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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT'S FISCAL YEAR 2008 BUDGET

HEARING

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

MARCH 14, 2007

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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT'S FISCAL YEAR 2008 BUDGET

Wednesday, March 14, 2007

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The committee met, pursuant to notice, at 10:07 a.m., in room 2128, Rayburn House Office Building, Hon. Barney Frank [chairman of the committee] presiding.

Present: Representatives Frank, Waters, Maloney, Velazquez, Watt, Moore of Kansas, Capuano, Hinojosa, McCarthy, Baca, Lynch, Miller of North Carolina, Green, Cleaver, Moore of Wisconsin, Sires, Ellison, Klein; Baker, Manzullo, Biggert, Miller of California, Capito, Hensarling, Neugebauer, Bachmann, and Roskam.

Also present: Representative Meek.

The CHAIRMAN. The committee will come to order. This is a hearing on the Department of Housing and Urban Development, and we are pleased that Secretary Jackson has once again joined us.

Pursuant to the rules, we're going to have opening statements of 16 minutes, 8 minutes on each side, and I will begin with my 5 minutes.

Obviously with the change in majority control, there are going to be some differences in housing policy. In fact, I think it is in housing policy more than in any other area under this committee's jurisdiction that the last election will have some impact.

In particular, many of us believe that the time has come to get the Federal Government back in the business of either preserving or constructing affordable housing units. The Section 8 program and its various components does add equity to the housing market. It gives people who don't have enough money to afford decent housing the ability to do so.

But with current policy where it is mostly on a year-by-year basis, what the Section 8 voucher program does is add to the demand for housing in a way that is unlikely to increase the supply so that we both add equity but we also have an upward pressure on price.

We see this particularly in, for instance, New Orleans, where the physical destruction of so many rental units has caused a special problem. And that's why, when this committee brought out a bill previously which will go to the Floor next week, we talked about trying to start construction of some units. Particularly, for example, project-based Section 8 units so that a developer can get a 20-year

commitment to us, literally take that commitment to the bank and begin to build the housing.

Simply providing rental assistance in an area like New Orleans, where so much of the rental housing has been destroyed, does not accomplish what we need to accomplish. New Orleans is obviously the worst case because of the hurricane, but there are other places, so we will, in these coming 2 years, be focusing on what we hope will be sensible housing production.

I want to address one of the great obstacles to housing production, which is cultural lag. If we asked many Americans, including many who serve here, to think about federally funded housing, they would see large sterile towers with far too many low-income people packed in and too few services; they'd see Pruitt-Igoe in St. Louis or Cabrini Green or Columbia Point.

The point we need to make is that we have long since stopped making those mistakes. We also want to be clear—those units were never the idea of the poor people who lived in them. That was the idea of society as to how to warehouse and keep them.

We have the capacity, working particularly with private developers, both profit and nonprofit, to have Federal help so that housing is constructed in a way that is good for the people who live there and good for the neighborhoods in which those people live, and we will be working on that.

One initiative of which I am particularly proud, and Mr. Secretary, this is where I think we would have cooperation. Without any new money being voted, and money is always going to be a problem, members of the staff of this committee are working with the members of the staff of the Ways and Means Committee, under the supervision of Chairman Rangel, so that the tax-supported housing programs work as seamlessly as possible with the appropriations-based programs.

In many parts of the country, such as the one that I represent, the low-income housing tax credit is a good thing, but it does not get the rents low enough, given the various costs. If you can have the low-income tax credit or housing revenue bond work closely with HOME, with HOPE VI when we get that going again, or HOPE whatever, with other housing programs, then you can get more bang for the buck.

And so without in any way increasing appropriations, we can cut down on the transaction costs, legal fees, and other fees; we can speed it up. And in housing of course, time is money; the more quickly you can build, the better off we are. That's one of the areas where we will be working.

One of the other areas we want to work on, and I want to say, Mr. Secretary, and I will get to this, that many of us are appreciative of your decision regarding Starrett City. You stepped in to prevent the loss of affordable units in New York City when they were needed, and I hope we can work in the future to take the principle you acted on there and generalize it.

That is, it is difficult, as you all know, to build new, affordable housing, because people have what I think is often an irrational resistance to it. The importance of preserving those subsidized units that have already been built, as you are doing in Starrett City, is that you avoid one of the most serious problems and one of the

most serious expenses. Subsidized housing that has already been built, if we can preserve them going forward as subsidized units, not just for the tenants, we avoid all the zoning issues; we avoid all the political battles. Also, of course, it may be cheaper than building from scratch.

