to help evacuees who have been relocated; 3) providing vacant buildings throughout the nation to be used as storage/distribution centers for collected goods; and 4) reconstructing financial records that victims lost in the disaster.

NAAHL's non-profit lenders across the country have identified vacant units for temporary housing in their states, coordinated with interested state and local agencies, helped families to settle in to temporary housing within 48 hours of their arrival, and persuaded churches and other institutions to adapt existing spaces for temporary homes.

Throughout this period NAAHL has tried to be a resource for members and others who encounter barriers to their good efforts, and then work with other associations and your staff to ensure that Federal agencies are aware of unintended barriers, and the waivers or other actions would support the housing effort. *We all appreciate very much your experienced staff on both sides of the aisle who have supported our efforts to eliminate red tape and help victims find decent temporary homes.* And we appreciate your responsiveness to the needs. Just one day after your bipartisan Roundtable and letter to the Treasury Department the IRS finally issued the comprehensive waiver we'd been seeking for 10 days. We have also tried to share important developments, and best ideas and practices.

2. Recommendations for short and long-term housing

SHORT-TERM HOUSING

- Build on what we know works. Federal reimbursement for temporary housing and living expenses has ensured cost-effective, emergency housing efficiently following other natural disasters. If history is any guide, most disaster victims want to leave mass shelters as soon as possible to return to their original communities or one nearby if at all possible, whether home is in the hollows of West Virginia or the riverfront cities of Ohio. With Federal financial assistance for reasonable costs of temporary housing for a reasonable period of time, most victims find appropriate, temporary shelter they can finance, in others' homes, hotels, and tourist cabins. As their living situation stabilizes, they repair their homes and/or search for permanent housing near their former homes.

- Direct HUD and IRS to provide any and all blanket waivers of regulations impeding emergency housing efforts in HUD-assisted and tax credit properties, as well as in CDBG, HOME, and other subsidy programs. Disaster-stricken localities need maximum flexibility to meet the emergency and permanent housing and community and economic needs of their citizens. Details on some of the waivers that are necessary are attached in a consensus letter from several associations

LONG-TERM HOUSING

- Don't rob Peter to pay Paul. It only exacerbates existing housing problems to move existing, insufficient resources from one needy population to another. This monumental disaster requires net new resources for the hurricane victims, both for emergency housing but also for permanent housing for the many lower-income families devastated by this hurricane. Additional, substantial allocations of Section 8 disaster relief vouchers and low income housing tax credits should be included in the next round of emergency legislation. Unfortunately, pre-Katrina affordable housing efforts may not be able to move forward without additional assistance, due to the hurricanes' impact on costs of labor, material, and energy. To produce just the same number of assisted units approved pre-Katrina, more subsidies will doubtless be required.

- Make small but important changes in existing statutes to facilitate more private capital investment in housing for low- and moderate-income families. Examples include noncontroversial recommendations that await action but have strong bipartisan support, such as:
    1. The Comptroller of the Currency's proposed increase in the statutory ceiling on banks' "public welfare investments" (e.g.

housing and NMTC credits) which has not been increased since 1992.

2. Revised definitions for Fannie Mae and Freddie Mae's housing goals and the multifamily affordable housing goal contained in HR 1461. The primary market has pioneered products to help meet the credit needs of very low, low and moderate income communities over the past 2 decades. Now is the time that HR 1461's language should be enacted, so that Fannie Mae and Freddie Mac finally bring GSE liquidity and other benefits to truly LMI loans. Attached is a letter from local public agencies and affordable housing managers and lenders requesting that these provisions be included in emergency relief legislation.

- Direct that existing regulations be updated to encourage private capital. For example, new Community Reinvestment Act (CRA) rules only provide appropriate CRA credit to banks under $1 billion for doing the complex "community development", LMI lending and investing in multilayered, subsidized rental housing. This regulatory incentive to do the complex, labor intensive affordable housing should be extended to all banks.

- Recommend additional housing resources. Bipartisan support for the "Renewing the Dream" tax credit, HR 1549, is strong: more than half the House are co-sponsors. It could make a major impact on rebuilding, because it proposes a credit for building or rehabilitating homes for sale to low income buyers in distressed areas. It would provide a tax credit for the difference between appraised value and what a family can pay, which would be ideal assistance for this situation in these states.

3. Steps to make relief efforts more efficient and effective

- Direct Federal agencies to provide blanket, temporary waivers of all program requirements for disaster victims housed in properties financed with any of the following: HUD subsidies; housing credits; tax-exempt bonds; and FHA insurance. Comprehensive waivers are urgently needed so that the tremendous demand for decent shelter can be addressed without delays caused by the multitude of programs' regulations.

4. Impact of rising energy costs on providing housing assistance in the short-term as well as the long-term

- Increased costs of fuel oil and natural gas will also result in increased demand for electric power. Both for the disaster-stricken states and all others, energy costs increasing means increased costs of developing and maintaining affordable housing, and probably higher rents for existing units.

5. **Impact of Katrina on construction costs and ability to produce affordable housing**
    - In the states Katrina devastated, communities and families are still reeling from the Ivan disaster of September 2004, and/or damage from other storms like Hurricane Dennis just 2 months ago. It is already reported that property and casualty insurance in many of these areas is hard to find. Existing policy holders report that premiums have tripled over the past year.
    - In the declared disaster areas, increased demand for labor and materials, combined with higher energy and insurance costs, will make affordable developments currently in the pipeline infeasible. This triple whammy will certainly make future development of affordable housing in the regions much more difficult. Outside the disaster areas, increased production and operating costs definitely will have a negative impact on production across the country.

As the region tries to identify the private capital needs both to preserve the existing stock of assisted housing, and to produce more affordable housing, NAAHL members stand ready to help our colleagues along our Gulf Coast to pull together the necessary resources for permanent housing. We look forward to working with you and them on the planning and implementation of rebuilding.

September 12, 2005

Representative Mike Oxley
Chair
Financial Services Committee
2308 Rayburn House Office Building
Washington, DC 20515

Representative Robert Ney
Chairman
Subcommittee on Housing and Community Opportunity
Finance Services Committee
B303 Rayburn House Office Building
Washington, DC 20515

Representative Barney Frank
Ranking Member
Financial Services Committee
2252 Rayburn House Office Building
Washington, DC 20515

Representative Maxine Waters
Ranking Member
Subcommittee on Housing and Community Opportunity
2344 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Oxley, Mr. Ney, Mr. Frank and Ms. Waters:

The undersigned organizations are writing to support emergency legislation to assure that victims of Hurricane Katrina are able to be housed as quickly as possible. While we understand that FEMA is providing housing assistance to many of the families using emergency funding provided by Congress, there are a large number of low income families/elderly and persons with disabilities that have been displaced from public housing or Section 8 units or other assisted housing who will need longer term housing arrangements.

In order to facilitate the housing of these families, it will be necessary to temporarily waive a number of statutory and regulatory requirements as well as provide new voucher authority for hurricane victims.

We request that Congress provide funding for an initial 50,000 emergency Section 8 vouchers to be administered by the appropriate local housing agencies. In addition, we request the following:

A number of privately-owned properties with Section 8 assistance as well as public housing units were destroyed by Hurricane Katrina. The funding for the housing subsidies has already been appropriated. We urge Congress to ensure that Section 8 project-based assistance contracts on affected properties are frozen or suspended to prevent them from expiring while the properties are being rebuilt and if necessary facilitate the transfer of such HAP contracts to other properties. The current tenants of those building should receive vouchers in the short-term while the building is rehabilitated. Further, a number of victims had been receiving Section 8 tenant-based vouchers and should be able to quickly port those vouchers to other jurisdictions without the normal administrative procedures. Of course, sufficient funding for housing agencies that accept the ported vouchers should be provided.

The following requirements should also be suspended for Katrina victims:

- Income/employment verification. HUD and PHAs can easily verify the status of current subsidy recipients through their PIC or TRACs system.
- Tenant rent contributions (including the minimum rent contribution). Many families will not be receiving any income for some time. Congress should waive the tenant rent contribution for three months or until the families or elderly receive their social security or employment checks.
- Waiting list rules: Obviously any federally declared disaster victims should be placed at the head of any waiting lists without violating any rules.
- Voucher payment standard ceiling. PHAs should have the ability to raise their payment standards to up to 140 percent of FMR for victims of Hurricane Katrina without HUD permission
- Initial inspection criteria. PHAs or HUD can inspect the units after move-in.
- Section 8 model lease requirements for project-based Section 8. The need to waive the income, employment, etc. will necessitate a special lease addendum to protect owners and HUD from fraudulent or ineligible applicants discovered subsequent to lease-up.
- One year lease requirements. Owners should be able to lease units on a month by month basis to enable residents to return to their original homes when applicable or move to other permanent housing.
- Translation (Limited English Proficiency-LEP requirements. Suspend any requirements to translate leases and other documents to avoid delays. Providers can work with volunteers to ensure that verbal translation occurs where necessary.

We stand ready to work with Congress and HUD to ensure that the low income families impacted by the hurricane are housed swiftly and safely. Our organizations have collectively identified thousands of units that are available for rent.

On September 9, the IRS issued Notice 2005-69, "Relief from Certain Low-Income Housing Credit Requirements Due to Hurricane Katrina." This notice authorized state housing credit agencies to permit temporary housing of individuals displaced by Katrina in Low Income Housing Tax Credit (LIHTC) Properties. Further, it temporarily

suspended the LIHTC income limitation and non-transient requirements. We respectfully request that you contact the IRS and urge the agency to issue similar guidance for bond-financed properties.

We believe that Congress will also need to address permanent housing issues for these families by facilitating rehabilitation of the assisted housing stock damaged by the hurricane and new construction to replace any housing that is permanently lost. Our collective housing organizations will be happy to make suggestions to that effect when the immediate needs of the displaced families are accommodated.

Please contact Denise B. Muha, NLHA Executive Director at 202/785-8888 or dmuha@hudnlha.com with any questions.

Sincerely.

American Association of Homes and Services for the Aging
Council for Affordable and Rural Housing
Institute for Responsible Housing Preservation
Institute of Real Estate Management
National Association of Homebuilders
National Affordable Housing Management Association
National Apartment Association
National Association of Affordable Housing Lenders
National Leased Housing Association
National Multi Housing Council

September 8, 2005

Representative Robert Ney
Chairman
Subcommittee on Housing and Community Opportunity
Financial Services Committee
B303 Rayburn House Office Building
Washington, DC 20515

Representative Barney Frank
Ranking Member
Financial Services Committee
2252 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Ney and Mr. Frank:

As you are considering legislation addressing challenges posed by the Hurricane Katrina disaster, we wanted to bring to your attention important housing legislation that passed the House Financial Services Committee with bipartisan support. It has also been endorsed in the Senate by Senators Sarbanes and Reed, and supported by Senator Santorum, which could increase the availability of permanent, affordable rental homes at no cost to the Federal government.

The House bill, HR 1461, proposes new goals for Fannie Mae and Freddie Mac to provide them a regulatory incentive to purchase multifamily mortgages on homes affordable to low and moderate income families, i.e., households earning under 80%, 60%, and 50% of area median income. The bill recognizes that banks and non-profit lenders long ago extended the primary market's reach to help meet the credit needs of underserved populations and areas, but the absence of a broad and deep secondary market for most multifamily mortgages has limited their availability and the supply of affordable rental homes.

For just one example, the non-profit Alabama Multifamily Loan Consortium has made $46 million of multifamily loans in the last several years, nearly all of which is affordable to those with less than 50% of the area median income. HR 1461 extends the Fannie/Freddie goals to include these conventional loans made by non-profits and banks that help meet the credit needs of low and moderate income persons, and so will help to replenish lenders' supplies of loan funds so more conventional mortgage money is available for more affordable rental homes.

HR 1461 contains other important provisions which, we support, relating to production of affordable multi-family housing units – the "Affordable Housing Fund" which would create a formula-driven affordable housing production that would provide communities direct access to a new funding source.

However, given the magnitude of the lost affordable housing units as well as the attendant pressures created by changes in supply and demand in other parts of the country we respectfully request that you include the legislative provisions above in an authorizing Hurricane Katrina

relief package as part of a long-term solution to increase the availability of permanent affordable rental homes to low-income households.

Sincerely,
National Association of Affordable Housing Lenders
National Affordable Housing Management Association
National Association of Housing and Redevelopment Officials

Council for Affordable and Rural Housing

Serving the Affordable Housing Needs of Rural America

Testimony of Karen "Kay" Miller

Representative from the Council for Affordable and Rural Housing
Before

The U.S. House of Representatives
Committee on Financial Services
Subcommittee on Housing and Community Opportunity

September 15, 2005

1112 King Street • Alexandria, Virginia 22314 • (703) 837-9001 • (703) 837-8467
carh@carh.org • www.carh.org

On behalf of the Council for Affordable and Rural Housing ("CARH"), I would like to thank the Committee for this opportunity to discuss housing needs in the aftermath of Hurricane Katrina.

I have been asked to testify before the Committee because of my twenty-plus years as an affordable housing developer in the Gulf Coast and in the southeastern United States and because I serve on CARH's Board of Directors. I am the President and 100% stockholder of T.A. Miller, Inc. and Tra-Dor, Inc. Management, both based in Shreveport, Louisiana. T.A. Miller, Inc. has developed over 47 properties representing over 1700 units; all properties are managed by Tra-Dor, Inc. Approximately 40% of these properties are U.S. Department of Agriculture ("USDA") Rural Development ("RD") properties, and almost all of these properties utilize Low Income Housing Tax Credits.

Katrina has created a new emergency need for a housing response, but it also exposed the shortages in our national supply of affordable housing. Basically, we need to divide housing efforts and resources into three categories: emergency, intermediate, and long term. I have seen the needs for each kind of housing in my own business. Over the last two weeks, our management company has placed Katrina victims in all of our vacant units across the State of Louisiana. We have provided temporary shelter in our community rooms, purchased temporary beds, cooked meals, and have given guidance to the dislocated on who and where they should go for additional assistance. We have also been in contact with organizations to provide furniture for some of these victims. We have taken our personal vehicles to pick up and deliver furniture. We have provided financial assistance in the form of waivers of security deposit requirements, first months rent free, as well as providing electrical and water deposits in those areas where the utility companies would not waive their deposits. Additionally, we made a donation to the Red Cross the day after Hurricane Katrina struck. We are in constant contact with both RD and the Louisiana Housing Finance Agency to update them regarding new vacancies in our properties, as they become available.

Emergency efforts are now underway, and this will require significant spending. As a nation, we must provide temporary housing facilities; but we should also take care to ensure that this temporary housing is quality housing. To identify emergency housing opportunities, the U.S. Department of Housing and Urban Development ("HUD") and USDA staffs are working with private groups like CARH to assemble information about housing vacancies in assisted housing all over the country. An increased allotment of Section 8 vouchers, and immediately funding a special allotment of rural housing vouchers will help move lower income persons from shelters into available housing units, both in affordable housing and in conventional housing. I have seen many news articles about the individual acts of kindness, but it is difficult to find and coordinate enough resources and housing needed for something as large as the Katrina displacement, which, as of September 8th, the federal government reported that 246,834 evacuees were living in 774 shelters.

As for intermediate housing, to house people near their homes while they begin the long term-rebuilding, we will need additional manufactured housing. We will also need to quickly access FEMA funds and insurance funds for those properties with moderate damage that can be repaired over the next several months. We also need to hire additional staff at HUD and USDA so that their career staffs can focus back on the existing development pipeline. Our State Housing Finance Agencies may need additional assistance as well so that they can continue to

process the Low Income Housing Tax Credit applications. Since allocations of these credits are issued on a per capita basis, the states affected by Katrina may also need additional credits to fill the demand. Some projects were ready to proceed with development but seem to now be on hold; it is imperative that they proceed immediately, as this housing is desperately needed. In sum, any intermediate and long term strategy calls for enhancing our housing efforts because our existing housing infrastructure was in the process of slowly being dismantled. The reality is that housing is an essential, basic need. We must re-focus our efforts to provide this basic need.

On the topic of intermediate housing, there is one final important point that needs to be stated. People from the South will want to return to the South. That is their home, and where their roots are. In undertaking these worthwhile efforts to re-house the displaced victims of Katrina in emergency and intermediate housing, we should recognize this fact, and not attempt to move families who are unwilling to leave their home regions.

As for long term housing needs, we have to recognize that in this country we have a large class of people lacking decent affordable housing. These Americans are not only the homeless, aged and infirm (groups that remain a focus of federal housing efforts). A significant number of Americans are barely housed – people near minimum wage or on fixed incomes who are productive enough so that they do not show up in poverty statistics, but still live from one paycheck to the next. These folks live in less desirable neighborhoods, and while they often may be homeowners, they may lack basic insurance (such as flood insurance). The barely housed often cannot weather a storm – a figurative phrase that has become a literal one in Katrina's wake.

In my industry of rural housing, the longer term solutions were already slowly coming into focus. The Rural Housing Service ("RHS") at the USDA has submitted proposed legislation to revitalize the rural housing portfolio, and the housing industry has been working to provide suggestions in this endeavor. This process needs to be accelerated. In addition, Representatives Jim Ramstad and Ben Cardin have introduced legislation for exit tax relief. This legislation, H.R. 3715, was just introduced on September 8th. While this legislation is under the jurisdiction of the Ways and Means Committee, I would urge all members of this Committee to cosponsor it and also to push for expedited passage. Many apartment complex owners, such as Section 515 owners, are "locked-in" by exit tax liability, much of which was created by retroactive changes in the 1986 IRS tax code. Eliminating that impediment to sale and refinancing will help to refurbish housing stock and make it more available over the long term. While these are ongoing efforts, Hurricane Katrina has placed an added sense of urgency, and long-term solutions must be rigorously sought.

We must move beyond the consideration of emergency, intermediate and long term housing needs. In continuing this dialogue and the relief efforts, we must consider all of the factors that affect providing housing. Hurricane Katrina did not merely destroy residents' housing, but it also damaged their communities' physical and economic infrastructure. In the wake of the storm, higher energy costs will certainly make it more difficult to provide and manage housing for the evacuees. The Committee should also consider that the storm displaced much of the work force that would normally perform construction repair on the damaged properties, as well as construction on the new intermediate and long term housing. Higher gasoline prices will complicate work force issues further, and make fulfilling the housing needs

in the southeastern U.S. more difficult. As gasoline and travel costs for our work force escalate, they will play into higher construction costs. Already, the prices for construction materials such as dry wall and lumber are reported to be increasing in all areas of the country.

Finally, Hurricane Katrina diverted HUD and USDA resources that would otherwise be utilized in connection with ongoing housing developments. We must take the full picture into account in order to provide comprehensive housing solutions to those victims of Hurricane Katrina that so desperately need our assistance.

In conclusion, if any good is to come out of Katrina, then let the hurricane serve as a reminder that there is much work to do in this nation, and particularly in the Gulf Coast region, before we can say that we are providing decent housing for all Americans. We need to take this calamity and turn it into an opportunity to fix systematic problems created in our nation's housing programs because of budget costs and changing priorities. Within the housing industry, we have seen a renewed emphasis on homeownership, but homeownership is not a blanket solution for all citizens.

Communities need vibrant housing markets that offer choices to consumers with different incomes and different needs. We do need to strengthen homeownership, but we also need to provide deeper infrastructure for the elderly and others that may have special needs. We also need rental housing for persons not yet ready for homeownership, who need to move periodically, or who need to sell their home in exchange for financial liquidity and eldercare housing. We must renew the public-private partnership that combines public and private efforts and investment, a partnership that built much of the affordable housing in this country.

My thoughts go out to my friends, neighbors, and family that have suffered through the Katrina calamity. I know from years of successful affordable housing efforts, that with combined public and private efforts, we can address immediate needs while we begin to reinvest resources to build long term solutions.

Written Testimony of American Association of Homes and Services for the Aging (AAHSA)

House Financial Services Committee
"Emergency Housing Needs in the Aftermath of Hurricane Katrina"
September 15, 2005

Michelle Norris, Senior Vice President of Development
National Church Residences

Introduction

My name is Michelle Norris, and I am here on behalf of the members of the American Association of Homes and Services for the Aging (AAHSA). AAHSA serves two million people every day, in 5,600 facilities across the country, through mission-driven, not-for-profit organizations dedicated to providing the services people need, when they need them, in the place they call home. AAHSA members offer the continuum of aging services: assisted living residences, continuing care retirement communities, nursing homes, home and community-based service programs, and senior housing. AAHSA's commitment is to create the future of aging services through quality that people can trust. Our member facilities along the continuum have been impacted by hurricane Katrina and the severe flooding.

I am the Senior Vice President of Development for National Church Residences (NCR), one of the nation's largest nonprofit sponsors and managers of affordable housing for seniors, including more than 14,000 federally assisted housing units, at more than 225 communities, throughout 25 states. In addition to building affordable housing throughout the United States, NCR has a nationally recognized social services program and serves a mission of supportive housing, promoting the dignity of seniors as they age. We have service coordinators in almost all of our facilities funded by federal and private grants.

Summary of Damage and Scope of Recovery

I would like to start by saying that NCR feels very blessed that our facilities in the affected area are still standing and most of our residents are still able to live in their apartments. However, our largest facility in Louisiana is located less than 1 mile from the New Orleans airport in

Kenner, Louisiana. We now have 280 residents scattered all over the country and several staff that are still missing. All that being said, NCR feels very lucky that our building is still standing and flooding did not occur in this region. We expect that we will be able to move our residents back to the building within 30-90 days. We know others are not so lucky and that this is not true for so many seniors in the affected area. HUD estimates that there are about 15,500 housing units for seniors in the Gulf region.

AAHSA and NCR launched a Senior Housing Hotline, (800) 401-3340, to help displaced seniors find housing and we have been flooded with calls. Low-income seniors and family members can call around the clock to be connected to housing resource professionals trained to evaluate and locate available affordable senior housing communities nationwide. Through the hotline we have helped 15 families so far find temporary and permanent housing. Our first call was from a shelter housing 1,400 people in Houma, La. The shelter is entirely staffed by volunteers and needed help relocating these evacuees. Dan Fagan and Matt Fullen from NCR went immediately to Louisiana and found 100 seniors hopeful that they can return to their homes. Our challenge now is to help them assess the likelihood they can return home and to help with temporary or permanent placement as appropriate.

It is clear is that there must be better coordination among providers, FEMA, HUD and state and local agencies at disaster sites. Through our NCR family and a number of AAHSA affiliates and members, we are in a position to address the relocation of seniors and frail elderly to placements with the skill and ability to handle their needs. The hotline and an inventory of units that are available is only a drop in the bucket.

For others to be able to provide assistance to the displaced seniors of the Gulf region there are short-term, intermediate and long-term requirements that needs to be met. Some are administrative and simple to implement. Others are more complicated and will require significant infusions of federal dollars. We have outlined the short-term and long-term needs of those working in the senior housing field. Short-term needs are immediate and should be executed

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within the next three months. Long term needs are essential to full recovery and should be once immediate needs are undertaken.

Short-term Needs

There are several immediate short-term, housing related needs that seniors have including the following:

1. **Better Federal Coordination of Housing Relief**

   AAHSA recommends that a point person with staff be assigned the task of coordinating the federal relief efforts related to housing. As AAHSA members watch the post-hurricane efforts unfold, several providers sent staff to the disaster areas and evacuation sites, in an attempt to locate residents and relocate to our other sites, or those of other AAHSA member facilities. The scale of the disaster, confusion and lack of coordinated efforts left providers trying to get the staff from federal agencies to assist them in finding residents. With lists of missing residents, providers were left to wander evacuation sites without help from FEMA, HUD or the Red Cross. A federal coordinator would be able to facilitate a procedure between FEMA and HUD or RHS, by which evacuees and providers could work to identify residents and re-house seniors from damaged facilities to other sites. Perhaps the Joint Center in Baton Rouge will do that, but there is scarce evidence that is working yet.

   However, let me also take the opportunity to thank HUD for the guidance they have provided thus far. Their clarification of Notice 04-22 is critical to permitting Section 202 providers to accept evacuees. We also appreciate the waiver of the public services cap of 15% in the CDBG program. It will make providing services too Katrina victims much easier.

2. **Fund and Release Emergency Repair Grants**

Congress has authorized HUD to use a portion of its funds under the Section 202 Supportive Housing for the Elderly's Assisted Living Conversion Program for Emergency Repair Grants. A special allocation of emergency capital repair funds should be made available for the properties in disaster regions on an expedited time table. They must be made available to housing providers as soon as possible. There are properties that could be restored and made available for residents to return to home in a shorter time frame. Furthermore, Emergency Repair Grants must be made available to reimburse providers for deductibles, regardless of when the deductibles were paid. Last year when HUD released the grants for providers in Florida after the hurricanes struck, the grants were not available to reimburse the property for deductibles paid. This left properties with limited reserves and hampered ongoing capital work needed and programming for residents. There is a chance to provide funds quickly without providers tapping reserves and making repairs for which they will not be reimbursed.

3. **Additional Guidance for Relocating Project Based Section 8 Contracts**

Under HUD Notice 04-22, "Disaster Recovery Guidance by Multifamily Housing After a Presidentially-Declared Disaster", owners with Project Based Section 8 contracts whose properties are rendered uninhabitable are permitted to lease units elsewhere on behalf of displaced residents and receive payment under the Section 8 contract. This is an important provision for those seniors traumatized by relocation. The ability to place them in stable housing until they can return to their homes will limit the psychological effects of being evacuated and give them a location at which to receive the supportive services they need. HUD has released no further guidance on how providers should go about exercising this option. For example, it is not clear how owners should go about vouchering for multiple units which are likely to be spread among various buildings and leases. It is unlikely that whole contracts will be transferred. Rather, providers will be able to lease five units here, 10 units there, and so on. HUD must provide guidance in short order to get residents placed as soon as possible.

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4. Hold Project Based Section 8 Contracts in Abeyance

As I mentioned in the previous recommendation, damaged properties are, in theory, permitted to transfer Project Based Section 8 contracts in whole, or in part, to other units. HUD must also hold those contracts that are not being fully utilized for displaced persons in abeyance until the properties are repaired, residents return and the full contract is needed to operate the facility. We are concerned that in the too frequent trend to rescind HUD funds, funds that are needed and/or obligated to a particular contract will be "swept" because the balance suggests that the money is "unused" and "unneeded". This internal communication glitch already results in countless hours of work with providers and HUD staff to identify the missing funds and the get money returned to the contract to maintain operation of the facility. Often this takes months and many providers are unable to meet their operations costs until the problem is resolved. We urge HUD to identify the affected properties with Project Based Section 8 contracts, hold them in abeyance and protect funds until the properties are restored and operational needs are met. Where properties cannot be rebuilt, HUD should allow these contracts to be reassigned to other buildings.

5. Emergency Housing Vouchers Need to be Issued

Approximately 50,000 emergency vouchers are needed to provide temporary housing for evacuees or $3.5 billion in emergency vouchers. The Housing Authority of New Orleans (HANO) alone has 8,700 of Section 8 vouchers in use. They are easily transferred to other locations. Families and seniors in owner occupied housing and other locations, like tax credit multifamily properties, will now need housing vouchers until they can return home. Emergency vouchers should be in the locations where they have moved. A portion of these vouchers should be allocated as project based vouchers to unsubsidized sites or REO or HUD held properties that are accepting or have accepted evacuees. In addition, we recommend that these vouchers be distributed by a mobile unit to reach special needs populations, including the elderly and disabled.

For the new vouchers we recommend that the following requirements of the voucher program be suspended:

- Income/employment verification. HUD and PHAs can easily verify the status of current subsidy recipients through their PIC or TRACs system.

- Tenant rent contributions (including the minimum rent contribution). Many families will not be receiving any income for some time. Congress should waive the tenant rent contribution for three months or until the families or elderly receive their social security, welfare payments, or employment checks.
- Waiting list rules: Obviously any federally declared disaster victims should be placed at the head of any waiting lists without violating any rules.
- Voucher payment standard ceiling. PHAs should have the ability to raise their payment standards to up to 140 percent of FMR for victims of Hurricane Katrina without HUD permission.
- Initial inspection criteria. PHAs or HUD can inspect the units after move-in.
- Section 8 model lease requirements for project-based Section 8. The need to waive the income, employment, etc. will necessitate a special lease addendum to protect owners and HUD from fraudulent or ineligible applicants discovered subsequent to lease-up.
- One year lease requirements. Owners should be able to lease units on a month by month basis to enable residents to return to their original homes when applicable or move to other permanent housing.
- Translation (Limited English Proficiency-LEP requirements). Suspend any requirements to translate leases and other documents to avoid delays. Providers can work with volunteers to ensure that verbal translation occurs where necessary.

6. **Waiver Requirements for Transfer of REO Property**

At this time HUD owns multi-family properties or holds the mortgages of properties of every stripe throughout the country – their REO and HUD held properties. The process

for buying or transferring these properties is complicated and time consuming. And often the properties or the mortgages are sold in bulk to large investors rather than to individual providers. These properties could and should be a resource for housing for families and seniors displaced by Hurricane Katrina. HUD should immediately take steps to get these properties into the hands of new owners, preferably non-profits, who will provide housing to displaced residents. If provisions of the Multifamily Housing Property Disposition Act of 1994 legislation which establishes policies and procedures for REO and foreclosed properties have to be suspended in order to quickly place properties in the hands of those willing and able to provide housing for evacuees, then Congress should suspend the Act. As well, a portion of the new voucher assistance should be available as project based assistance in order to preserve affordable housing if the evacuees return home. If nothing else this crisis has dramatically demonstrated the shortage of affordable housing. Transferring REO or HUD held properties through streamlined and expedited transfers can be both a short-term and long term solution to the natural disaster victims and to the Nation's affordable housing crisis.

7. **Maintain Service Coordination Funding and Expand Work Field**

Those from destroyed facilities need to maintain grants and authorization to serve seniors where they've been moved. The HUD Service Coordinator provides staff to assist seniors and the disabled in housing sites. The primary function of a service coordinator is to work with local service delivery systems, identify and provide resource information, build relationships with programs and assist seniors through the labyrinth of regulations attributable to a multitude of government agencies. Seniors typically do not know who supplies which services or how to go about applying for them. We urge Congress to allocate emergency funding to provide temporary, emergency, one-year service coordination grants, in addition to the existing grant programs, to help displaced seniors and other special needs populations navigate the various programs and assistance available to them. Furthermore HUD must maintain funding for those service coordinators working

in facilities affected by the disaster and waive certain restrictions, allowing them to work outside of the facility to help relocated residents or other victims in their area.

8. **Distribute FEMA Housing Vouchers Certificates**

Seniors, families and those providers working in the affected areas are unable to find out where and when these vouchers will be made available. We urge you to publicize and distribute to those in need immediately. The agency distributing certificates or vouchers should consider mobile distribution plans to reach seniors and the disabled who may not be able to come to distribution sites or wait in long lines.

HUD field offices are instructing providers with vacant subsidized Section 8 units that evacuees must have FEMA certificates or vouchers as the subsidy, not Section 8. We can only assume that HUD does not want to pay out Section 8 dollars to temporary residents; so it is even more critical that FEMA housing assistance be more widely available.

Long Term Needs

1. **HOME and CDBG**

As you know, HOME and CDBG funds have long been a source of funding for home repairs, especially for seniors with little disposable income, and modernization of multifamily housing. AAHSA members have often secured funding from HOME and CDBG grantees for accessibility improvements, for upgrading bathrooms and kitchens, and for improving walkways and sidewalks in older Section 202 communities. And HOME and CDBG funds have frequently been used for gap financing for new Section 202 developments. However, both HOME and CDBG require that funds be spent only after public hearings and submissions of action plans specifying the projects that will be undertaken with a specific year's funding. We would recommend that the requirement for public hearings and action plans be suspended in communities impacted by the disaster. We also would recommend that, in the short term, income limits be lifted, although

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priority should be given to those families and seniors who are very low and low income. HOME and CDBG funds will be invaluable to those communities that were not as severely impacted as New Orleans, Gulfport, and Biloxi.

In the longer term, we recommend that new HOME and CDBG funds be appropriated to the communities and the states that are directly impacted by the Hurricane and to those communities and states impacted by evacuees whether or not they have been declared as emergency disaster areas. The communities that have been so generous in their assistance to those displaced should not be penalized by their decisions to accept the victims of Hurricane Katrina. Funds that receiving communities are spending now should be replenished.

In general, Congress should grants HUD and RHS the authority to waive any statutory requirements that may impede providing assistance to Katrina victims, assuming such waivers do not violate fair housing laws.

2. Fund Additional Affordable Housing

The nation's ongoing affordable housing crisis will be exacerbated as a result of the disaster. Seniors on fixed incomes, low-income workers, underinsured and uninsured homeowners and the newly unemployed will continue to flow into communities throughout the country. Most of these communities are already struggling to meet the affordable housing needs of existing populations. From teachers to nursing assistants the housing "boom" has led to an escalation of housing costs that has left many behind. We must address the national affordable housing crisis now with a comprehensive national plan. Integral in any attempt to assure people are living in safe, decent housing is the development of additional affordable housing units. Congress has an opportunity as you consider the GSE reform legislation to create a new affordable housing program. This Affordable Housing Fund could be instrumental in building new housing for home ownership, multifamily rental and home modification for low to moderate income households.

3. **Plan for Increased Subsidy Due to Increased Energy Costs**

I can tell you that rising energy costs are a constant concern in affordable housing. We all experienced the short term effects of increased energy costs following the disaster and are already getting warning that winter utility costs will be significantly higher. The effects of hurricane Katrina will extend to providers, not only in the disaster areas, but throughout the country. This will require providers to request higher rent subsidy increases through HUD, and for those residents that pay their own utilities, state and local energy assistance programs will have to pay a higher assistance amount. Congress and HUD must prepare for this increase to affect the provider operation costs throughout the U.S. Everything from resident transportation vehicles to increased costs for master metered facilities and utility allowances will require budget increases to operate and maintain facilities and equipment across the country.

Conclusion

Thank you for holding this hearing. It demonstrates your commitment to serving those victims devastated by the hurricane and those of us in the non-profit and faith-based community that have built our mission around serving them. Please remember that the challenges faced by NCR and other AAHSA members are being felt by so many other owners and residents. Providers with facilities funded under other HUD programs and Low-Income Housing Tax Credit program are also struggling with the concerns and problems that we have outlined here. Among hurricane Katrina's victims are tens of thousands of low and moderate income families, including the working poor, who may not have benefited from federal housing programs before but will now need assistance to find safe, decent, stable housing for both the short and long term.

In conclusion, you asked me to address whether providers will be impacted by construction costs. With regard to construction, NCR has already been alerted by a number of general contractors that they are having problems maintaining their prices due to an already strained, anxious market. In the disaster areas this will impact everything from major rebuilding

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projects to new construction to finding HVAC service. Materials and labor will be in high demand and construction companies will reflect that in their costs.

Again, thank you and I urge you to implement AAHSA's recommendations and those of others that will help return a sense of normalcy to those who have suffered so much in the last three weeks. Congress must work with providers, their staffs, residents and local authorities to meet the immediate priority of housing victims and the extended goal of bringing them home.