And, therefore, one of the things we want to do, and we look forward to working with you, is an inventory of all the housing now under various restrictions where those restrictions are going to expire. We recognize that the owners have legal rights that we should not try to interfere with, but I believe it is more efficient in a number of areas to try to either buy these owners out or provide them incentives so that we preserve the units.

Our policy has been to protect the tenants, but then when the tenants moved or died or whatever, we lost the unit. I would like to take the principle on which you quite correctly acted in Starrett City, and see if we can nationally, working together, do the maximum to preserve units. I think it will be the least expensive way to do affordable units in a number of categories.

My last point is this, and then I'll recognize members on the other side. We know, we think, what we can do to prevent future predatory lending, which has caused so many problems. I notice Senator Dodd, to his credit, has announced that he's interested in this, and I think that it's one of the areas where he's been taking a lead and deserves credit for it.

Are there things we can do for the people who have already been trapped? There may or may not be. I'd like to be able to do a little bit. Certainly we know that the regulators have been wishing guidance to the banks, urging them to show forbearance where possible. And we're certainly going to be asking Fannie Mae and Freddie Mac, to the extent that these things are in their portfolio, to not only show forbearance, but to also look at whether or not there's anything we can do for the current victims. We also, of course, will be working together for the future.

And next, the Chair recognizes for 5 minutes the gentleman from Texas.

Mr. NEUGEBAUER. Well, I thank you, Mr. Chairman. And welcome, Secretary Jackson; it's always good to have a fellow Texan before the panel here.

Let me begin by welcoming Secretary Jackson back to the committee to discuss the state of America's housing markets and to report on the President's budget proposal for the Department of Housing and Urban Development.

One of Secretary Jackson's main priorities since assuming his responsibilities in 2004 has been to make HUD programs function in a more cost-effective and efficient manner while still serving those in need. The recent decision by the Government Accountability Office to remove both HUD's single-family mortgage insurance and the rental housing assistance programs from the GAO's list of government programs at high risk for waste, fraud, abuse, and mismanagement demonstrates that the Secretary's efforts are making a real difference in changing the culture at HUD.

Secretary Jackson should also be commended for his continued leadership in helping Americans realize the dream of homeownership.

Over the last several years, the Administration has sought to change the direction of many of our Nation's housing programs. Rather than merely addressing the symptoms, the Administration has proposed changes designed to promote economic opportunity and ownership and encourage greater self-sufficiency among our citizens. This budget continues the President's commitment to increasing homeownership, and fostering an ownership society.

The housing market has driven the Nation's economy over the last several years as Americans bought and refinanced homes in record numbers. Today, nearly 70 percent of all American families own their homes.

The benefits of homeownership are well documented. Homeownership is not only the key to financial independence, but it creates stakeholders who tend to be active in charities, communities, churches, and other civic-minded pursuits. Homeowners are more likely to vote and take an interest in local issues. And families owning a home are often in a better position to offer children a more stable living environment.

While highlighting the many benefits of homeownership, we must also acknowledge that there are many people in today's society who are not yet ready to own a home. Mr. Secretary, I appreciate your efforts on both of these fronts, to expand homeownership and to assist those who are not yet equipped to take this big step.

The President's budget also continues to emphasize improvements to the FHA program, designed to increase homeownership in low-income communities. Since 1934 more than 34 million Americans have become homeowners through FHA, however in recent years the FHA program has not kept pace with the changing technology or the needs of many families it was chartered to serve.

The housing approved bipartisan legislation in last Congress to allow FHA to engage in risk-based premium pricing, boost the amount of availability for FHA-insured mortgages, and provide more down payment options. These important reforms would expand the reach of FHA programs so that more families have access to homeownership.

Mr. Secretary, once again, we are very pleased to have you before the committee. I look forward to working with you throughout the coming year.

The CHAIRMAN. I apologize. I was being bipartisan. Next, I will recognize my colleague and neighbor, the gentleman from Massachusetts, Mr. Lynch, for 3 minutes.

Mr. LYNCH. Thank you, Mr. Chairman. I want to thank the Secretary for coming before us to help us with our work. As many of our colleagues will note today, this budget, the President's budget, has many troubling aspects to it from the standpoint of a former tenant of public housing like myself.

In view of these changes, I think it provides some of the most important governmental services in general—the housing department. I am disheartened that year after year, it seems we're discussing more cuts to the HUD budget, and I believe that since the Bush Administration took office, and including the proposed budget, programs have been slashed, including cutting disabled housing by 51 percent by one estimate. Elderly housing programs have been cut by 38 percent, and CDBG grants, which are also a source of

benefit to a lot of people in public housing in our inner cities have been cut by 43 percent.