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WRITTEN TESTIMONY OF THE MANUFACTURED HOUSING INSTITUTE AND THE MANUFACTURED HOUSING ASSOCIATION FOR REGULATORY REFORM BEFORE THE U. S. HOUSE OF REPRESENTATIVES SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

Presented By:
David Roberson
President, Cavalier Homes, Inc.

Rayburn House Office Building
September 15, 2005

Chairman Ney and distinguished members of the Subcommittee, my name is David Roberson and I am the President and Chief Executive Officer of Cavalier Homes Inc. located in Addison, Alabama. Cavalier Homes is a producer of manufactured homes which primarily serves the entire southeastern United States. I am here today representing both the Manufactured Housing Institute (MHI) and the Manufactured Housing Association for Regulatory Reform (MHARR). Collectively, MHI and MHARR represent virtually all producers of manufactured housing in the United States today. MHI also represents other segments of the industry, including: retailers; suppliers; community owners; state associations, lenders and insurance companies. It is with a profound recognition of the seriousness of the issue at hand that I appear before you today to discuss the industry's response to the devastation caused by Hurricane Katrina in the Gulf region.

Ever since Katrina made landfall, MHI and MHARR have facilitated direct and ongoing contact between our members – the nation's best source of emergency housing – and the federal government, including Congress, the Department of Homeland Security, FEMA and HUD. During this period, we have communicated the latest information to our members regarding the need for immediate emergency housing for hurricane victims. As a result, we understand that thousands of single section homes have been – or are in the process of being -- transported to the affected areas in Louisiana, Alabama, and Mississippi. Fortunately, this quick response has itself been facilitated by the fact that a large portion of the manufactured housing industry's production infrastructure is located in the perimeter of the Gulf region. Alabama, Texas, Tennessee, Georgia and other southern states have both manufactured housing production facilities and retail centers with much needed capacity and the readiness to help respond to this national disaster.

Nobody could have imagined the enormous scope of the devastation wrought by Katrina in the Gulf region. The industry believes that under extremely trying conditions, FEMA is trying to do everything it can to bring temporary emergency housing to the tens of thousands of displaced citizens victimized by this natural disaster. The task at hand is indeed overwhelming in both size and scale. With this in mind, the suggestions made below are offered in the spirit of "lessons learned" resulting from the enormity of this catastrophe.

Below I will briefly outline the industry's extensive experience in providing – through FEMA – emergency temporary housing to the Gulf region, as well as the industry's suggestions for long-term permanent housing in this area.

Temporary Relief Housing

On August 29th, the manufactured housing industry estimated that it had an available inventory of approximately 7,000 single-section homes located on retail sales centers in the southeast. In addition, the industry calculates that there are approximately 3,000 single-sections, late model homes in good condition available for immediate sale and delivery to the area. Similarly, the industry estimates that within the next three months, it could build and deliver 15,000 - 20,000 homes constructed to FEMA's specifications. Therefore, manufactured housing could contribute between 25,000 and 30,000 homes to families displaced by Katrina before the first of next year.

After January 1st, it is anticipated that the region will require additional emergency housing and the manufactured housing industry is capable of delivering homes at a rate of 10,000 – 15,000 per quarter depending upon need, availability, and other factors. Looking beyond the region's immediate needs for shelter, the manufactured and modular housing industry is fully prepared and qualified to build permanent replacement homes for the people of New Orleans and the impacted area.

Based upon available information, soon after the hurricane struck the industry contacted FEMA to ascertain the government's immediate needs relating to emergency temporary housing for displaced individuals in the affected area. FEMA's response was that it first wanted an inventory of existing single-section manufactured homes that were immediately available. FEMA also requested home specifications, including: VIN numbers; home dimensions; number of bedrooms and bathrooms; etc. of every available home. FEMA indicated that for logistical and other reasons, it wanted to focus initially on those manufacturers and retailers with sizable numbers of homes that can be transported immediately. We communicated this request to our members and provided them with fax numbers to FEMA and to HUD where they could send this information. The industry's response was immediate. As a result of this effort, several manufacturers and retailers have entered into contracts with FEMA for the shipment of thousands of homes into the affected areas. FEMA also sent a request to every state transportation agency asking them to waive enforcement of state transportation regulations for oversized loads for up to 90 days, subject to renewal.

Once homes were identified, questions immediately arose regarding the placement of these homes in the affected area. Wind zone II & III, under HUD's standards for manufactured homes, lies primarily in coastal regions and homes sited there must be constructed pursuant to stringent wind resistance criteria. Conversely, wind zone I areas are regions that are far less susceptible to dangerous wind events such as hurricanes, floods, and tornados. Accordingly, the construction standards for wind zone I homes are less stringent than wind zone III homes as they relate to wind resistance. When Katrina struck, the inventory of existing homes in the affected areas consisted primarily of wind zone I homes. The question arose whether state agencies and HUD would allow the placement of these homes in wind zone II & III on an emergency-temporary basis. If this were to be allowed, it raises the issue of liability for the manufacturers that constructed these homes, should a subsequent wind event harm the inhabitants. It also raises liability questions for installers who install, in wind zone II & III, a home which was constructed to be installed in wind zone I. Recognizing the immediate need for emergency housing, FEMA and DHS should temporarily waive the wind zone restrictions, HUD should not enforce the wind regulations for these temporary homes and the government should protect the manufacturers and contractors from potential liability claims.

The process for procuring and transporting existing homes could have been much smoother if FEMA had developed, in advance, a complete list of specifications for existing homes it would purchase in the event of a natural disaster. The lack of pre-existing specifications put manufacturers and retailers in the unfavorable position of having to speculate whether or not homes descriptions sent to FEMA would be acceptable. Manufacturers and retailers also reported that destination areas (staging areas) for the homes need to identified and communicated on a timely basis. This information is key in working with the transportation companies that actually

move the homes. This lack of information also complicates the bidding process in that the transportation costs cannot be determined without destination information.

After the initial word went out from FEMA for the purchase of existing inventory, the industry inquired about the government's need for the production of new homes. FEMA had a "rugged spec" which it used in responding to last summer's Florida hurricanes. This rugged spec is very costly and time consuming to build. In some cases, the specification requires materials that are not readily available and not industry standard. The industry worked with FEMA to develop specifications that could be built by every manufacturer – quickly and at a reasonable cost to the government. Once FEMA finalized its specification sheet for the purchase of newly constructed manufactured homes, it gave industry manufacturers only one day to submit bids. This is simply not enough time to prepare responsive bids of this magnitude to the government. In addition, FEMA specified that the homes must be built and delivered within six weeks. Since, in most cases, site preparations for the installation of the homes takes more than six weeks, it would have been better to permit manufacturers to phase their production over three months. This time extension would have permitted more manufacturers and therefore, more competitive bids from the industry on the emergency homes.

In addition, and solely for the purpose of providing temporary relief housing, Congress, in cooperation with HUD and the states, should ensure that paperwork regulations and standards that would interfere with timely deployment of emergency housing – without providing specific benefits for emergency occupants – are waived. These could include the waiver of ADA requirements; certification and licensing requirements for installers; expedited installer training; transportation-related permits & waivers; and expedited labeling factory inspection and monitoring procedures, among others. While such requirements are appropriate for permanent housing, they are less important for temporary housing and slow the delivery of such homes when the need for emergency housing is so pressing. Clearly in a catastrophe situation such as presented by Hurricane Katrina with such a large population of displaced persons, some regulatory accommodation is essential and proper in the interest of timeliness. Such accommodation is also appropriate to even the playing field between manufactured housing and other types of relief housing.

In the near future, it is strongly recommended that FEMA and the industry partner together to develop home specifications and procurement procedures that expedite the contracting process and deliver high quality homes to FEMA at the industry's lowest, competitive price when the next disaster strikes. It would also be helpful if the industry were given more than one day to submit bids. The process for assembling a competitive yet realistic bid for the construction of thousands of homes for rapid delivery to a disaster area is by its very nature a difficult and potentially risky exercise. It would not be unreasonable to provide manufacturers at least two to three days to submit such bids to FEMA. FEMA and other purchasing agencies also need to obtain and implement more timely payment authorization for manufacturers and retailers providing homes. The transfer of such large quantities of inventory can create significant cash flow problems for suppliers outside of the immediate affected area if prompt payment is not assured and made.

In addition, the industry learned some lessons from last summer's Florida hurricanes which might be applied to Katrina and future natural disasters. In order to improve rapid response, it would be helpful if FEMA could pre-identify large temporary housing locations in areas susceptible to natural disasters well in advance of those disasters. These locations might include former military bases and other facilities which have the necessary infrastructure already in place so that homes can be immediately be sited and hooked-up to utilities upon their arrival.

Finally, many current trade policies and disputes increase the cost and slow down the delivery of such relief housing. In the housing industry, the U.S. has to import a large amount of softwood lumber due to cutting restrictions on federal lands and because of differences in tree species. On average, a price increase of $2,000 in a new house resulting from the U.S.-Canadian softwood lumber dispute eliminates 1% of American families from a chance to buy a new manufactured home as a result of current lumber tariffs. Similar difficulties hold true for tariffs on imported steel which are widely used in construction of manufactured homes. The U.S. government should drop tariffs on both the imported steel and lumber from Canada, especially now with the necessity to rebuild in the Gulf region of our country.

Permanent Recovery Housing

While manufactured housing has played a prominent role in recent years in providing relief housing to victims of natural disasters, it is also a significant resource for "recovery" housing as the affected area rebuilds its housing infrastructure. In addition to facilitating the use of manufactured homes for relief purposes, Congress should also explore and promote the utilization of manufactured homes for such longer range uses. In this arena, manufactured homes offer two distinct advantages. First, as with relief housing, the nation's manufactured housing producers, utilizing factory construction techniques, can produce large numbers of homes in a relatively short timeframe. This would speed the overall economic and social recovery of the affected area. This is especially important due to the lack of laborers and tradesmen available on the ground to construct other types of permanent housing in the affected areas. Second, such homes, like all manufactured homes, would provide a source of affordable homeownership for all of those persons displaced. Thus, lower and moderate-income persons in the affected area would have an easier time obtaining a home, as compared with remaining in a temporary shelter situation.

In order to facilitate such uses, Congress should not only address the short-term regulatory and liability issues noted above, but should also work with the housing GSEs which purchase manufactured home loans to ensure that such recovery uses are not hampered by unreasonably strict underwriting requirements. Indeed, a partnership needs to be developed as soon as possible between the FEMA, the GSEs, and the industry to develop a long-term plan for permanent manufactured housing for displaced persons from the Gulf coast region. In addition, Congress should consider and pass as soon as possible HR 2803, the "FHA Manufactured Housing Loan Modernization Act" introduced by Representatives Tom Feeney (R-FL) and Barney Frank (D-MA). This legislation will bring much needed modernization to the FHA title I insurance program for personal property loans, which are sought primarily by lower-income

families seeking to become homeowners. Congress should also work with HUD, the states and localities to remove unnecessary zoning barriers so that such recovery housing is not hampered by local "NIMBY"(Not In My Backyard)-type restrictions.

Beyond these immediate concerns lies the broader issue of the full and proper implementation of the Manufactured Housing Improvement Act of 2000. This statute was adopted five years ago in order to modernize the federal regulation of manufactured housing. This modernization was necessitated by the evolution of the industry and its product in the nearly thirty years since the enactment of the original federal manufactured housing Act in 1974. The legislation mandates important improvements to the federal manufactured regulatory program that will facilitate both the availability and utilization of truly affordable manufactured homes. It also empowers the federal government to overcome discriminatory and unreasonable local barriers to the placement of relief homes and manufactured homes in general. To date, however, the implementation of this legislation has lagged and it is important for Congress to make it clear to HUD that its full and proper implementation is important not only to the industry and its consumers in an everyday context, but also in the context of the industry's ability to respond to an emergency situation such as exists in the wake of Hurricane Katrina.

CONCLUSION

Hurricane Katrina presented all levels of government with an unprecedented demand for human services, including huge quantities of ready housing. The industry has met demands for relief housing in the past and stands ready to assist in the present emergency. It will be necessary, however, for government and industry to cooperate on an equally unprecedented level if this demand is to be met in a competent and timely fashion. The foregoing points represent just some areas in which Congress, HUD and the states can work together to facilitate the provision of such housing. It will be important, however, for FEMA and other federal agencies to work directly with industry representatives in order to formulate plans and procedures that will be sufficient to meet a similarly catastrophic situation in the future.

THE NATIONAL ALLIANCE TO END HOMELESSNESS, INC.

Testimony of
NAN ROMAN
President
National Alliance to End Homelessness

before the

Subcommittee on Housing and Community Opportunity
of the
Committee on Financial Services
U.S. House of Representatives

September 15, 2005

Katrina Housing Relief

Thank you for inviting me to testify today on behalf of the Board of Directors of the National Alliance to End Homelessness. The Alliance is a bipartisan national policy, education and capacity-building organization. We do not provide services. Rather, over the past 20 years we have examined and assessed what individual programs, communities and the nation are doing about homelessness, and extracted lessons about how we can do better.

The disaster in New Orleans and on the Gulf Coast has created hundreds of thousands of homeless people. Some of these - the ones with resources and support networks - will relatively quickly find their own way back into housing, although not without displacement, substantial financial consequence, and tremendous personal anguish. Others, however, will need more help to get back into housing and on their feet.

Many of these new homeless people will look a great deal like the 750,000 people who were homeless across America every night before the hurricane hit: desperately poor, disproportionately minority, and often disabled with mental illness, substance abuse disorders and physical ailments including HIV/AIDS. For people living in precarious housing situations any crisis, as personal as a job loss or as far-reaching as a hurricane, can precipitate an experience of homelessness. Hurricane Katrina was a crisis of massive proportion, but those most affected by it are the same Americans whom any disaster, personal or natural, can send spiraling into homelessness.

The past two decades of work with homeless people and programs have taught us lessons that may help those trying to address the more localized crisis resulting from Hurricane

Katrina. I want to share with you some suggestions based upon these learnings, particularly with reference to meeting people's needs in the short- and mid-term.

- **First, get people out of shelter quickly.** The decision to send tens of thousands of people to shelters was a correct one in the short term, but it is good to hear that plans are underway to move them on to more permanent housing. It is amazing how rapidly the shelter system can institutionalize. Two decades of homelessness research have demonstrated that there are serious consequences to keeping people in shelter, motels, or any type of temporary housing for any length of time. In temporary housing, stress increases, children's performance in school deteriorates, treatment regimens fail, and it is difficult to gain or maintain employment. These negative consequences have high public costs to health care, education, child welfare, and law enforcement systems, to name a few, not to mention the human cost to individuals and families. Stable housing is necessary for people to succeed. For the very poor families and individuals most impacted by the hurricane, stable housing is essential. We must rapidly get those made homeless by the hurricane back into permanent housing.

- **Rent subsidies, if provided quickly, will result in housing stability for most households.** Based on what we have learned from the homeless data, we believe that the vast majority of people who lost their housing in Hurricane Katrina will likely be able to get themselves back into housing either on their own or with minimal assistance *if* they have access to temporary rent subsidies. FEMA, of course, has the authority to provide up to 18 months of rent subsidy at the fair market rent, and we strongly recommend that they do so quickly.

- **Some people will need more than rent subsidies.** Based upon what we know about those people who were unable to evacuate due to lack of resources, as well as what we know about the poverty rates in the area, we can estimate that between 200,000 and 250,000 newly homeless people are extremely poor.

  Of those who are extremely poor, most are likely to need not only a short term rent subsidy, but probably a longer term rent subsidy, as well as assistance finding and accessing housing. They also will need help linking to the services in the community (day care, medical treatment, etc.) that they will need to survive. The Housing First approach, developed to assist homeless people, provides a template for how to rapidly re-house these extremely poor, newly homeless households. Housing First requires the use of flexible resources to clear all barriers to housing including providing deposits, co-signing leases, clearing legal issues, etc., as well as case management to link people to services. Housing First or rapid-rehousing activities could be funded through grants to local nonprofits or city agencies that would provide the needed services.

- **25,000 – 50,000 (10-20% of the poor population) will need a more sophisticated combination of services and housing.** This is the percentage of these extremely poor people who are likely to have disabilities or other issues that affect their ability to remain stably housed. In the wake of Katrina these vulnerable people are

completely detached from the support networks, formal or informal, that helped them stay in housing. They will need not only a long term rent subsidy, but also on-going treatment and services linked to their housing.

Supportive housing, an extremely effective permanent solution to homelessness, is one approach that would work very well for most of these people. To make certain that accurate assessment and referral to appropriate housing and services are accomplished for this group, incentives or targeted funding for case management or specialized staff will be required.

It is important to point out that one of the key learnings from the homeless assistance system is that these harder to house and serve people tend to be the last to leave shelter and the most expensive to other public systems of care. We are already hearing anecdotal confirmation of this trend in Katrina shelters, where those with more resources are rapidly leaving for other housing, while those people with mental illness, serious stress disorders, untreated substance abuse disorders and physical disabilities remain. The national movement to end chronic homelessness seeks to remedy the mistake we made in the past by leaving these most vulnerable people to languish in the homeless shelter system. I hope that, by providing special attention and resources, we avoid the same mistake in the aftermath of Katrina.

- **In addition to rent subsidies, temporary housing will be needed in the area.** Reports are that all available housing in Louisiana, and probably in the Gulf area of Mississippi and Alabama, has been rented or purchased. Yet there are, as of today, nearly 50,000 people remaining in Katrina shelters in the affected area. Accordingly, permanent housing will have to be quickly created for these individuals. In addition to the mobile and trailer homes that have been proposed, we should investigate the possibility that there are available underused buildings that can be quickly retrofitted for residential purposes. While it is understandable that the need to provide housing quickly might compromise certain otherwise essential housing standards, all such housing must be decent and have basic facilities.

- **Information and connectivity matter.** In times of homelessness and displacement, families are separated, people lose their medications, children have no school records, and financial assistance cannot be received for lack of address. These are only some of the immediate problems faced by displaced people. Those who try to help them have another set of problems, such as determining how many units of temporary and permanent housing are needed, how many people are likely to return to the Gulf and New Orleans, who has a diagnosed disability, and where housing is available. It is typical, and altogether proper, that the heart should lead in addressing homelessness crises. Yet one hard lesson that we have learned over the past twenty years is that without good information and data, costs of assistance are high and outcomes are poor. An administrative data system that can continually keep up to date on people's location, needs and plans is essential, both to meet immediate needs and to plan for the future.

The federal government requires communities to institute homeless management information systems (HMIS) to help with both service delivery and community planning. Such systems allow basic information to be easily collected, shared and aggregated so that families can be reunited, appropriate assistance delivered and plans made. Just as importantly, these systems can provide real time information on housing, shelter and services availability. While there are several private sector firms that have developed software for these systems, the State of Louisiana has already adopted one web-based system state-wide which supports client management, and service and housing location. This system, or one like it, should be implemented nation-wide. There is not a moment to lose.

- **New resources are needed. We cannot help the newly homeless at the expense of those already homeless.** It is not surprising that communities across the nation, as they take in people made homeless by Hurricane Katrina, are turning to the resources that they already use to help those with housing crises. In the search for ways to help, communities are identifying existing shelter beds, publicly assisted rental units and supportive housing for the hurricane victims. This is as it should be. However, there are also poor and homeless people waiting desperately for these resources in nearly every American community. We cannot help the newly homeless at the expense of those who are already homeless or at risk. We must provide new resources to help the victims of Katrina. Where existing funds from programs such as CDBG, HOME, or McKinney-Vento have already been used, these funds must be reimbursed. The slowness of the federal response is making this situation more and more urgent.

- **Assistance must be inclusive.** We know from previous U.S. disasters that FEMA and private relief agency policy sometimes denies assistance to people affected including non-citizens, those not residing under a lease, those without an address, and so on. We urge those providing housing assistance to evacuees to be pro-active in establishing policies that provide decent, affordable, permanent housing to <u>all</u> of those affected by Hurricane Katrina.

Looking at the longer range picture, we offer some additional observations and recommendations.

- **Involvement of Gulf residents in the reconstruction.** Thousands of jobs will be created in the reconstruction process. A substantial percentage of these jobs should go to the residents of the region, particularly those who are most disadvantaged. There is tremendous potential to use these jobs to change the lives of those who were most affected by the hurricane.

- **Choice.** People displaced by the hurricane should have the choice to either remain in the community to which they relocated, or return to the affected region. Experience from other natural disasters indicates that most people will wish to return home, and this must be planned for.

- **Housing leadership.** Some central authority should be created to coordinate the national housing response to Katrina. FEMA, HUD, the IRS, RHS and other sources of housing funding should not be operating in an uncoordinated and independent fashion.

- **Involvement of stakeholders in planning.** The reconstruction of the area must include provision for housing and employment of all those who were forced to leave it, including poor and low income people. The best way to accomplish this is to involve poor and low income residents in the planning process. Further, stakeholders from the low income housing and homeless sectors in the region should also be involved.

- **Housing markets will be impacted.** In many ways, Hurricane Katrina is a housing crisis. Further, it will have an effect on a national housing market in which there is already a serious affordability crisis. The increased demand of Katrina evacuees for housing has already begun to drive up the cost of housing in nearby cities, and this exacerbation of the housing affordability crisis is likely to increase over time. It will be important to attend to the ripple effects of Katrina on the housing markets.

The victims of Hurricane Katrina all deserve our help and support to get back on their feet. Those who are most vulnerable because they are poor or disabled need additional help to avoid tragedy, as the whole world saw in the days following the hurricane. Surely, at a minimum, Hurricane Katrina must not be allowed to increase the number of poor and homeless people in our nation, long term.

But our goal can be more ambitious. Over the past twenty years, nonprofit providers and housing developers, working hand in hand with local, state and federal agencies, have acquired a tremendous body of knowledge and an impressive capacity both to meet people's short term needs and to build strong and vibrant communities for people of all incomes. We have a tremendous opportunity to put this learning and capacity to work in the massive task of rebuilding New Orleans and the Gulf area. Our goal should be for efficient and effective operations to get people quickly back on their feet. Our goal should be to create model urban, rural and small town environments in which the residents have job experience and employment opportunity, in which people live in mixed income communities that protect the needs of all residents, and in which all have decent and affordable housing. Given the will and the resources that will be directed to the region, we can and should set our sights on a response that embodies our highest aspirations and knowledge.

Testimony on
Emergency Housing Needs in the Aftermath of Hurricane Katrina
Before the
House Financial Services Committee
Subcommittee on Housing and Community Opportunity
by the
National Council of State Housing Agencies
September 15, 2005

Chairman Ney, Ranking Member Waters, and members of the Subcommittee, thank you for this opportunity to testify on behalf of the National Council of State Housing Agencies (NCSHA) on emergency housing needs in the aftermath of Hurricane Katrina. I am Barbara Thompson, NCSHA's executive director.

NCSHA represents the Housing Finance Agencies (HFAs) of the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Our HFA members include the Alabama Housing Finance Authority, the Florida Housing Finance Corporation, the Louisiana Housing Finance Agency, and the Mississippi Home Corporation.

State HFAs allocate the Low Income Housing Tax Credit (Housing Credit) and issue tax-exempt private activity housing bonds (Housing Bonds) to finance apartments for low-income renters and low-cost mortgages for lower-income first-time home buyers in nearly every state. They administer HOME Investment Partnerships (HOME) funding in 42 states to provide both homeownership and rental housing opportunities for low-income families. They also administer Section 8 vouchers, project-based Section 8 assistance, homeless assistance, housing counseling, and other federal housing programs in many states.

What Has Been Done

In my 16 years at NCSHA, I have never seen such an outpouring of concern and support as I have from the nation's HFAs in the wake of Katrina. After a disaster, HFAs in the affected states are always immediately and deeply involved in securing housing for displaced families, initially working side-by-side with FEMA and other first responders to arrange temporary shelter and later participating in the rebuilding of

housing. The same has been true with Katrina, with the Alabama, Florida, Louisiana, and Mississippi HFAs immediately mobilizing all available resources.

The difference in the case of Katrina has been the response of so many other states, when it became clear that thousands of displaced families would need to seek housing outside the hurricane-stricken states. State after state, some as far away as Maine and Utah, have offered to provide temporary and permanent housing to displaced families. Collectively, HFAs have registered and encouraged others to register thousands of housing units with FEMA. Many are already housing families.

HFA efforts have not stopped there. Many HFAs have volunteered to contribute staff, technical assistance, and other resources to the affected HFAs. Some have even offered to give up some of their own federal housing resources, which they so desperately need in their own states, to help meet the dire housing needs in Katrina-afflicted states.

We at NCSHA have tried to do our part. We immediately went to work with the HFAs to identify roadblocks in the way of their efforts. We focused first on regulatory barriers preventing the immediate housing of families in available Housing Credit, HOME, Section 8, and other federally assisted housing.

We asked the Internal Revenue Service and HUD for immediate relief from a myriad of income qualification, tenant certification, and occupancy rules. Many HFAs contributed ideas, some drawing on their own disaster recovery experience. The affected states backed our efforts with their own requests.

NCSHA did not act alone. Our housing industry partners—nonprofits, developers, builders, investors, syndicators, lenders, property managers, and others—weighed in with federal regulators, too.

The IRS responded, providing on September 9 official guidance allowing Housing Credit property owners all over the country to house families displaced by Katrina in vacant Housing Credit apartments regardless of their income and waiving non-transient use and other program rules for one year. With NCSHA's encouragement, the IRS is preparing additional relief to facilitate the development of new Housing Credit housing in the afflicted states.

HUD has taken steps, too, issuing a series of notices over the last two weeks to help get displaced families into available public and other HUD housing and relieve FHA-insured homeowners of the threat of foreclosure. Most recently, HUD has waived HOME rules to permit families easier access to HOME-assisted units.

NCSHA has also gone to Congress to secure program relief federal regulators do not have the authority to provide. We have asked this Subcommittee, for example, to allow displaced families to use emergency Section 8 vouchers without requiring the housing to be inspected before they move in or displaced families to live in it for at least a year. We have asked for similar relief under the HOME tenant-based assistance program, so it can respond quickly to the housing needs of displaced families. We have provided the Subcommittee staff our detailed proposals and appreciate their work with us.

What Still Needs to Be Done

Tearing down barriers to the use of existing housing resources is not enough. Available resources were woefully insufficient to meet the nation's affordable housing need before Katrina devastated the Gulf Coast. The Katrina recovery will tax them to the breaking point, and needy families all over the country will suffer.

States are not turning over housing to Katrina-displaced families because they have no need for it themselves. They are doing it because the needs of families left with nothing seem more urgent than the urgent needs of other families still waiting for housing. Many of the Housing Credit apartments states are making available, for example, were empty because they were just completed and about to house area low-income families. These are choices states should not have to make.

We urge Congress to provide more housing resources, not only to the afflicted states that need it most, but also to those that have sacrificed their own sorely needed resources to help them. We ask you to work with appropriators to provide immediate emergency voucher and HOME funding. In addition, we ask you to reexamine with appropriators your FY 2006 HUD funding recommendations, to take account of the long-term pressure the Katrina recovery and rebuilding effort will place on so many states.

We also ask that you do everything possible to get the FY 2006 HUD funding bill enacted and the HUD money it contains put to work on housing need as soon as possible. We cannot afford to wait the customary six or more months to get HOME and other program funding from HUD.

This is also the time to expedite enactment of pending legislation that would make new housing resources available. We especially urge you to work for House passage and final enactment of the GSE regulatory reform bill, which would establish a new affordable housing grant fund that would help meet short- and long-term affordable housing need nationwide.

NCSHA also asks Subcommittee members to communicate to your Ways and Means Committee colleagues the importance of additional Housing Bond and Housing Credit resources and program relief in the aftermath of Katrina. The Ways and Means Committee is preparing emergency tax legislation now and it is critical that it include housing resources.

We have asked Ways and Means members to provide increased Housing Bond and Credit authority and relief from the Alternative Minimum Tax; relaxation of Mortgage Revenue Bond (MRB) first-time homebuyer, purchase price, and income limits; and changes to Credit rules to facilitate development in very low-income and difficult-to-develop areas. Please let them know you support this relief.

In all of this, it is so important to recognize that rebuilding the housing infrastructure of the hurricane-stricken states will take years. A one-time emergency housing appropriation will not do the job. Years of additional money will be needed.

It is also important to understand that so many of those who lost their homes are the very poor, who we cannot reach with many of the housing resources available to us. Housing Credit apartments, for example, often will not be affordable to them without vouchers. Homeownership is simply out of reach. It is critical, therefore, that we have has many flexible tools at our disposal as possible, because it is only through combining tools like Housing Credits, HOME grants, and Section 8 assistance that we can reach them.

And, finally, though we hope never to face a natural disaster of the magnitude of Katrina again, we know future natural disasters are inevitable. We need to prepare for them now. We need to get permanent disaster regulatory and statutory relief on the books, so we lose no time in responding to the urgent housing and other human needs they so often leave behind.

Thank you for this opportunity to testify. NCSHA stands ready to assist you in any way we can.

Testimony of
David F. Wilson

On Behalf Of the
National Association of Home Builders

Before the
United States House Committee on Financial Services,
Subcommittee on Housing and Community Opportunity

"Emergency Housing Needs in the Aftermath of Hurricane Katrina"

September 15, 2005

Introduction

The 220,000 members of the National Association of Home Builders (NAHB) appreciate the opportunity to share our views on how to respond to the tragedy of Hurricane Katrina and address the emergency housing needs in its aftermath. Our heartfelt sympathies go out to the victims of the hurricane, we commend the heroic acts performed by thousands of rescue workers and pledge our support for what promises to be an unprecedented rebuilding effort along the Gulf Coast.

Members of the home building community, like so many around the country, feel the impacts of Katrina on a very personal level. By our estimate, more than 9,000 NAHB builder members have been displaced, lost their homes or businesses or have otherwise been affected by this tragedy. NAHB and its state and local associations are working as quickly as possible to get builders in the affected areas back on their feet so they can begin rebuilding in their communities.

The task of recovery and rebuilding is unprecedented with 1 million people homeless or displaced, 275,000 homes destroyed across the gulf coast and countless others severely damaged and widespread environmental damage, especially in New Orleans. Further, the impacts of the hurricane are being felt not only in the Louisiana, Mississippi and Alabama but also in the surrounding states that have taken in thousands of evacuees and must provide for their shelter and other needs.

This testimony focuses on three areas: the builder response to the crisis; discussion of the impacts of hurricane Katrina on home building and construction costs in the affected areas and recommendations for a federal response.

Builder Response

The building community has responded in several ways to the hurricane disaster. In an effort to reach out to our builders on the gulf coast, NAHB is placing radio, TV and print public service announcements (PSAs) in Texas, Louisiana and Mississippi asking for builders who have been economically disadvantaged or displaced to call a designated number so that NAHB's local affiliates can provide them with assistance to help get them back on their feet so they can begin rebuilding in their communities. In addition, NAHB is also placing consumer oriented PSAs warning about fly-by-night contractors who prey on disasters and what consumers need to know when choosing a builder.

State and local builder associations in the region are also helping to organize building material donations to be used in the rebuilding effort. Further, Low Income Housing Tax Credit (LIHTC) builder members in Texas organized a web site to connect available LIHTC units with hurricane evacuees in Houston. This effort resulted in more than 1,000 individuals and families securing affordable housing within the first two weeks after the Katrina disaster.

NAHB applauds those steps already taken by the Congress and the Administration to meet the housing needs of those affected by Katrina. Along these lines, we would respectfully ask the

Congress to make NAHB a partner in the government's "Housing Area Command" established for the gulf coast region. Ultimately, it is important that competitive, quality housing is rebuilt and that community character is restored to affected neighborhoods. Local builders have long been a part of their local community and it is essential that they be part of the rebuilding effort.

Impacts of Katrina on Construction Costs and Labor

I. Building Materials

The price and availability of materials was problematic even before the hurricane. Over the past two years, despite low overall rates of inflation, the cost of construction materials has increased sharply. The BLS Producer Price Index for materials used in residential construction, weighted by the quantities used in home building, increased by 15.8 percent from August 2003 to August 2005. Also, shortages of materials such as concrete products, roofing, and brick have delayed many construction projects and contributed to increases in other costs.

The largest component of the cost of materials in home building consists of framing lumber and wood panels (plywood and OSB). During the clean-up and repair phase of the recovery effort, the need for wood panels will be particularly great. As the recovery process moves from repair to rebuilding, the demand for framing lumber will grow.

Over the past several weeks, far more dramatic increases in materials costs have been reported. The national average wholesale price of wood panels has increased 37 percent since the end of August (with Southern pine plywood up by 50 percent), and national average framing lumber prices increased 14 percent. In the hurricane areas, the increases were much larger and shortages were widespread. Some of those increases may be partially reversed as production is restored at the facilities that were idled by the storm, and as panic buying dissipates, but the elevated need for materials will continue for several years.

Due to inadequate supplies of timber and inadequate production capacity in industries such as cement, the U.S. has had to rely on imports, especially for wood products and cement, in order to meet the demand for new housing. About one-fourth of our cement supply, 39 percent of our framing lumber, and 30 percent of wood panels are imported. However, exorbitant duties imposed on Canadian lumber and Mexican cement, as well as new duties on Brazilian plywood, have increased the cost of housing and led to shortages.

Demands from China and elsewhere for cement, and for the ships to transport cement, have contributed to widespread shortages. A report from the Portland Cement Association on June identified 23 states where shortages were reported, and the list has grown since then. Imports have come from countries such as Korea, Thailand, Greece, and Turkey. Shipping cement from there takes one to two months and involves high transportation costs. There is additional cement supply available from Mexico, only about 4 days away, but imports from Mexico are limited because of high duties.

While timber harvests from private forests are already at or beyond maximum sustainable yields, sales of timber from public lands were reduced by 87 percent from 1990 to 2004. Not only has

this raised housing costs and increased our reliance on imports, but it has increased the risk of catastrophic forest fires.

II. Labor

While skilled construction labor will continue to be needed throughout the reconstruction process, qualified labor will be especially critical during the repair phase, since repair work is relatively more labor-intensive than new construction. Even before the hurricane, builders were reporting labor shortages. An NAHB survey in July found more than 20 percent of builders in the South reporting a "serious" shortage of carpenters, and another third reporting "some" shortage. Regarding roofers, 15 percent of builders in the region reported a serious shortage and 35 percent reported some shortage.

Recommendations for Federal Response

I. Building Materials

To help alleviate shortages and price pressures in building materials, the following steps should be taken:

- Remove the Countervailing Duty (CVD) and Anti-Dumping (AD) tariffs on Canadian lumber. The duties on lumber from Canada have already been found inconsistent with U.S. law by unanimous bi-national NAFTA panels. NAHB is very concerned that the Administration has not implemented these rulings and is further concerned that a portion of the U.S. timber industry has filed a constitutional challenge to the very provisions of NAFTA that have paved the way for the duties to be removed. Eliminating these tariffs will help address the building material needs in the gulf coast region.

- Eliminate the duties on Brazilian plywood. As of July 1, plywood from Brazil was declared ineligible for Generalized System of Preferences (GSP) tariff-free treatment. Brazil is the largest foreign supplier of plywood to the U.S.