Those are just the programs that have been reduced; I won't have time to mention the programs that have been cut. I feel that we should be moving in a different direction. We have seen an erosion of healthcare security for working families. We've seen an erosion of job security for a lot of working families. We've seen an erosion of pension security. Those protections are the very events and aspects of life here in America that will cause families to have to resort to public housing. And yet now, with this budget, I see us pulling the rug out from under the housing programs as well.

I think the Section 8 voucher programs are an essential element of public housing, especially in districts like mine and the chairman's, with high real estate values where homeownership is much more aspirational for the neediest of families. In Boston, we have a waiting list of 15,000 families, and there is a 50,000-deep list across Massachusetts for Section 8 vouchers from the DACD alone. How do you propose we take care of these families with a budget that cuts $90 million?

The community development block grants are to be cut by 20 percent. Again, these funds are used by communities to meet those critical development and infrastructure needs around affordable housing. These cuts will specifically affect my district by taking away a critical $300,000, and we're scrambling to make up that loss.

Finally, in closing, the proposed budget eliminates funding completely for the Brownfields Rural Housing and Economic Development Grants and Section 108 CDBG loan guarantees. I just think we're going in a completely wrong direction, and I look forward to hearing your responses to that in your testimony.

Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. I thank my colleague. Your neighbor and the gentlewoman from Illinois, the ranking member of the Subcommittee on Housing and Community Opportunity, is now recognized for 3 minutes.

Mrs. BIGGERT. Thank you, Chairman Frank, and welcome back, Secretary Jackson. For the past few years we have been honored to have you here during the month of March to review the President's budget proposal. Our discussions during this annual hearing are always lively, but they are in fact serious, and very important to me, my constituents, and millions of Americans who count on HUD and Congress to promote safe, decent, and affordable housing.

We on the committee are acutely aware of the many difficult HUD management and budget challenges, especially those inherent in the Section 8 program. I congratulate you, Secretary Jackson, for your leadership and for taking steps to strengthen HUD's management and performance. HUD received a clean audit for the 7th consecutive year, and GAO removed HUD from its high-risk government programs list for the first time in over a decade. I am sure that was no easy task, so congratulations to you and your team.

As for the President's fiscal year 2008 budget proposal, I am heartened by the fact that the President acknowledges the need to reform several HUD programs that aim to end homelessness, foster

homeownership, and when renting is the most viable option, provide individuals and families with rental assistance, and provide housing counseling to help homeowners, for example, avoid foreclosure. I couldn't agree more with these goals.

However, I couldn't disagree more with the proposed cuts to Federal housing programs that are tailored to meet the housing needs of the disabled and our seniors, Section 811 and 202 programs. Cutting in half the budgets for these two programs in the absence of comprehensive reform constitutes a great disservice to our seniors and disabled citizens.

About one-third of the residents in my congressional district are elderly. That figure will only grow as the Baby Boomer Generation continues to age. In order to ensure that my constituents are well served in 2008, I will support level funding this year for Sections 811 and 202 as we work to reform these programs, but I would like, Mr. Secretary, a commitment from you today that we will work together to review and reform Section 811 and Section 202 programs.

In addition, I look forward to working with you, Ranking Member—I was going to say Bachus, but I am looking at Mr. Neugebauer here—and Chairman Frank and Chairwoman Waters to strengthen Federal housing programs, including FHA, Section 8, GSEs, those that aim to end homelessness, and those like the American Dream Down Payment that give a helping hand to first-time homebuyers.

Again, welcome, Secretary Jackson. I look forward to your testimony.

Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. I thank the gentlewoman. We've been joined by the chairwoman of the Subcommittee on Housing, and she has graciously deferred a statement at this point.

Mr. Secretary, please go ahead with your statement. Without objection, any written material you want to insert will be put into the record.

STATEMENT OF THE HONORABLE ALPHONSO JACKSON, SECRETARY, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Secretary JACKSON. Thank you very much, Chairman Frank, Ranking Member Bachus, and distinguished members of the committee. I thank you for the opportunity to be here to discuss the President's 2008 Budget. It's a good budget, and I encourage you to give it your support.

The President is very concerned about helping all Americans have access to affordable housing that is decent and dignified, and his $32.2 billion budget for HUD, an increase by $1.6 billion over last year's request, demonstrates that concern.