- Remove the AD tariffs on cement from Mexico. The duties have contributed to the widespread shortages disrupting public and private construction in many areas. Earlier this year, the governors of Florida, Texas, New Mexico, Idaho, Nevada, Utah, and South Dakota, as well as other public officials all wrote to the Commerce Department describing the cement supply problems and the adverse impact of these duties. NAHB supports eliminating these duties to address gulf coast redevelopment needs.

- Increase timber sales from Federal lands. Nearly half of all standing softwood saw timber in the U.S. (excluding timber in protected parks and wilderness areas) is on U.S. Forest Service and BLM land. Overly-complex regulations, inadequate authority from Congress, and changes in Federal forest policies have produced the near-elimination of Federal timber sales and harvests.

II. Government Housing Programs

The need to address the unprecedented damage left by Hurricane Katrina will require the federal government's attention for several years to come. While billions of dollars have already been appropriated to the Federal Emergency Management Agency (FEMA) to address the immediate needs for temporary shelter, food, clothing, medical care and initial debris removal and environmental clean-up, billions more will be required to repair, rehabilitate and construct infrastructure, housing and businesses. NAHB strongly urges Congress to ensure that the affected communities receive adequate funding for the following housing programs over the next several years to tackle the extremely difficult task of rebuilding for their futures.

US Department of Housing and Urban Development

Section 8 Housing Choice Voucher and Section 8 Project-based Programs

The Section 8 Housing Choice Voucher program provides tenant-based rental assistance to extremely low- and low-income households throughout the country, many of whom reside in the areas affected by Hurricane Katrina. The Section 8 program is the most important resource available immediately to ensure that displaced voucher holders, as well as others displaced by the hurricane, obtain housing quickly. The Section 8 project-based properties are important sources of affordable housing, which have millions of dollars of subsidies tied to them. This resource should not be lost. The following program requirements should be suspended or modified immediately:

- Preserve Section 8 project-based Housing Assistance Contracts (HAPs). A sizable number of privately owned properties with Section 8 project-based assistance, as well as public housing units, were destroyed or rendered uninhabitable by Hurricane Katrina. The funding for the housing subsidies has already been appropriated. Congress should ensure that Section 8 project-based HAP contracts on affected properties are frozen or suspended to prevent them from expiring while the properties are being rebuilt or rehabilitated and, if necessary, facilitate the transfer of such HAP contracts to other properties.

- Issue tenant-based vouchers to residents who lived in project-based projects that were destroyed or rendered uninhabitable. Residents who lived in affected properties with project-based assistance should be able to "convert" their rental assistance to vouchers.

- Prepare a special lease addendum to the Section 8 model lease for project-based Section 8. The need to waive the income, employment, etc., requirements will necessitate a special lease addendum to protect owners and HUD from fraudulent or ineligible applicants discovered subsequent to lease-up.

- Streamline portability of existing tenant-based vouchers. Recipients of Section 8 tenant-based vouchers who were displaced because of the hurricane should be able to quickly port those vouchers to other jurisdictions without the normal administrative procedures. Sufficient funding for housing agencies that accept the ported vouchers should be provided.

- Income/employment verification. HUD and public housing authorities (PHAs) can easily verify the status of current subsidy recipients through their PIC or TRACs system. This will assist owners who are trying to determine the status of displaced persons seeking units in their properties, and it will also help relieve the displaced persons from having to find and provide documentation on their status as a voucher holder.

- Waive tenant rent contributions (including the minimum rent contribution). Due to the large scale of destruction of businesses, many families will not be receiving any income for some time. Congress should waive the tenant rent contribution for three months or until the families or elderly receive their social security or unemployment checks or find new employment.

- Allow disaster victims to move to the top of waiting lists. Any victims in federally declared disaster areas or in areas that are receiving a significant influx of victims should be placed at the head of public housing authority (PHA) waiting lists without violating any rules.

- Increase voucher payment standard ceiling. PHAs should have the ability to raise their payment standards to up to 140 percent of Fair Market Rents (FMRs) for victims of Hurricane Katrina without prior HUD permission.

- Delay initial unit inspection. Allow PHAs or HUD to inspect the units after move-in. Currently, units must be inspected prior to move-ins, and it often takes 30 days or longer to schedule an inspection. Delaying unit inspections will enable disaster victims to obtain their housing much more quickly.

- Suspend one-year lease requirements. Owners should be able to lease units on a month-by-month basis to enable residents to return to their original homes when possible or move to other permanent housing.

- Suspend translation (Limited English Proficiency/LEP) requirements. Suspend any requirements to translate leases and other documents to avoid delays. Providers can work with volunteers to ensure that verbal translation occurs where necessary.

- FMRs in the areas damaged by Hurricane Katrina, as well as in the areas receiving displaced residents, should not be allowed to decline in FY 2006. In both types of areas, rental markets will be impacted severely. In areas where the damage occurred, many rental units will need to be replaced by new construction. Current FMRs, which are based on existing units and explicitly exclude rents on units less than two years old, will typically be lower than the rents for these newer units. In areas receiving displaced residents, the increase in demand will clearly place strong upward pressure on rents.

  The FMRs proposed for FY 2006 by HUD show declines for many areas for a variety of reasons. These include the adoption of a new system for classifying metropolitan areas and defining their boundaries, results from random digit dialing surveys, and the decision to reduce FMRs from the 50th to the 40th percentile in some areas based on criteria published in an interim rule in 2000. These proposed FMRs were published before Hurricane Katrina

struck and are based on data that was collected well before the Hurricane. As a result, they do not reflect the impacts of the damage and dislocation in the impacted areas. Therefore, at the very least, FMRs should not be allowed to decline in FY 2006, irrespective of how they were previously calculated on the proposed list, in Alabama, Louisiana, Mississippi, Texas, or any other state that has accepted or agreed to accept a substantial number of displaced residents.

The HOME Program

The HOME program has become critical to the financial feasibility of thousands of affordable housing developments, particularly for those projects with Low Income Housing Tax Credits (LIHTCs). The following recommendations will help ensure that the victims of Hurricane Katrina are not inadvertently prohibited from residing in affordable housing developments that contain multiple sources of financing from various government programs because of different requirements. In addition, these recommendations will help speed the development of new affordable housing when such activities can get underway. These recommendations should apply to all federally declared disaster areas related to Hurricane Katrina, as well as to the geographic areas that receive a significant influx of victims.

- In LIHTC projects that also have HOME funds, apply the same relief as contained in IRS Notice 2005-69 which temporarily suspends income limits for displaced disaster victims. The IRS Notice indicates that state housing finance agencies shall determine the appropriate period of temporary housing for each project, not to go beyond September 30, 2006.

- Suspend HOME program income limits for the remainder of FY 2005, as well as for FYs 2006 and 2007 for all program activities. This action would help affected communities address both immediate and longer-term housing needs, especially since it may take many months before permanent housing construction can begin. HOME funds will be needed to help finance the new construction and rehabilitation that will be necessary to rebuild the affected communities.

- Suspend, on a temporary basis, the statutory requirement that owners of HOME-assisted rental projects must adopt written tenant selection criteria. Without this waiver authority, HUD must continue to require owners to revise their written tenant selection criteria and review and approve the revised criteria before owners can admit any hurricane victims on a priority basis. Owners could be required to submit their revised criteria within 30 or 60 days after accepting their first victims to ensure that victims are not turned away due to administrative rules.

- Eliminate the matching funds requirement for the HOME program for FYs 2006 and 2007. HUD has the authority to waive the statutory matching funds requirement and should do so without waiting for the affected areas to request such a waiver.

- Expedite all waiver requests from affected communities. HUD should be as flexible as possible in granting waiver requests and should grant such waivers as quickly as possible.

- Enforce all Fair Housing and nondiscrimination requirements. In addition, as provided in IRS Notice 2005-69 for LIHTC projects, existing tenants in occupied HUD-assisted units must not be evicted or have their tenancy terminated as a result of efforts to provide temporary housing for displaced individuals.

The Community Development Block Grant (CDBG) Program

In using CDBG funds, entitlement communities must ensure that the expenditure of funds meets one of three national objectives: (1) benefit low- and moderate-income households; (2) prevent or eliminate slums or blight; or (3) meet other urgent community development needs. To ensure that CDBG funds can be used effectively and quickly to address the needs resulting from Hurricane Katrina, NAHB recommends the following:

- Provide that CDBG funds used in affected areas related to Hurricane Katrina for any purposes, including housing construction and rehabilitation, meet the national objective of "meeting other urgent community development needs." This simple step would help eliminate the red tape involved in approving waiver requests, providing the entitlement communities the flexibility to use CDBG funding to address the wide range of needs associated with disaster relief and rebuilding.

- Automatically allow new construction of housing as an eligible use of CDBG funds without waiting for the affected entitlement community or state to request such a waiver. Current law prohibits the use of CDBG for new housing construction unless it is being developed and built by certain community development housing corporations. This waiver will speed new construction activities by the private sector, as well as by other non-profits who are not certified housing community development corporations.

- Suspend CDBG program income limits for the remainder of FY 2005, as well as for FYs 2006 and 2007 in the affected areas. This action would help affected communities address both immediate and longer-term needs.

- Expedite all CDBG waiver requests from affected communities. HUD should be as flexible as possible in granting waiver requests and should grant such waivers as quickly as possible. As stated above, HUD should continue to enforce all Fair Housing and nondiscrimination requirements.

The Section 108 Loan Guarantee Program

The Section 108 Loan Guarantee program has been an effective community development tool for many years. CDBG entitlement communities may provide loan guarantees to private entities for up to five times their CDBG allocation on an annual basis. The loan guarantees may be used to finance acquisition of real property, including related public improvements, clearance and relocation; housing rehabilitation, public facilities and economic development. The loan guarantees must be used in accordance with all of the requirements that apply to the CDBG program. Currently, HUD does not have the authority to waive statutory requirements for the Section 108 Loan Guarantee program.

- Waive the same statutory and regulatory provisions allowed for the CDBG program for the Section 108 Loan Guarantee program. Such authority would greatly facilitate the use of the Section 108 Loan Guarantee program in the affected communities. Without the same waivers, the financing of redevelopment activities will be needlessly impeded.

FHA Multifamily Mortgage Insurance Programs

The FHA multifamily mortgage insurance programs have been critical sources of financing for affordable rental housing, especially in recent years which saw all records broken for the volume of loans approved. The Section 221(d) (4) program, which provides mortgage insurance on loans to private developers and builders, has been especially successful since Congress authorized several important improvements to the program. NAHB recommends that Congress consider the following recommendations, which would help facilitate the development of new multifamily rental housing in the affected communities.

- Increase the statutory mortgage loan limits in affected areas by up to 140 percent without prior HUD approval. Currently, the HUD Secretary must approve, on a project-by-project basis, an increase of the mortgage loan limits up to that level.

- Increase the commitment authority for the General Insurance/Special Risk Insurance (GI/SRI) Fund if so warranted as a result of increased demand for FHA multifamily mortgage insurance in the affected areas. The Administration has requested a commitment level of $35 billion for FY 2006, which is probably sufficient, although an increase may be needed for FY 2007.

FHA Single Family Mortgage Insurance Programs

Since its creation in 1934, the Federal Housing Administration (FHA), which operates as part of the U.S. Department of Housing and Urban Development (HUD), has been an innovator in insuring mortgage loan products that serve families that are either not served or underserved by the private market.

- Enact the Zero Downpayment legislation currently before Congress. A bipartisan bill, the "Zero Downpayment Act of 2005" (H.R. 3043), was introduced in the House of Representatives earlier this year and a hearing for this bill was held on June 30. This bill would authorize the HUD Secretary insure zero downpayment mortgage loans for one-to-three unit residences provided that the borrower occupies one of the units. Currently, FHA requires most buyers to make a 3 percent minimum cash contribution to the downpayment and closing costs under its 203(b) program. H.R. 3043 would eliminate this requirement on a pilot basis, up to 50,000 loans. Homebuyer counseling would be required for all borrowers in the program, which NAHB believes is important. Loans in this program would be insured through HUD's Mutual Mortgage Insurance (MMI) Fund. To assist in mitigating risk to FHA, the program would carry higher upfront and annual mortgage insurance premiums (MIPs) than HUD's other FHA single family mortgage insurance programs. Because the

upfront MIP is normally included in the amount borrowed, the higher upfront and annual MIP would be reflected in slightly higher monthly payments.

- Temporarily increase FHA single family loan limits in affected areas. The current structure for establishing limits for FHA insurance of single family mortgage loans is based on 95 percent of the median home price for the area where a home is located. In no case is the FHA loan limit less than 48 percent of the Fannie Mae / Freddie Mac conforming loan limit or greater than 87 percent of the conforming loan limit. Adjustments to the FHA loan limit lag the market, since these changes are based on the prices for homes for which sales have been closed. NAHB believes that the prices of new homes that will be built to replace those destroyed by Hurricane Katrina will be significantly higher due to higher labor and materials costs and the fact that the new homes will replace older homes that were built to less stringent codes. NAHB urges Congress to allow FHA flexibility in establishing higher local area loan limits in the affected areas.

- Extend the maximum amortization to 40 years for FHA-insured loans. Section 203(b) (3) of the National Housing Act currently limits the maximum term for FHA-insured single family mortgage loans to 35 years (30 years if the mortgage is not approved prior to the start of construction). A 40-year maximum amortization term would decrease the monthly payment burden for FHA borrowers. For a $100,000 loan at a 5.5 percent rate, a 40-year term would save a homeowner approximately $624.00 each year over a 30-year loan. Currently, mortgage loans with terms of up to 40 years are offered in the conventional loans market; however, many FHA borrowers do not have sufficiently strong credit or the cash available to qualify for these loans.

- Allow loans to purchase individual condominium units to be insured under Section 203(b) of the National Housing Act. Condominiums are often the most affordable homes in a given area. HUD's project approval requirements cause delays, which result in either units not being available for purchase using FHA-insured mortgage loans or increased carrying costs that are passed along to the purchaser. Currently, condominium loans are insured under Section 234(c), which is considered a multifamily loan program with single unit ownership. Because of the connection to the multifamily requirements, such as environmental and historical property reviews, condominium projects must be pre-approved by FHA in order for the mortgage loans to purchase individual units to be eligible for FHA insurance. While these reviews may be relevant to the condominium construction loans that are insured under Section 234(d), these reviews should not be required before the individual units become eligible for purchase using FHA-insured loans. NAHB believes that FHA-insured mortgage loans for individual condominiums should be included as eligible properties under section 203(b), which includes the requirements for mortgage insurance on loans for other single family homes.

- Permit investor participation in the FHA 203(k) rehabilitation loan program. The FHA 203(k) program insures mortgage loans in those situations where a home in need of rehabilitation or repair is being purchased. These loans, which require a cash contribution by the home buyer, cover the most of the purchase price of a home as well as the cost of repairs and could prove to be a very useful financing tool to help in the rebuilding of homes in the

areas affected by Hurricane Katrina. Since 1996, HUD has not allowed investors, including individuals who build or renovate homes as a profession, to purchase and renovate homes for resale under this program. This prohibition was a result of unsuccessful use of the 203(k) program by nonprofit organizations and investors who generally lacked the expertise or capacity to complete the needed repairs to the acquired homes. NAHB urges Congress to encourage HUD to reauthorize the use of the 203(k) mortgage insurance program when the borrower has relevant expertise in home construction or renovation.

- Grant FHA clear authority to insure single-family construction loans. FHA presently has a construction-to-permanent (C-P) insurance program, but does not insure the construction segment of the loan under this program. NAHB has requested FHA to insure the construction portion of C-P loans, as well as to develop an insurance program for single family construction loans. HUD has denied these requests on the grounds that HUD does not believe it has clear statutory authority to develop such programs. NAHB provided HUD with a legal opinion outlining relevant authorizing language in the National Housing Act that would support FHA's insurance of the construction portion of a construction-to-permanent loan. We agree that new statutory authority is needed for a stand-alone construction loan insurance program. Furthermore, there is precedent for an FHA-insured single family construction loan program as FHA does insure construction loans as part of its Section 221(d) (4) multifamily mortgage insurance program. Providing clear statutory authority to HUD for an FHA-insured single family construction loan program would support FHA's mission to contribute to the building of neighborhoods and communities, not only now in the wake of Katrina's wrath, but for the future.

Acquisition, Development and Construction (AD&C) loans

AD&C loans are used to purchase land, develop lots and build homes. These loans are made in two basic forms – short-term (6-to-18 month) loans to builder/developers and combination construction/permanent mortgage loans to home buyers. AD&C loans are made almost exclusively by commercial banks and thrifts, which hold the loans for their entire term in their portfolios and the lack of competition in the AD&C market makes loan costs very high relative to credit risk.

Builder/developer loans are used to purchase land; develop lots; build a project's infrastructure such as streets, curbs, sidewalks, lighting, and sewer and utility connections; and construct homes. Loans extended to builder/developers are short-term obligations lent as progress payments, i.e., portions of the loan commitment are advanced as stages of the construction project are completed. The advances, or draws, are generally made over a 6-to-18 month period. The principal and interest on the loans is repaid to the lender when the home is sold.

Loans made to home owners are made to improve their land and construct their own homes. The loan initially is taken out as a short term construction loan and payments are made to the homeowner as stages in the construction are completed. When the home is completed the obligation is converted to a permanent mortgage without a second closing.

In addition to the reductions in financing costs and home prices, a residential AD&C secondary market would improve the availability of housing production funds in economically distressed areas. Loopholes in the current Community Reinvestment Act (CRA) regulations allow commercial banks and thrifts to determine their service areas in ways that frequently exclude rural, distressed urban and other underserved areas. A secondary market would diminish such imbalances in the cost and availability of housing production credit as greater lender competition and investor interest focus attention on market needs and opportunities.

- Create a secondary market for residential land acquisition, development and construction (AD&C) loans. This would reduce the cost of a $200,000 home by $3,000, or 1.5 percent. The reduction would make a home of that value affordable for more than 750,000 additional households.

US Department of Agriculture Rural Housing Service (RHS) Programs

The RHS Section 515 multifamily rental housing portfolio is a critical source of affordable housing in rural areas. Many of these projects have been financed with LIHTCs, as well as HOME and/or the Federal Home Loan Bank Affordable Housing Program (AHP). NAHB appreciates that the RHS has already determined that displaced residents who were receiving rental assistance may port the assistance to other Section 515 properties. RHS is also allowing these residents priority for vacant Section 515 units. However, the RHS has not suspended the income limit requirements for victims who must find alternative housing. NAHB recommends the following:

- Apply the IRS guidance in Notice 2005-69 (discussed previously) to Section 515 properties with LIHTCs. Specifically, suspend income limit requirements in the projects that are receiving victims of the hurricane. This will ensure that victims are not turned away from these properties because of conflicting program waivers.

III. Other Government Programs

NAHB appreciates action by the Treasury Department to funnel New Markets Tax Credits (NMTCs) into the Gulf Coast states hit by Hurricane Katrina. NAHB supports extending the deadline for organizations that commit to target their investment activities to counties impacted by the hurricane and giving additional consideration to applicants that target disaster areas.

IV. State Housing Finance Agency (HFA) Programs

The HFAs have responsibility over several major housing programs, including the LIHTC program, HOME and CDBG for non-entitlement communities, and the mortgage revenue bond and private activity (tax-exempt) bond programs. NAHB applauds the steps already by the IRS to temporarily suspend income limits on LIHTC properties for displaced disaster victims. NAHB has the following additional recommendations for the LIHTC and private activity (tax-exempt) bond programs:

Low Income Housing Tax Credit (LIHTC) Program

- Consider a special allocation of LIHTCs for the affected states to facilitate rebuilding for the next two to three years.

- Consider designating LIHTC projects in the federally-declared disaster areas of Louisiana, Mississippi and Alabama eligible for the 30 percent basis boost also for the next two to three years to provide additional critical resources to finance rebuilding.

  Currently, the Secretary of HUD regularly designates Qualified Census Tracts (QCTs) and Difficult to Development Areas (DDAs). QCTs are areas of high poverty relative to the overall population and DDAs are areas with high land, construction and utility costs relative to Area Median Income (AMI). To encourage affordable housing development in these areas, Section 42 makes housing credit projects in these areas eligible for up to a 30 percent increase in eligible basis used to calculate the amount of credit the project can receive.

  Given the great need for affordable housing in these disaster areas, and the immense difficulty of developing in these areas, this designation would help bring additional critical resources to facilitate rebuilding.

Mortgage Revenue Bond Program

State Housing Finance Agencies (HFAs) play a vital role in funding purchases for first-time homebuyers. A significant portion of the programs offered by state HFAs is funded through the sale of Mortgage Revenue Bonds (MRBs), tax-exempt bonds that state and local governments generally issue through HFAs. The proceeds from the bonds are used to fund below-market interest rate mortgages for certain first-time homebuyers meeting income and purchase price restrictions. Unfortunately, current program requirements restrict the use of HFA programs to provide assistance for recovery from Hurricane Katrina. NAHB recommends the following modifications to the MRB programs in order to facilitate the use of MRBs and HFA programs in the recovery effort.

- Consider raising the private activity (tax-exempt) bond cap for the affected states, to facilitate rebuilding for the next two to three years.

- Relax Restrictions on Mortgage Revenue Bond Programs in Disaster Areas. NAHB supports suggestions by some Senators to provide greater access to mortgage revenue bond proceeds by lifting the first-time homeowner requirement and relaxing the purchase price and income limitations for homes in the area damaged by Katrina. This is consistent with Section 143(k)(11) of the Internal Revenue Code, which includes special rules that broaden the eligibility requirements for the use of MRBs in Presidentially-declared disaster areas. This provision allows disaster areas to be treated as "targeted" or chronically economically depressed areas, which means that loans to purchase homes with higher purchase prices and borrowers with higher incomes would be eligible to benefit from the lower interest rates typically found for loans financed through the sale of MRBs. This provision also lifts the first-time buyer restriction.

- Reauthorize the use of MRB in Presidentially-declared disaster areas and expand the time during which these provisions may be used to five years from the existing two-year limit. Unfortunately, the portion of the law that lifts the first-time buyer restriction and allows for higher purchase price and income restrictions in targeted areas expired on December 31, 1998. In addition, the current law limits to two years the time during which presidentially-declared disaster areas can be considered as targeted areas.

- Repeal the Ten-Year Rule. Currently, the Ten-Year Rule forces states and local issuers to use mortgage payments received after the original MRB has been outstanding for ten years to retire the bond rather than to make new loans to home buyers. This requirement severely constrains HFAs' abilities to meet their states' homeownership needs. In this time of recovery, these funds are needed more than ever before. NAHB urges Congress to immediately and permanently repeal the Ten-Year Rule.

- Index the Home Improvement Loan Ceiling to 50 percent of the MRB safe harbor purchase price limit for the area where the home is located. The current limit for home improvement loans that can be funded through MRB proceeds is $15,000 and has not been increased since it was established by Congress in 1980. Purchase price limits for homes purchased using MRBs are set at 90 percent of the area average home price. The IRS publishes safe harbor area purchase price limits that are indexed to limits on FHA-insured single family loans which are adjusted annually to reflect increases in area home prices. By indexing the limit for home improvement loans to 50 percent of the MRB safe harbor limit, Congress would significantly improve the availability of funding for loans which low- and moderate-income home owners could use to repair their homes damaged by Hurricane Katrina.

Homeownership Tax Credit

Modeled on the highly successful Low-Income Housing Tax Credit, the Homeownership Tax Credit (HOTC) encourages new construction and substantial rehabilitation of homes by making the tax credit available to developers who construct or rehabilitate owner occupied homes in census tracts with the greater of 80 percent of area or state/national median income, designated rural areas, Indian reservations, or areas of chronic economic distress. While many of the areas damaged by Hurricane Katrina fall within the HOTC's targeted areas, the definition could be expanded to include areas that are declared federal disaster areas.

Under the HOTC, states allocate credits to developers through a competitive allocation process administered by state agencies. A developer can obtain a credit for up to 50 percent of the development cost of each home. Developers can sell the credits to investors who provide financing for construction or rehabilitation costs. The tax credit is claimed over five years and is not subject to recapture by the developer or investors or any other obligation after the home is sold to an eligible buyer. Generally, an eligible buyer is a family with an income that is 80 percent or less than area median gross income (or national median gross income, as contained in Senate legislation). Early sale by the buyer may result in recapture if there is a gain on the sale.

Nationwide, the HOTC is expected to produce 50,000 new and rehabilitated homes annually, $2 billion of private equity investment, $6 billion in total investment generated, 122,400 jobs, $4

billion in wages, and $2 billion in taxes and fees. More than half of the jobs (66,150) would be in industries other than construction. The construction industry would realize 56, 250 new jobs. The non-construction industry jobs would be 29,850 manufacturing jobs, 33,750 jobs in trade, transportation and services, and 2,550 in mining and other industries.

The Bush Administration proposed the *Renewing the Dream Homeownership Tax Credit* for the fifth time in the FY 2006 Budget Proposal. Two bills reflecting the administration's proposal have been introduced in the 109th Congress. Representatives Tom Reynolds (R-NY) and Ben Cardin (D-MD) have introduced H.R. 1549, the *Renewing the Dream Tax Credit Act*. S. 859, the *Community Development Homeownership Tax Credit Act*, was introduced in the Senate by Senators Santorum (R-PA), John Kerry (D-MA), Gordon Smith (R-OR) and Debbie Stabenow (D-MI).

- In order to aid the massive rebuilding of single-family homes in the effected areas, NAHB proposes the creation of a *Homeownership Tax Credit* (HOTC).

V. Financial Institutions Requirements and Regulations

Loans to One Borrower Requirements

National banks and federal savings associations are subject to statutory limitations on the loans they are permitted to make to one borrower (LTOB). This limit is 15 percent of a bank's or savings association's unimpaired capital (capital) and unimpaired surplus (surplus). There are several exceptions to this general lending limit however. Most notably, the Home Owners Loan Act permits a savings association (but not a national bank) to make loans to one borrower to develop residential single-family housing units, not to exceed $30 million or 30 percent of the savings association's capital and surplus, so long as the purchase price of each unit does not exceed $500,000.

- Temporarily extend LTOB exception to multifamily properties. NAHB believes the statutory exception to LTOB limits will be critical in providing sufficient levels of financing for rebuilding storm-ravaged areas. However, the eye of Hurricane Katrina's wrath did not focus exclusively on single family residential dwellings. Therefore, NAHB requests that the statutory LTOB limits be revised temporarily to permit a savings association to make loans to one borrower to develop domestic residential housing units, not to exceed $30 million or 30 percent of the savings association's capital and surplus, so long as the purchase price of each single-family unit does not exceed $500,000 and each multi-family unit satisfies the qualifying criteria of the Community Reinvestment Act.

- Congress should also establish temporary parity between federal savings associations and national banks by revising the LTOB limits in the National Bank Act to include the exception currently accorded savings associations.

VI. Appraisals

The process of appraising property for sale in the post-Katrina environment will be extremely difficult. In the affected areas, there will be few sale comparables. More broadly, shortages in labor and construction materials will impact construction costs throughout the nation. It is inevitable that the high level of residential and commercial building and repair activity, accentuated by the relocation of workers out of the affected area and the loss of production facilities, will precipitate shortfalls in the availability of skilled labor and inventories of building materials. These shortages will likely lead to increased prices which, in turn, will drive up the cost of building and repairing homes in the affected areas and elsewhere. These shortfalls are likely to be more widespread and of longer duration than previously experienced.

- Increased replacement cost of a home should be factored into an appraisal. NAHB encourages the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), U.S. Department of Agriculture Rural Development, Fannie Mae, and Freddie Mac to provide direction to the appraisal community to recognize the way in which home values are impacted by higher, volatile construction costs. There is precedent for these organizations to issue this type of direction to appraisers. In the early 1990s, a sharp spike in the price of framing lumber led to significantly increased home building costs. At that time, these increased costs prompted the agencies to encourage appraisers to consider market forces, particularly increases in the cost of construction, when making adjustments to the values of comparable homes. In view of the market conditions that are expected to evolve, NAHB urges these organizations to once again provide clear guidance for appraisers.

- Provide assurances to appraisers that appraisals using "reasonable" approaches to determining property values will not be criticized. The task of producing an appraisal is an art. Appraisers should be assured that their work will not be subject to criticism or sanction as long as the appraiser's approach to value is clearly explained.

- Relax real estate loan-to-value ratios. Given the difficulty there will be in deriving appropriate property values, Congress should urge financial institutions regulators to relax loan-to-value requirements for real estate loans in the affected areas, as well as those regions that absorbed a substantial number of evacuees.

VII. Federal Home Loan Bank System

Affordable Housing Program

The Federal Home Loan Banks (FHLBanks) play a vital role in providing liquidity to community-based institutions for housing finance, a factor that is sure to be important in the effort to make communities in disaster-stricken areas inhabitable once again. In addition, the home building industry, which is made up largely of smaller companies that do not have direct access to the capital markets through stock or bond issues, relies heavily on the member institutions of FHLBanks for financing to produce homes.

Much of the devastation wrought by Hurricane Katrina was inflicted upon lower income groups and other underserved socioeconomic areas. NAHB believes the FHLBank System's Affordable Housing Program (AHP) can be used as a resource for financing to replenish the much-needed affordable housing supply so individuals and families in these groups will once again have a place to call home.

NAHB requests that Congress and the Federal Housing Finance Board look for ways to modify the AHP statute and implementing regulations in this time of crisis in order to expedite more funds to the relief effort. In particular, we request the following modifications:

- Eliminate the statutory preference for non-profit sponsors of AHP-qualified projects. This has inhibited participation by for-profit builders even though for-profit builders have demonstrated the ability to produce housing of higher quality and lower cost than that produced by non-profits. The exclusion of for-profit sponsors needlessly works against the AHP's goal of providing housing most efficiently in markets where the need is greatest.

- In disaster-stricken areas and other areas in which displaced individuals and families have sought refuge, raise or eliminate the income limits for renting vacant units in AHP-assisted rental projects.

- Permit the first-time homebuyer set-aside fund to be used for any qualified home purchase in disaster-stricken areas and other areas in which displaced individuals and families have sought refuge.

VIII. Environmental Policy

From an environmental perspective, one of the key concerns confronting the redevelopment process is the risk of wide spread soil and sediment contamination from pollutants in the flood waters. A recent EPA analysis found that the flood waters in New Orleans contained over one hundred priority pollutants including lead, petroleum products, PCBs, and dozens of chemicals used in pesticides and herbicides. NAHB is concerned that the risks poised by environmental contamination threatens to limit rebuilding in some areas.

Although Congress passed the Brownfields Revitalization and Environmental Restoration Act of 2001 (PL 107-118), which establishes a process developers and landowners can follow in order to receive limited federal liability protections, three years after its passage significant elements of the law remain unimplemented. Under this law, in order for a developer (or any other landowner) to receive the liability protections afforded under that statute, landowners must first demonstrate that they conducted "all appropriate inquiry" into potential environmental contamination. Although Congress directed EPA to establish minimum criteria within two years as to what an "all appropriate inquiry" entails, the EPA has yet to finalize the All Appropriate Inquiry rule.

NAHB is also concerned that gaps in the liability protections under the federal Brownfields law will hinder redevelopment efforts. Specifically, the federal brownfields law excludes properties that are contaminated with pollutants such as petroleum, lead-based paint, PCBs, or asbestos, all of which the EPA has publicly stated are in the flood waters of New Orleans. Although state

voluntary clean-up programs (VCP) in Alabama, Mississippi, and Louisiana allow properties contaminated with these pollutants to participate in their programs, without the same liability protections at the federal level as what is currently offered by the states, NAHB is concerned developers may be reluctant to redevelop these areas.

Finally, under the federal brownfields law, states are responsible for determining clean-up standards and assessing completion of clean-up plans for each site enrolled in their state programs. Given the expected amount of newly contaminated land, NAHB members have serious concerns as to whether existing state programs can handle the expected massive increase in oversight responsibility.

To address the above concerns and facilitate long-term building efforts, NAHB urges Congress to do the following:

- Extend the same federal liability protections for petroleum contaminated sites currently available under existing state VCP programs (including Alabama, Louisiana, and Mississippi) by amending the federal definition of "Brownfield Site" found under 42 USC §39(B) and removing the current exclusion of petroleum contaminated sites.

- Increase federal technical assistance funding to state Voluntary Cleanup Programs in Alabama, Louisiana, and Mississippi to help increase the capacity of these existing state programs.

IX. Insurance

Congress should not let liability insurance and homeowners insurance become inadvertent victims of Hurricane Katrina. The construction business, like most businesses, is fraught with risk. One of the ways builders attempt to avoid risk is by purchasing general liability insurance. Liability insurance is the single most important component of a builder's insurance program. It provides coverage for the insured builder for damages resulting from certain claims asserted by third parties. This coverage includes claims for bodily injury, property damage, advertising injury and personal injury, all as defined by the policy.

The general liability policy is intended to cover a wide range of third party claims involving both "premises-operations" exposures (e.g., a slip and fall at the builder's offices or model home; a job site injury to a worker), as well as "products-completed operations" exposures (construction defect claims are a notable example).

Today, builders are confronting a liability insurance crisis. Due to adverse insurance market conditions, liability coverage for builders is less available, more expensive and more restrictive in terms of the coverage afforded. Depriving builders of such valuable insurance protection would disrupt an industry that is a vital part of a healthy economy.

The ability to operate efficiently in the home building industry and to price a home competitively depends on the degree to which the builder's overall costs are certain and predictable. The inability to obtain liability insurance would expose home builders to the uncertainty of additional

costs and litigation expenses. This increased exposure by builders would lead to an increase in the cost of building homes. Builders would have to increase the price of their homes to cover these costs. Increased prices would adversely affect the housing industry, with ripple effects on construction-related industries and the economy in general, since housing is a critical component of local economic development -- creating jobs and demand for goods and services, generating revenues, and providing affordable housing.

Additionally, Congress should ensure that buyers have access to reasonably priced, comprehensive homeowners insurance, because without such insurance homeowners will not able to obtain the funding necessary to buy homes.

Conclusion

NAHB appreciates the opportunity to share our views on responding to the housing crisis in the aftermath of hurricane Katrina. The impacts of this tragedy will be felt by the region and the nation for years to come and it will take a cooperative effort of federal, state and local governments and the private sector to respond. The nation's home builders stand ready to take on this challenge.

Testimony of
Ellen Lee, Deputy Executive Assistant
for Neighborhood Development
City of New Orleans, LA

Before the House Subcommittee on Housing
and Community Opportunity

September 15, 2005

On behalf of
National Community Development Association
National Association for County Community and Economic Development
National Association of Local Housing Finance Agencies
National Association of Counties
Council of State Community Development Agencies
United States Conference of Mayors

Good morning, Mr. Chairman, Ranking Member Waters, and distinguished members of the Subcommittee. Thank you for the opportunity to testify before you on the "Emergency Housing Needs in the Aftermath of Hurricane Katrina." My name is Ellen Lee and I am the Deputy Executive Assistant for Neighborhood Development for the City of New Orleans. My Department is responsible for administering the Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME) Program, Emergency Shelter Grants Program, and HOPWA. I am here before you today representing the National Community Development Association, National Association for County Community and Economic Development, National Association of Local Housing Finance Agencies, National Association of Counties, Council of State Community Development Agencies, and the U.S. Conference of Mayors.