I want to highlight how the President's budget would help HUD achieve the mission Congress has assigned us, particularly in three areas: helping more Americans own their homes, especially those who thought homeownership was out of their reach; helping those not ready or willing to own their home find decent rental housing in this country; and making necessary reforms to multiple program

areas, including FHA, public housing, community development block grants, and homeless programs.

Our first area, Mr. Chairman, is helping Americans achieve the dream of homeownership. Under President Bush's leadership, this Administration has achieved new records in the rates of homeownership. Today more than 75 million families, or nearly 70 percent of all Americans, are homeowners, the largest number of Americans ever to own their homes.

But many low-income Americans struggle to overcome the single greatest obstacle to homeownership, the cash down payment and the closing costs. That is why the Administration proposed an additional $50 million to continue funding the American Dream Down Payment Initiative. Added funding has helped more than 21,000 families to purchase their first home, of whom approximately 50 percent were minorities.

The Administration request is a $25 million increase over 2007. Additionally, the Department is requesting $1.97 billion in FY 2008 for the Home Investment Partnership Program, which is the largest Federal block grant to State and local governments designed to produce affordable housing for low-income families.

More than ever, potential homebuyers need assistance to make smart homeownership choices. That is why the President has proposed another $50 million for housing counseling. Housing counseling is the most cost-effective way to educate an individual.

This budget also provides $367 million in Section 184 loan guaranteed under the Indian Housing Loan Guarantee Program to increase homeownership in the tribal areas. Our second focus, Mr. Chairman, is helping low-income families find decent, affordable rental housing.

At HUD, we realize that homeownership may not be a viable option to everyone. That is why the largest component of HUD's budget promotes safe and affordable rental housing. The 2008 budget supports rental housing for nearly 4.8 million people through public housing, and Section 8 and other assistance programs, including $575 million in funding for support of housing for the elderly, 202 program; and $300 million in new grant funds for housing assistance related to support of services for low-income persons with HIV/AIDS and their families.

The third focus, Mr. Chairman, is laying the groundwork for reform of some of HUD's most vital programs to better serve those in need. The Federal Housing Administration needs to improve the ability to reach traditionally under-served buyers, which will also help increase minority and first-time homebuyers.

Too many individuals and families have been steered into high-cost, high-risk loans, particularly minorities, first-time homebuyers, and families with less than perfect credit. American homebuyers need FHA. That is why the legislation to modernize it is so critical, and I appreciate that this committee understands the urgent need to bring FHA into the 21st Century.

The President also proposed an innovative reform to the Section 8 voucher program. The reform will allow the public housing authorities that have been good stewards of the taxpayers' money to assist more families. We estimate that 180,000 more families will be able to get rental assistance.

Another way to strengthen the community would be to reform the Community Development Block Grant program. It has become increasingly clear that an outdated formula that once measured the needs of urban America no longer reflects the modern needs of today's cities, large suburban counties, and States. Some high-need areas receive smaller grants than they should, and some low-need areas receive larger grants than they need.

The Department will continue to pursue a formula of fairness by supporting a new formula that will more effectively target the Community Development Block Grant funds to areas of greatest need in the 21st Century.

Ending chronic homelessness remains a priority. Since 2001, the Bush Administration has awarded more than $9 billion to help homeless individuals move beyond life on the street. To provide further supportive housing options for the chronically homeless, the 2008 budget will provide $1.59 billion, an increase of $50 million over last year. We will also be proposing legislation to change consolidated HUD homeless programs to improve the efficiency and effectiveness of the delivery of these critical, needed funds.

In conclusion, Mr. Chairman, the Administration's 2008 budget makes good progress towards successfully realigning the Federal Government priorities to fit the Nation's changing needs. This budget also lays the groundwork for program reforms like FHA, Community Development Block Grants, homeless grants, and Section 8, and it will enable HUD to continue along the path to greater efficiency and effectiveness.

As noted a few minutes ago, HUD improved program management capacity. I would like to mention, as the Congresswoman did, that HUD was removed from the Government Accountability Office's list of high-risk agencies. This occurred in 1994, and finally, we were removed.

This is a good budget, Mr. Chairman, and I respectfully urge Congress to adopt it. And I am now available to answer questions from you and other members of the committee.

[The prepared statement of Secretary Jackson can be found on page 57 of the appendix.]

The CHAIRMAN. Thank you, Mr. Secretary. I want to express publicly what I just said to you, that I appreciate, and I know Ms. Waters does as well, the cooperation we got from your staff as we were working on the bill dealing with the aftermath of the hurricane. We understand there are policy differences, and we'll continue to press them, but the staff of HUD was very helpful technically; the bill was improved it its technical aspects by your staff's cooperation. I want to acknowledge the good work that they did.