On August 29, the states of Louisiana, Mississippi, and Alabama were hit by Hurricane Katrina, a devastating category 4 hurricane that decimated most of the gulf coast. My city of New Orleans, as you know, was almost completely destroyed by the ravages of the hurricane. In the wake of the hurricane, thousands of residents were left with no food, clothing, or shelter. Across America, cities and counties opened their doors and their hearts to these displaced residents.

CDBG and HOME Are Needed in the Short-Term and Long-Term Recovery Efforts

The Community Development Block Grant (CDBG) and HOME Investment Partnerships Program (HOME) are two critical resources for providing housing and services to the areas damaged by the hurricane as well as to those areas that have accepted evacuees. They are being used to provide assistance to the immediate housing needs of the hurricane victims. Both programs have a long history in assisting communities with their housing and community

development needs, including in times of disasters. Supplemental emergency funds have been appropriated for CDBG for use in many past hurricane recovery efforts. In the short term recovery effort, communities which are assisting the evacuees can and are using CDBG funds to develop public facilities to provide temporary housing to disaster victims, rehabilitate units within the community to house evacuees, and provide much needed services to the victims of the hurricane, including food, child care, health care, case management and temporary shelter. For communities directly hit by the hurricane, CDBG funds can be used in the short-term to repair water, sewer, electrical and telephone systems, provide security patrols, clear debris, demolish unsafe buildings, and many other activities. In the long-term recovery effort, CDBG funds will be needed to provide rehabilitation assistance to homes and businesses damaged by the hurricane, build new ownership and rental housing, provide infrastructure improvements, and continue to provide services to the victims of the hurricane. Case management will become an important component of any long-term assistance as many of the displaced residents are suffering from post-traumatic stress disorder and need long-term follow-up on mental health issues, as well as basic services, such as transportation and employment. In the short-term housing relief efforts, the HOME Program is needed to provide tenant-based rental assistance to the evacuees. In the long-term, HOME funds will be needed to rehabilitate and construct new housing for low- and moderate-income people devastated by the hurricane. State and local governments in federally declared disaster areas are using existing CDBG and HOME funds that were previously programmed for other uses towards the disaster recovery. We ask that authority be included in the supplemental appropriation for these funds to be reimbursed to these grantees in order for them to carry on their regular program activities for their citizens.

Recommendations to Make the Relief Effort More Efficient and Effective

We understand that HUD has recommended to the Office of Management and Budget a supplemental appropriation of $25 billion in CDBG funds and $50 million in HOME funds for tenant-based rental assistance to aid in the relief and recovery efforts. We strongly support these funding levels and urge Congress to act quickly upon the request once it is received. We further urge that the supplemental appropriations legislation include language authorizing HUD to waive any statutory or regulatory requirement to both CDBG and HOME, except those related to fair housing, nondiscrimination, or the environmental requirements of the Environmental Protection Agency (EPA). Waivers to the statutory and regulatory requirements of the CDBG and HOME programs are needed now and must be approved by HUD quickly. We urge that language be inserted in either the supplemental appropriation bill or through other legislation that would require HUD to approve any waivers submitted by the State or local governments in the federally declared disaster areas within 30 days. If HUD does not approve the waivers by this deadline, we ask that they be considered automatically approved. The following waivers to the CDBG program are needed in order to make the relief efforts more efficient and effective.

1. Waive the CDBG's statutory requirement that new housing construction be permitted only through a nonprofit entity. To help in the long-term recovery effort, disaster area communities, and those communities accepting victims who wish to remain in their new location, need to be able to use CDBG funds for new housing construction. Currently, the statute prohibits this. This will slow the building of housing in these areas. In addition, some of the evacuees may want to remain in the areas in which they have been temporarily relocated. Those communities which have directly assisted the evacuees should also have the ability to construct new housing for these victims using CDBG funds for as long as it takes to get the job done.

2. Waive the requirement that 70% of funds are for activities that benefit low and moderate income persons at 42 USC 5304 (b) (3) (A) and 24 CFR 570.484.

3. Permit use of some of the funds for technical assistance to grantees aiding in the recovery effort.

4. Provide for a temporary increase in HUD staffing to administer the funds provided.

5. Waive the 20% cap on the use of CDBG funds for administrative costs.

6. Waive the restrictions on the repair or reconstruction of buildings used for the general conduct of government at 42 USC 5305(a)(2) and (a)(14) and 24 CFR 570.207(a)(1).

7. Waive the 50% of downpayment limitation on direct homeownership assistance for low or moderate income homebuyers at 42 USC 5305(a) (25) (D).

8. Waive the provision at 24 CFR 570.483 (b)(4)(ii) that requires units of general local governments, for job retention activities, to document that either or both of the following conditions apply to at least 51% of the jobs at the time CDBG assistance is provided: 1) the jobs are known to be held by low or moderate income persons, or 2) the jobs can be expected to turn over within two years and be filled by or made available to low or moderate income persons upon turn over. Instead, units of local government in the hurricane impacted areas will be able to presume that all jobs retained as a result of the CDBG funds meet one or both of these conditions.

9. Waive the one-for-one replacement requirements at 42 USC 5304(d)(2) and 24 CFR 570.488, for low and moderate income dwelling units (1) damaged by the disaster, (2) for which CDBG funds are used for demolition and (3) which are not suitable for demolition requires that all occupied and vacant occupiable low/moderate income dwelling units that are demolished or converted to use other than low/moderate income dwelling units in connection with a CDBG activity must be replaced with low/moderate income dwelling units. By not waiving this provision grantees would be discouraged from the demolition and clearance of dwelling units that would otherwise be appropriate for CDBG assistance. Such inaction would inhibit recovery efforts and add to health and safety problems.

10. Waive requirements that state grantees in the federally declared disaster areas must match the amount of CDBG funds used for the administration and limits administration to two percent of the aggregate amount received by the of the state CDBG program at 42 USC 5306(d)(3)(A) and 24 CFR 570.489(a)(1). Waiving these provisions would prevent undue hardship on the state due to the economic hardships that the state is currently facing because of the horrendous damage done by Hurricane Katrina.

11. Waive requirements at 42 USC 12706 and 24 CFR 91.325(a)(6), that housing activities undertaken with CDBG funds be consistent with the strategic plan and 24 CFR 570.903 which requires HUD to annually review grantee performance under the consistency criteria. Waiver of these provisions will provide maximum flexibility and allow the supplemental funds to be distributed quickly and effectively.

12. Waive citizen participation requirements at 42 USC 5304(a) (2) and (3) 42 USC 12707, 24 CFR 570.486, 24 CFR 10003.604, and 24 CFR 91.115(b). Due to time constraints this would allow faster disaster recovery and disaster relief.

13. Waive the requirement at 42 USC 5306(d)(1) and 24 CFR 570.480(a) that requires states to distribute CDBG funds to units of general local government in the state's nonentitlement areas. This provides the State the flexibility to meet a wide range of needs in disaster impacted areas.

14. Streamline the citizen participation requirements at 42 USC 5304 and 24 CFR 570 consistent with what HUD's Office of Community Planning and Development (CPD) has already done with respect to a substantial amendment to a consolidated plan.

Already, HUD has eased certain regulatory requirements in both programs for victims of Hurricane Katrina, and we strongly support HUD's efforts. For example, the CPD office within HUD has agreed to allow grantees to reprogram CPD funds for use in assisting the disaster victims and have decreased the public comment period for a substantial amendment to a consolidated plan from 30 days to 3 days. In addition, HUD has lifted the 15% cap on public services in the CDBG program.

For the HOME program, HUD has waived a substantial number of requirements both for disaster areas and those areas accepting the victims outside of disaster areas. They include:

1. allowing, for a one-year period, victims to self-certify that they meet the income requirements of the program. Many families whose homes were destroyed by the hurricane will not have any documentation of income and would not be able to qualify for HOME or American Dream Downpayment Assistance Initiative (ADDI) funds.

2. waiving the tenant selection criteria and property standards (HQS), other than state or local health and safety requirements, for tenant-based rental units. This waiver will allow grantees to expeditiously meet the critical housing needs and is available for a one year period.

3. waiving the 10% cap on the use of HOME funds for administrative costs.

4. waiving the maximum per unit subsidy requirement.

5. eliminating the matching requirement in disaster areas.

6. waiving the first-time homebuyer and amount of assistance ceiling (the greater of 6% of purchase price or $10,000) for ADDI funds.

One HOME requirement that needs to be waived is the one-year lease requirement for HOME-assisted units. The HOME final rule requires that a lease between the owner and tenant be executed and that the lease not be for less than one year, unless mutually agreed upon by the owner and tenant. Owners may want to push for a year lease, but some of the evacuees may not want to stay in the area for that length of time. Many will want to return to Louisiana, Mississippi or Alabama to rebuild their lives as soon as possible. A year lease requirement is too restrictive.

FEMA

Some communities that are assisting the evacuees have reported that the Federal Emergency Management Agency (FEMA) committed to providing 18 months of rental assistance to the evacuees. Many communities worked with the evacuees to execute leases for this time period (for those that want to stay in the area for that length of time). They were later told by FEMA officials that only 12 months of assistance would be provided. This has left these local governments holding the bag, so to speak, for 6 months of rental assistance. We urge the Subcommittee to investigate these claims and act promptly to ensure that FEMA provides the full 18 months of rental assistance, as originally promised to these communities.

Other States Need to be Declared Disaster Areas

Finally, while most of the states that are assisting the evacuees have been declared federal disaster areas, some have not. California, Ohio and Rhode Island have accepted evacuees and need to be declared federal disaster areas in order to receive funding from FEMA, supplemental appropriations, and be allowed to use their CDBG, HOME, and other funding to

assist the hurricane victims.

Tax Relief

Although not under the jurisdiction of this Subcommittee, we will be asking the tax writing committees to provide relief from certain tax code restrictions affecting tax-exempt housing bonds. We are asking them to build on the targeted area provisions of the Mortgage Revenue Bond program by adding a generic provision to the Internal Revenue Code to help Louisiana, Mississippi, and Alabama. Under this tax relief recommendation, any Presidentially-declared disaster area jurisdiction would be considered a targeted area for purposes of the MRB program. In a targeted area the first-time homebuyer requirement is waived, which is very important. The income limits are increased, with two-thirds of the proceeds available to assist homebuyers with incomes up to 140% of area median income for households of three or more (120% for households of two or fewer) and one-third available without an income limitation (this would be a valuable incentive for attracting higher income persons to cities like New Orleans), and purchase price limits up to 110% of the applicable purchase price limits for the jurisdiction. These MRB changes should be available without regard to the volume cap (no one really knows how many need to be issued) for a period up to three years. Additionally, they should be exempt from the Alternative Minimum Tax. Households assisted by these bonds should have access to downpayment/closing cost assistance under CDBG and HOME.

We thank you for the opportunity to express our views on the federal response to Hurricane Katrina and look forward to working with you to help the disaster victims.

Dedicated solely to ending America's affordable housing crisis

September 13, 2005

The Honorable Bill Frist
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Harry Reid
Minority Leader
United States Senate
Washington, DC 20510

The Honorable Tom DeLay
Majority Leader
United States House of Representatives
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
United States House of Representatives
Washington, DC 20515

Dear Senator Frist, Senator Reid, Mr. DeLay, and Mrs. Pelosi,

Hurricane Katrina has created a housing crisis that is national in scope and that is exacerbating the existing shortage of affordable housing for the lowest income families in our country. Homelessness of this magnitude is unprecedented in 20th century America. The response must be national in scope.

I am writing to you on behalf of the members of the National Low Income Housing Coalition to express our concerns and offer our suggestions about how best to move forward to solve the housing problems of the hundreds of thousands of displaced families and individuals who are making their way across the country.

First, we strongly urge that a **central federal housing entity** be established that will direct the federal housing response and coordinate the housing specific functions of HUD, RHS, FEMA, and the IRS. People in crisis should not have to navigate among federal agencies with different rules and processes. Ideally, President Bush will create such an entity by Executive Order. Such an entity will deal with both the rebuilding needs of Louisiana, Alabama, and Mississippi and the housing needs of people who have migrated to other states.

Second, the response should be organized around immediate, intermediate, and long term

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housing needs.

Immediate:

- **Rapid re-housing.** Rapid re-housing is the first principle. Shelters must be emptied as soon as possible. The central federal housing entity should have the power (for a defined period of time) to waive existing regulations that impede rapid re-housing. Re-housing must be in decent and safe housing and communities. Displaced persons must not be re-housed in uninhabitable public or assisted housing.

- **People with special needs.** The response must be guided by the knowledge that the displaced population of affected area includes significant numbers of elderly and disabled people, including many people with AIDS, who are poor and who have special housing needs. Rapid re-housing for this population must focus on preventing institutionalization.

- **Immigrants.** Non-U.S. citizens who have been displaced by the disaster should be considered homeless under current provisions of the McKinney-Vento Homeless Assistance Act and thus eligible for disaster housing assistance.

- **Current recipients of federal housing assistance.** All displaced households who were receiving federal housing assistance (vouchers, public housing, project based, 202, 811, Shelter + Care, etc.) should immediately receive housing assistance that is applicable in the communities to which they have moved. These tenants should not be required to be re-screened and this assistance should not be emergency assistance. For those whose assistance was project-based, this action does not constitute "vouchering out" of those properties, as these properties will need the project-based assistance to continue when the buildings are rebuilt or otherwise reopened.

- **Use of existing federal housing and homeless programs**. These programs are necessarily being tapped to meet immediate needs of displaced people, but disaster relief must come from new funds. Local people with critical housing needs who are waiting for assistance or who are already receiving assistance must not be displaced by disaster victims. Local agencies must be reimbursed for disaster response costs, even in states that have not reached the necessary threshold of number of people entering the state for it to be declared a federal disaster area.

Intermediate:

- **Needs assessment**. There is an urgent need for good data about the circumstances, plans and preferences of each displaced household. Making plans on their behalf that are not grounded in knowledge about the unique situation of the families who are involved will invariably lead to mistakes, resentment, and waste. A national assessment system must be put into place immediately and be conducted by skilled caseworkers. The existing HMIS program should be assessed for its usefulness.

- **New housing funds**. Congress should appropriate new housing funds for emergency housing vouchers, housing production and rehabilitation, and funds to assist people in establishing new homes. All new federal housing disaster funds should be administered by the central federal housing entity.
  1. Emergency voucher funding. We recommend supplemental funding of **$3.5 billion**, with provisions for waiving the following rules:
     a. Income verification
     b. Minimum rent requirements
     c. Initial inspection
     d. Initial requirement of one year lease

e. Restrictions on portability
f. Voucher payment standard ceiling. PHAs should be allowed to increase the payment standard to 150% with waiver authority above that amount.

2. Emergency capital funds. New capital funds are needed both for rapid rebuilding in affected areas and for adding to stock where needed in communities where displaced people have been relocated. We recommend supplemental funding of an initial **$3.5 billion** to be distributed through the HOME program targeted to jurisdictions that have been impacted by the hurricane and the migration it has caused.
3. Other emergency funding. Emergency funding is needed to help displaced families pay security deposits, utility costs including past due bills if that is an obstacle to obtaining utilities, and other expenses associated with acquiring new homes. These should be allowable expenditures with both supplemental voucher funds and supplemental HOME funds.

- **Income targeting**. Existing income targeting rules for all federal housing programs should be retained for disaster housing assistance, with self-certification at initial application and waivers allowed by the central federal housing entity. Federal government housing disaster funds should be directed to low income people, including those who have become low income as a result of the disaster and whose income eligibility may be short term. The tenant contribution to rent should be based on current available income.

- **Prohibition against discrimination**. Congress should prohibit discrimination against people receiving emergency housing assistance by landlords and owners on the basis of source of income.

- **Utility costs in other federal housing programs.** The residents of other federal housing programs who have not been displaced are still likely to be impacted by hurricane related increases in energy costs. Congress should appropriate supplemental funds to assist public housing agencies, voucher holders, and other providers of federally assisted housing in paying for expected increases in costs of basic utilities.

Long term:

- **Major new investment.** The rebuilding of housing in the affected areas in Louisiana, Alabama, and Mississippi will require major expenditures by the federal government, in which Congress must be prepared to invest. At a minimum, Congress should forego any further cuts to federal taxes.

- **Right to return.** All displaced people must have the right to return to the communities from which they came. Special attention must be given to assuring that low income people can exercise the right to return and that rebuilding includes sufficient housing that is affordable to all those who were displaced. Rebuilding should be based on lessons learned about the value and success of racially and economically integrated neighborhoods.

- **Right to remain**. Likewise, all displaced people must have the right to remain in any new community to which they have moved and housing assistance must be provided to income eligible households who wish to permanently relocate.

- **Choice.** Ultimately, where displaced people permanently live should be based solely on their choices, with the guidance that most displaced people prefer to return or remain as close to their original homes as possible.

- **Citizen participation**. All planning and redevelopment decision-making in the hurricane affected areas must include, engage, and be informed by representatives of all the people affected.

Katrina has graphically exposed the true extent of poverty and the low income housing crisis in America. We are at a moment that provides us the opportunity and the obligation to redirect federal priorities in order to commit the nation to the longstanding national goal of safe and decent housing for everyone.

Thank you for your consideration of our views. The National Low Income Housing Coalition and our members stand ready to work with Congress and the Administration to address our nation's housing crisis.

Sincerely,

Sheila Crowley
President

cc: HUD Secretary Alphonso Jackson
Rural Housing Service Administrator Russell Davis
Chair Richard Shelby and Ranking Member Paul Sarbanes, Senate Banking, Housing and Urban Affairs Committee
Chair Michael Oxley and Ranking Member Barney Frank, House Financial Services Committee

NATIONAL ASSOCIATION OF REALTORS®

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Written Statement

of the

NATIONAL ASSOCIATION OF REALTORS®

submitted to the

House Financial Services Committee Subcommittee on Housing and Community Opportunity

On

"Emergency Housing Needs in the Aftermath of Hurricane Katrina" September 15th, 2005

Written Statement
of the
NATIONAL ASSOCIATION OF REALTORS®
submitted to the
House Financial Services Committee
Subcommittee on Housing and Community Opportunity
On
"Emergency Housing Needs in the Aftermath of Hurricane Katrina"
September 15th, 2005

With millions of people displaced in the aftermath of Hurricane Katrina, the National Association of REALTORS® thanks the Subcommittee for holding this hearing, and also for inviting us to speak at the Roundtable last week. Congressional reaction has been swift thus far, and we thank you for all your work to help the people whose lives have been forever changed.

At the outset, REALTORS® immediately rallied to help meet the victims' urgent need for shelter. Like so many other groups and individuals, the over one million members of the NATIONAL ASSOCIATION OF REALTORS®, and its affiliate the Institute of Real Estate Management, are raising contributions to help victims of this terrible tragedy. To date we have raised almost $3 million, of which $1.15 million has been donated by NAR. Our funds are going directly to foundations set up by the state REALTOR® Associations in the states of Alabama, Louisiana and Mississippi to help those in greatest need to get back on their feet.

NAR has also assisted in the development of the internet portal *hurricanehousing.net*. The Louisiana REALTORS® Association has worked with FEMA, the Department of Homeland Security and NAR to develop this site, allowing those with available housing resources to post valuable information and those with housing needs to access the details. The website also guides users through the process of identifying and locating emergency housing via frequently asked questions (FAQ) and provides a wealth of information about federal and state assistance resources. REALTORS® across the country are identifying available housing resources in their community and posting the information on *hurricanehousing.net*.

The NAR applauds the Department of Housing and Urban Development (HUD) for its leadership and assistance in the effort to provide housing. It is our understanding that HUD is currently inspecting its inventory of foreclosed homes in the region to determine its suitability for living accommodations. NAR strongly supports these efforts and encourages HUD to prepare these homes as quickly as possible. However, it is important to recognize that many more residents of the region have had to relocate to other areas of the country, without needed provisions, and thus are homeless. NAR strongly recommends that HUD prepare its entire inventory for availability to victims wherever they may now be situated.

Our members own and manage Section 8 properties across the country, some of which have vacant units. While HUD is working to make those units available to existing Section 8 voucher holders from the affected areas, NAR believes these units should also be used to house <u>any</u> displaced resident that is in need. We have asked HUD to waive all program requirements for the immediate future, particularly those related to initial inspections and income verifications. These requirements are time consuming and may be impossible to meet under these conditions. A temporary waiver of program requirements would avoid programmatic delays and provide housing immediately to those in need. In addition, for those residents who had been

receiving project-based assistance, NAR recommends that HUD immediately convert that subsidy to a portable voucher for use wherever the resident has been relocated.

NAR commends the members of this Subcommittee – especially Chairman Ney (R-OH), Ranking Member Waters (D-CA), and Rep. Brown-Waite (R-FL), who joined with Capital Markets Subcommittee Chairman Baker to offer H.R. 3669, the "Flood Insurance Program Enhanced Borrowing Authority Act of 2005". The NFIP is a unique partnership among three levels of government. It enables property owners in participating communities to purchase insurance as a protection against flood losses in exchange for State and community floodplain management regulations that reduce future flood damages. As a result, federal expenditures for disaster assistance and flood control are reduced. This bill, which has already passed the House, would temporarily increase the National Flood Insurance Program's borrowing authority to pay claims after the devastating tragedies of Hurricane Katrina.

There are provisions included in several other bills that Congress should consider in the wake of Hurricane Katrina. Rep. Brown-Waite (R-FL) and her fellow Floridian, Rep. Davis (D-FL), have introduced H.R. 846, the "Homeowners' Insurance Availability Act". This bill would establish a federal program, administered by the U.S. Treasury Department, making reinsurance coverage available in order to improve the availability of homeowners' insurance. Treasury would offer reinsurance contracts for sale, through regional auctions conducted at least once a year, to private insurers and reinsurers, state insurance and reinsurance programs, and other interested entities. As Louisiana, Mississippi and Alabama strive to rebuild, a program of this type could assure that homeowners' insurance is available and affordable to residents who wish to continue living in their communities. Equally of note, Rep. Mark Foley (R-FL) has introduced H.R. 2668, the "Policyholder Disaster Protection Act," which would allow insurance companies to create reserve funds from pre-tax dollars in order to pay claims arising from future major natural disasters. This could help to protect insurance companies from devastating claims (like the ones they will face with Katrina) and allow them to continue to provide insurance in devastated areas. NAR believes the time is right to renew Congressional discussion over natural disaster relief insurance.

Finally, NAR commends Rep. Richard Baker (R-LA) and the Congress for passage of H.R. 804, the "Flood Insurance Clarification Bill". This bill amends the National Flood Insurance Act of 1968 to declare that assistance provided under a program for flood mitigation activities with respect to a property shall not be considered income or a resource of the owner of the property when determining eligibility for or benefit levels under any income assistance or resource-tested program that is funded in whole or in part by a federal agency or by appropriated federal funds. When signed by the President, this law will help many citizens of the affected areas rebuild their homes.

Many property owners are currently providing housing to victims of Katrina, having waived many or all of their normal occupancy requirements. NAR encourages Congress to consider some safe harbor type of legislation to protect these good Samaritans during this time of uncertainty. There may be rules or regulations that were burdensome and unable to be complied with in order to shelter victims, and well-meaning housing providers should not be penalized for these oversights.

Once the immediate and short-term needs of the victims have been met, long term solutions will be needed to rebuild the impacted areas. Federal assistance will be needed to encourage private sector growth and development. To this end, we strongly support a number of programs.

HUD's FHA Single-Family Mortgage Insurance Program features two mortgage products called the 203k and the "Streamline (K)" Limited Repair Program. These programs permit homebuyers to finance the rehabilitation of existing properties or the purchase and rehabilitation of their homes before move-in. With these products, homebuyers should be able to quickly and easily tap into cash to pay for property repairs or improvements, such as those identified by a home inspector or FHA appraiser. These programs should be readily available to those families whose homes can be rehabilitated. NAR urges the Subcommittee to work with HUD to expedite the availability of this program so that it can be used for rebuilding these areas.

Due to mail disruptions, victims of Hurricane Katrina may be unable to receive proper billing notices from creditors, let alone pay them, for weeks and sometimes months to come. Victims should not have their credit histories suffer from late payments due to this disaster. Such late payment information could prevent victims from obtaining much needed private credit to rebuild their lives or purchase new homes. NAR urges Congress to explore amending the Fair Credit Reporting Act to prohibit creditors from filing late payment information with credit bureaus during a state of emergency declared in a disaster such as Hurricane Katrina.

Several of our suggestions fall outside the jurisdiction of this Committee, but we believe that they should be mentioned as part of a comprehensive response to the storm damage. We are aware that Fannie Mae and Freddie Mac and many primary lenders will forbear on loans that become delinquent for varying periods of time. Balances on some of those loans, however, will, in time, be forgiven as part of a debt cancellation because of the disappearance of the security or similar circumstance. Under current law, the cancellation of that mortgage debt would be treated as income to the borrower and subject to income tax. We believe that relief should be provided so that the borrowers will not be taxed on forgiven amounts, particularly at a time when they have such great demands on any savings or cash reserves they might have.

The need for significant amounts of capital to construct new housing will become acute. One way to provide an incentive for construction or rehabilitation of housing would be to enact some version of H.R. 1549, a bipartisan bill that would provide a tax credit for up to 50% of the cost of constructing or rehabilitating affordable housing. This mechanism or similar incentive would be an important aid to generate capital for restoring housing to decimated communities. A large majority of this Committee's members sponsored that legislation in the previous Congress and/or currently. A substantial bipartisan majority of Ways and Means Committee members have also sponsored the bill.

Two tax provisions that expire at the end of this year are also crucial components of any redevelopment. Both should be extended for as along as possible. The first would extend the tax treatment of leasehold improvements (the buildout and similar configuration of commercial space for tenants). Under current law, the cost recovery period is 15 years. Unless the provision is renewed, the recovery period would revert to 39 years effective January 1, 2006. Notably, the New York Liberty Zone legislation enacted pursuant to the 9/11 attacks permitted a 5-year recovery period for these improvements. Obviously, shorter recovery periods provide greater incentives to make improvements on behalf of commercial tenants.

The other expiring provision of note is the rule enacted several years ago that would permit a deduction for the cost of site preparation activities that include brownfields cleanup. If this provision is not extended beyond its December 31, 2005 expiration date, developers would receive no tax benefit for cleaning up contaminated property. This provision should also be expanded so that the cleanup costs for petroleum products would qualify for the deduction.

NAR continues to work with the Ways and Means Committee to develop sound tax measures that would supplement and complement this Committee's activities. We urge the Members of this Committee to offer their suggestions and assistance to the Ways and Means Committee.

There are also four specific areas currently in the Appropriations process that are related to disaster emergency management and response of which the Committee should be aware.

Pre-Disaster Mitigation grants (PDM) are funded in the House bill at the budget request of $150 million and in the Senate bill at $37 million. Pre-disaster mitigation projects are being implemented at the state and local government level in accordance with hazard mitigation plans required by the Disaster Mitigation Act of 2000. Adequate funding must be allocated for preventative measures that protect property, reduce the impact and cost of future disasters, and save lives.

NAR commends Congress for including language in the House and Senate bills that will maintain the Hazard Mitigation Grant Program (HMGP) formula for states with Enhanced Mitigation Plans at 20% of disaster costs. "Enhanced Plan States" have made significant commitments to disaster mitigation. HMGP funds are used following a disaster, when awareness of risk is high and important mitigation measures have a broad base of support. The value of mitigation programs is enhanced in a post-disaster environment because of the immediate awareness of risk and government willingness to commit state and local funds for cost-sharing with federal funds. Reduced federal funding means a lost opportunity for communities and localities to act as partners and make positive use of the interest generated during the post-disaster period to reduce the costs of future catastrophes.

NAR is pleased that both the House and Senate bills have provided $200 million to the Federal Emergency Management Agency (FEMA) in FY '06 for the next installment of the critically important task of updating and modernizing the nation's flood maps. In the course of developing the initiative, mapping needs have been found to be greater than when they were originally projected in 1997. The "population mapped" metric must be adjusted so that maps can be updated and not simply digitized with existing data, and the deadline for accomplishing this task should, therefore, be extended to integrate this necessary change. Up-to-date and modernized flood maps provide critical data necessary for responsible pre- and post-disaster mitigation planning by states and localities. These maps also ensure that the National Flood Insurance Program (NFIP) can meet the needs of consumers and the private sector for accurate mapping data.

New programs to alleviate the problem of repetitive flood loss claims under the NFIP were authorized last year as part of the Flood Insurance Reform Act of 2004. The House bill provides the full authorized amount of $90 million while the Senate provides the budget request of $28 million. These are funds to be transferred from the National Flood Insurance Fund (NFIF), not new appropriated funds. The NFIF itself is financed by premiums and fees associated with federal flood insurance policies. Each year, the Fund loses about $200 million in payments for repetitive claims. The new programs are designed to deal with this unnecessary expense to the
NFIF by mitigating the repetitive claim properties in a manner that is "cost effective to the Fund." This means that there will be a priority given to the most severe cases of repetitive loss properties. NAR supports the investment of NFIF monies to address repetitive losses, and believes it will stem the unnecessary annual outflow of $200 million each year. We urge you to provide the transfer funds included in the House bill for this important effort to deal with repetitive flood losses.

NAR believes these four initiatives will help to reduce future disaster-related costs to the federal government through comprehensive mitigation strategies, and we urge Congress to look carefully at these programs to protect against the fallout from future disasters.

Likewise, small businesses in the three affected states will need economic assistance to allow them to once again assume the key role that they play in the region's economy. By doing so, not only will the economy rebound but every small business that is helped back on its feet will help a hardworking family start to put their lives back together. Therefore, we encourage Congress to act quickly to bolster the programs of the Small Business Administration.

In addition, we would ask that attention be paid to reviewing the eligibility criteria for SBA's disaster assistance programs to ensure that these programs are able to address the needs of the area's smallest businesses - those owned and operated by independent contractors. With the growth of a knowledge and service-based economy and corporate down-sizing, a growing number of individuals now support themselves as independent contractors.

In the past, however, independent contractors, including our own real estate sales agent membership, have found themselves unable to access the SBA's Economic Injury Disaster Loan (EIDL) program despite the fact that independent contractor owned and operated firms suffer from all of the same post-disaster problems that confront any small business (e.g. office and equipment losses, lost income stream, etc.) and have no access to the assistance programs that an individual employed by a firm might have such as unemployment insurance. This vital segment of the economy should not be overlooked as the result of overly rigid or out-dated program eligibility guidelines.

The aftermath of Hurricane Katrina is a disaster unlike any ever experienced in the United States. Americans' outpouring of support has been tremendous, but more will be needed. Extraordinary measures are going to be necessary to rebuild these communities, and return normalcy to the many victims devastated by Hurricane Katrina. The NATIONAL ASSOCIATION OF REALTORS® stands ready to work with you on all the initiatives. Thank you for the opportunity to provide our input and recommendations on this important matter.

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Recommendation on Energy Relief for Public Housing and Section 8 Voucher Households
February 2006

The Issue

Nationwide, approximately 3 million families receive public housing or Section 8 housing voucher assistance. These forms of assistance help families pay for housing costs, including utilities. Generally, public housing agencies pay utility bills, and vouchers include an allowance for tenant-paid utilities. However, the HUD budgets for both public housing and Section 8 vouchers, developed many months ago, did not contemplate the explosive growth in energy costs that we are seeing today.

The Department of Energy recently reported that natural gas users can expect to pay up to 77 percent more during the upcoming winter compared to last year. Those who heat their homes with fuel oil will pay 33 percent more than last winter.

- **Public Housing:** HUD's public housing operating fund budget request for FY 2006 incorporated only a 1.5 percent increase in utilities for FY 2006. DOE estimated increases obviously will dwarf this requested increase. Nationally, NAHRO estimates that utility rate increases will cost an additional $250 million in public housing alone in the coming year. After years of underfunding --- public housing agencies received just 89 percent of the amount necessary to cover basic maintenance and operations in 2005, and are expected to receive about 91 percent of necessary funding in FY 2006 --- many agencies cannot absorb these increases within their budgets or reserves. Without supplemental funding, many agencies and will be forced to again cut back on basic maintenance as well as vital services to the elderly, disabled and hard-pressed families they serve.

- **Section 8 Vouchers**: Annual increases in voucher funding provided to local housing agencies and limits on the amount that agencies are permitted to pay on behalf of families for tenant-paid utilities are both tied to area housing cost estimates calculated by the Department of Housing and Urban Development. Unfortunately, these calculations were developed before the recent increase in utilities. Under the current "budget-based" method of funding vouchers, prior-year costs are adjusted only for an inflation factor calculated by HUD. No additional funding is provided mid-year to accommodate increased costs. Failure to provide additional funding to local agencies for utility cost increases will create either greater rent burdens for low-income families, or force agencies to reduce the number of families they assist within their limited budgets.

  For 2006, NAHRO estimates that additional $243 million will be needed for voucher-assisted households' utility costs. We estimate that the average utility allowance for voucher-assisted households will rise by a seasonally-adjusted, weighted average of 28.5 percent. Our estimate also factors in an assumption that all eligible families will apply

for LIHEAP assistance to augment their housing assistance, thereby offsetting some cost to the Section 8 voucher program.

How Utilities Factor into Housing Assistance

The assistance standards in both public housing and the voucher program are intended to cover the costs of maintaining tenancy, including utilities.

- Public Housing: In about 80 percent of public housing units, the local housing agency, as the landlord, pays directly for utilities. The local agency cannot pay increased utility bills simply by raising rent because rents are set as a percentage of tenant income. In the remaining 20 percent of public housing units, local agencies assist families, elderly and disabled persons to pay utility bills where these bills would tip housing costs over 30 percent of income.

- Section 8 Housing Vouchers: About 20 percent of assisted families have utilities included within their rental charges. For the remaining 80 percent, housing agencies provide the family with a standard "utility allowance," based on modest utility consumption for the type and size of housing in which they live. Housing agencies are required to recalculate and increase utility allowances for families whenever utility costs increase by 10 percent or more. However, under the current "budget-based" method of funding vouchers, no additional funding will be provided mid-year to accommodate these increased costs.

  The voucher housing subsidy standard is designed to accommodate all housing charges, including utilities. Local agencies set these standards as a percentage of the federally-calculated Fair Market Rent (FMR) for that area. Because the national calculation is not likely to precisely reflect the local area, agencies can set their subsidy standards at from anywhere from 90% – to 110% of the FMR. If escalating utilities are pushing total rental costs above these HUD-issued standards, local agencies currently have to seek special approval from HUD headquarters to increase these limits.

Recommendation

NAHRO recommends that Congress provide supplemental emergency funding for unanticipated utility costs resulting from the 2005-2006 national energy crisis. In the public housing program, $250 million will be necessary to offset agency-borne utility costs and maintain housing quality for residents. In the Section 8 voucher program, we estimate that $243 million will be necessary to permit agencies to adjust families' utility assistance without increasing rent burdens or reducing the number of families served in their communities. In addition, we believe that in instances where utility increases drive total housing costs (rent + utilities) above current FMR standards, agencies must be given the ability to exceed current FMR payment standard limits in the voucher program without prior HUD approval. Supplemental funding should be payable to agencies in the current year, upon proof of additional utility expense.

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