Secretary JACKSON. Thank you.

The CHAIRMAN. I also want to repeat—and I know my colleague from New York, Ms. Maloney, will feel this way as well—that many of us were very pleased, as I said, with what you did with Starrett City, and some of us would have hoped that the City of New York might have been wanting to do that with Stuyvesant Town or Peter Cooper Village.

I guess the mayor of New York has a different view about the affordability of public housing in Manhattan versus Brooklyn. I

wish he was more amenable to it in Manhattan, but Brooklyn is okay; it is better than nothing.

But that's the point I wanted to touch on with you for the future. Obviously we have our differences. The proposed cuts in CDBG—I know the President proposed a cut in CDBG. I do not think there are 10 Members of Congress who will pay serious attention to that proposal, and I don't plan to be one of them now.

Similarly, I don't think we're going to cut back on the proposals to construct housing for the elderly and for the disabled. You know, in particular, when you're talking about housing for the disabled, the market is simply not going to be able to shoulder that on its own. That is a legitimate issue of market failure in technical economic terms.

But I do want to talk about the issue that I mentioned about acting on the Starrett City principle. Look, we're all aware that the voucher program has a mixed impact because it does provide some equity, but in areas where there is a shortage of rental housing, the voucher program has an upward price impact. That's why we will be talking some about production.

But let me talk to you about preservation, and I would hope we could work together on this issue quite seriously, Mr. Secretary. The principle that you acted on with regard to Starrett City, as I understand it, was you were not going to give approval to the extent that you had the right not to—in some cases you don't have that legal right—but that you would use your legal authority, in appropriate cases, to prevent the loss of affordable units, i.e., not simply protecting existing tenants, but also preserving the number of units so that when that one tenant moved out, the units were still there. Is that an accurate description of the principle that you acted on?

Secretary JACKSON. Yes.

The CHAIRMAN. Well, could we work together to generalize that? As you know, we had the GAO do a study for us. There are hundreds of thousands of units of affordable housing that were built in the 1960's and 1970's with Federal funds. You and I weren't part of this. A decision was made then, which I regret, but I have enough recent decisions to worry about that I regret, without trying to spend too much energy on 30- and 40-year-old ones.

Many hundreds of thousands of units that are now available for people of moderate income, generally, not the lowest income; we have to deal with that elsewhere. We could lose them to the market. Of course, I think what has happened is, not surprisingly, people in the 1960's and 1970's hadn't fully seen the extent to which public tastes would differ, that living in central cities would become more desirable than it was, gentrification, and various other things.

We now have hundreds of thousands of units at risk, if we don't act, of going from an affordable status to the pure market. My view is that the most efficient use we could make of dollars would be to try to buy up the right to take those out. Some of these are in the Ways and Means area, for instance, Exit Tax Relief. I'm told that would be very important.

Could we work together? I would hope that you would designate the appropriate people at the Assistant Secretary level to work

with our staff. I would hope that we could say, let's figure out what it would cost to preserve virtually all of those units. There would be some where the neighborhood had changed so much it wouldn't make sense, or the units might have deteriorated, but I think that we ought to set a goal of preserving the great bulk of those units as affordable. We should at least figure out how much it would cost and what legal authority we would need.

And I'd like to work with the States there, too. That's why the Starrett City thing was important. A number of States, the Mitchellama in New York, or Massachusetts have also done this. I would hope we could look at all of the programs that have been put forward to preserve affordable housing and try and maximize that. Is that something you think we could work on?

Secretary JACKSON. Yes, I do. And we're very fortunate, Mr. Chairman, to have the Assistant Secretary for Policy, Research, and Development, Darlene Williams, who is extremely good at this. I would like nothing better than to work with you because I agree with you—where we can preserve we should. We should not let units go back into the market.

As you know, we had a case, I guess it was about 3 years ago in Massachusetts, where we tried very hard to keep that unit affordable, but eventually they paid off the loan, and—

The CHAIRMAN. Right, we understand. People have a legal right to do that. We're not abrogating the rights of contract. I do think, however, that we have a right and we certainly had this legislation before. We could, I think, get a right of first refusal on the books, and in many cases—well, in some cases it won't happen.

In my experience, most of the people who built this housing had an inclination to build this housing. If they wanted to just be in the conventional market, they could have done that right away. Some of them are non-profits. A lot of them would be willing to work with us. We're not trying to take away their rights without paying for them.

I think per unit, if we're trying to have more units than we otherwise would have, it would be cheaper to work with them and buy out that right rather than to start from scratch, so we will work with the Assistant Secretary, and I appreciate that.

It's probably going to cost us some money, but I think it would be money well spent. As I said, it avoids one of the biggest obstacles we now have with building affordable housing, which is neighborhood resistance, because we're talking about preserving units that were already built.

I appreciate that, Mr. Secretary. We're going to take you up on that.

Secretary JACKSON. Thank you.

The CHAIRMAN. The gentleman from Texas.

Mr. NEUGEBAUER. Thank you, Mr. Chairman.

Secretary Jackson, last month members of our committee held some field hearings in New Orleans, as you may know, and members of the panel toured several of the public housing developments that in many cases are uninhabitable at this particular point in time. Since Katrina, what progress has been made toward improving these units so that families who wish to return will have a safe place to live?

I understand that HUD has partnered with groups like Enterprise and Catholic Charities to redevelop some of this public housing into healthier communities. Why is it taking so long to move these plans forward?

Secretary JACKSON. First of all, as the chairwoman of the subcommittee is well aware, we are in a major lawsuit right now in New Orleans, and we cannot—we've just gotten the go ahead to move forward. Before that, we could not make any moves until the judge made a decision. We immediately put almost 1,200 units back online, and then we were asked to put another 1,000 units online, which we are doing. And then we talked to the chairwoman of the subcommittee and she asked us if we could possibly have 3,000 units, and we're in the process of doing that.

The key to it is that we're going now from State to State to try to find persons who will be willing to come back to the units. Now it's important to know that we're willing to buy out the leases; we're willing to move them. We're making sure that if they want to come back they can come back, because it is clear to us as to many of you who were there that there's a lot of work to be done and there's not enough people to supply the person-power to get that work done.

We were also asked to look at doing a major survey. We have hired a person who is nonpartisan, who is very open with the major university to look at bringing people back and why they're not coming back in great numbers.

Now lastly you ask, why has it taken so long? Many of the units were very much in ill repair, and we tried to repair them; some of them were under water, some were not. But at the same time, we have a very unique opportunity where we finally have monies to redo many of those developments that should have been redone years ago.

It's important to note that before Katrina we had done Desire, which had sat there for almost 20 years; we had done Full Florida; and we were almost through with Fischer, so it wasn't something that we agreed to do initially.

When we took it over, we said that we wanted the quality of life for the persons who live in public housing in New Orleans to change, and I do not believe, as I said both to Chairman Frank, and to Chairwoman Waters of the subcommittee, I do not believe that we should alienate low-income people from the rest of society, and I think that clearly we must integrate them both socially and economically if we have an opportunity. We've been presented with an opportunity to do that, and that's the only reason that I want to do it. But I will work with the committee to try to get as many residents back who want to come back.

Mr. NEUGEBAUER. Moving to the CDBG question, we also were down there and we heard that, as you understand, Congress has appropriated nearly $16 billion in CDBG money for the Gulf Coast recovery, and some of that money is geared towards bringing some of that housing back. But right now only $1.2 million of that money has been distributed to families to rebuild. What's going on there?

Secretary JACKSON. Congressman, your guess is as good as mine. It is clear, we have met with parties who are given the authority to make the compensation of these monies to other people.

I will say this. I think it's a very cumbersome process that they've created in Louisiana. It's going to be very difficult from my perspective to move quickly and judiciously in this area, and I instructed members of our staff, just yesterday, to talk with the governor's staff to try to expedite this process.

As you know, in Mississippi, we've allocated 10,000 checks to people, and they are in the process of rebuilding. Well, we've spent almost $100 million in Louisiana, and we have only, I think, given out about 500 checks. That is totally unacceptable, and we will continue to work.

It's important to note that the President made it very clear that each State has the responsibility of addressing the issues. When you gave us the money, you gave us great latitude to let the States have the right to decide how they were going to spend the money, and we've tried to do that with Mississippi, Louisiana, and Alabama.

Mr. NEUGEBAUER. Just one quick FHA question. You know, we passed H.R. 5121, the Expanding American Homeownership Opportunities Act of 2006, overwhelmingly; do you think that FHA is a safer mortgage product for those subprime borrowers out there than, say, the subprime private marketplace?

Secretary JACKSON. Mr. Congressman, there is no question. All we have to do is read the news articles over the last week, and we realize that companies like New Century and others have created serious problems in this subprime market. The only way that we're going to be able to address that is if we modernize FHA to go back and do what it did in 1934, to address the needs of low- and moderate-income people.

We believe that clearly we can do that; we can do it so that we'll be able to address the needs of our constituents in California, which it can't now; the market has been out-priced.

I'm convinced that the best way we can go to save low- and moderate-income Americans is to modernize FHA, and I'm very pleased that last time the House passed the bill at 416 to 7. I just hope that we immediately begin the process again because we believe that we cannot continue to let this market do what it's doing because a lot of people are in foreclosure, and we're working hard to keep people from going into foreclosure.

You know, some people say, well, we look at a 30-day snapshot, and there are a lot of people. Usually we look at 90 days. That's when the real problem happens in this country. If they haven't made it in 90 days, they're in serious trouble. And I think we have a wonder with FHA to cure this problem and cure it very quickly.

Mr. NEUGEBAUER. Secretary, thank you for those good answers.

The CHAIRMAN. The gentlewoman from California.

Ms. WATERS. Thank you, very much. Good morning, Mr. Secretary. It's good to see you.

Secretary JACKSON. Good morning.

Ms. WATERS. And I want to thank you for the work that you have done in trying to solve this very difficult problem in Louisiana. I thank you for the time that you spent with me in your office and I also thank all of your staff. It is a difficult one, but I do think we can solve it, and I do not want to rely even on the sup-

plemental appropriations that we have here because the President said he's going to veto it.

I don't want to put anything in there that is not going to pass, but I think that based on the work that you have already done and that we have done, we can get the residents back who want to come back into those rehabilitated units. And I think you already have said that you have enough money in your pipeline to be able to do that.

Secretary JACKSON. Yes.

Ms. WATERS. I think you have already agreed that you would do 3,000 units; is that right?

Secretary JACKSON. That's correct.

Ms. WATERS. So I think that despite the fact that, you know, the lawsuit was filed and the advocacy groups were a little bit unhappy, things are working out. I thank you for your cooperation on that, and I want you to know that it needs to be understood that we have asked for one-on-one replacement in any redevelopment that you do, but we have done nothing to say that you should not get together with the city and the residents and plan for our redevelopment.

We were interested in getting people back in, and we think it's in the best interest of everybody that you do a plan that will incorporate several things, including one-on-one replacement. As Mr. Frank has always said, get those new units online before you start tearing down the others, and I think everything will work out fine.

Now having said that, let me back up and ask you about CDBG. Do you still have the authority to help direct that money, given that you had given it to the governor's office in both Louisiana and Mississippi? Do you still have some way by which you can influence—helping to expedite what they're doing?

Secretary JACKSON. Let me say this first before I answer that question. I want to publicly thank you very much for interceding and trying to resolve the matter in Louisiana because I think without you in the session it might have gotten a little more out of whack than what it was, so I really appreciate that, first.

I am exerting all the moral influence I can to get this money spent. When you all passed the legislation it gave the States wide latitude with the money. We could send them the money. We had to approve their plan, once they submitted the plan.

We approved their plan, and they had to implement the plan exactly as they said they would. That's probably the only leverage, if they don't do it, that we have over them. We can say, you're not doing what you agreed to do in your plan, but other than that, the first group of monies, it's—we have very little authority. But in the second group, we have quite a bit of authority with the second round and the supplement that you have. We have quite a bit more authority to impose our will upon them.

So we're doing everything in our power. In our office, we have met with ICF, we have met with Shell, we have met with the governor's staff, and we are doing that again today to try to stress that it's very, very important that we compensate these people as quickly as possible.

Ms. WATERS. Mr. Secretary, in Louisiana I'm wondering, based on the number of applications that have been filed, over 109,000

and the very few—when we were there about 775 had been completed. I'm told they've added some to that.

Secretary JACKSON. Right.

Ms. WATERS. But it seems to me that if there is some way that you could use that information to determine that they have not followed their plan because they are not producing in a way that is very helpful, they're not expediting, please take a look at that.

And two other things I don't know whether you can look at, but we—I discovered that they didn't know how to do appraisals, I don't think. They basically started out doing appraisals not based on the value of the house that was there prior to Katrina, but post-Katrina, after the houses had been turned over, blown over. So is there some way you could look at that?

And also, clearing titles. They certainly don't know how to clear a title, and I know that there are some complications there because houses have been passed down not in a legal way. You know, through the years, the families have done this. But you can't hold up replacing those homes and getting homeowners back if they can't clear titles. So I wish that you and whatever experts you may have at your disposal would take a look at appraisals and clearing titles and see if you can find a way to use whatever leverage you might have to help them expedite this program.

Now having said that—and it's wonderful that we are moving forward with public housing, and everything I think is going to be okay. I have to tell you, I'm still unhappy about CDBG, and a few of the other programs that have to get cut, too, and all of the public housing I have to pay attention to; we had some cuts there that I'm going to try to restore.

But also, Mr. Secretary, we need social services in all of our public housing developments. I know that's a vision of yours with redevelopment, but we're not going to redevelop these thousands upon thousands of units within the next 20 years; it's just not going to get done. So we can't say that those who are not online for regional development are not going to get social services.

What can we do to replace things like the drug intervention program that we had in public housing, that we have lost? What can we do for helping to direct people to healthcare services for providing space for some after-school tutoring?

I know we can do something, and I'd like for you, even if we could find more money to do it, you to design something, or if we—you don't design something and we find money for it, that you will take advantage of it, and that if we can't find money that you will look at what you have and do something to put some social services in these housing projects that are not going to be developed any time soon.

Secretary JACKSON. I do not object to anything that you just stated, and I'll be more than pleased to sit down with you, and sit down with the chairman, and try to work through the process. And if you find the money, yes, I'll be more than happy to implement programs.

We have some ideas, and I'll be pleased to share them with you. I am in agreement. I was just in Los Angeles and had a chance to see Imperial Court and others, and it disturbs me tremendously when I see young kids afraid to walk to school. I think there's

something we're going to have to do within our powers to correct that, and I'll work with you wholeheartedly.

Ms. WATERS. Thank you very much, Mr. Chairman. I yield back.

The CHAIRMAN. The gentlewoman from Illinios.

Mrs. BIGGERT. Thank you, Mr. Chairman. Mr. Secretary, the HUD's FY 08 budget calls for removing the voucher cap so that unspent balances can be expended on vouchers above the cap. Could you explain how this policy move could make the program more effective and efficient and allow PHAs to serve more people?

Secretary JACKSON. Yes. And to get into the details, I'd like for, Congresswoman—for my Assistant Secretary to come up and speak to that matter.

Mr. CABRERA. Congresswoman, essentially what we have currently is a budget-based system. And in there, there are—

Mrs. BIGGERT. Okay. Could you identify your name and title for the record, please? I know you've just been here, but once again.

Mr. CABRERA. I'm Assistant Secretary Orlando Cabrera. I'm Assistant Secretary for Public and Indian Housing.

Currently, as part of the appropriations model, there are caps that attach to the allocations that keep public housing authorities from exceeding a cap in many circumstances, and that cap affects something called the Undesignated Fund Balance. So in our proposal, the cap would be removed and therefore PHAs would be able to fully utilize the amount of money that was appropriated to them.

On top of that, the President's 2008 budget states essentially that it is a prospective re-benchmarking. It is moving forward. So we would look at re-benchmarking; re-benchmarking wasn't the issue. The issue is to do it forward from this point in time.

Mrs. BIGGERT. Thank you. Mr. Cabrizzi, if I could just follow up on that.

This would be 2008, so really the CR that was passed, a lot of those vouchers that were within the cap would be removed. For example, in my area we're losing about $8 million in the different counties because they have a cap and they're not able to access that money, so those would be gone and they'd have to start over again with having it.

Mr. CABRERA. Correct. It wouldn't be because of the cap there—it's the House Joint Resolution, the language that was passed. And the spending resolution states that money is going to be redirected. It's not that it's been so much removed based on certain utilization rates. Therefore because it didn't take into account certain issues, that's the net effect. So yes, for example, DuPage County, as I recall, does lose Section 8 allocation.

Mrs. BIGGERT. Thank you. I called you Mr. Cabrizzi. I meant to say Cabrera.

Mr. CABRERA. It's all right. I've been called worse.

Mrs. BIGGERT. Thank you. Then, Mr. Secretary, in the current draft of the GSE Reform bill, there's a new affordable housing fund language, and this language tasks HUD with reestablishing a formula to allocate funds to States and the Indian tribes, and the language permits the States to determine what organizations will receive these funds. Do you support this new language?

Secretary JACKSON. Is that in the legislation?

Mrs. BIGGERT. This is in the current draft of the GSE reform bill. We have not considered it here, but it's going to be introduced soon.

Secretary JACKSON. I have to tell you, I have not seen that language, so I'm not really, Congresswoman, in a position to comment.

Mrs. BIGGERT. Okay. Maybe you could let us know afterward. That would be great.

Secretary JACKSON. I will be happy to. I will look at the language and I will get back to you.

Mrs. BIGGERT. Because I'd also like to know, should the language specify where the affordable housing funds should go within each State, and then should HUD play a more expanded role in the affordable housing fund than the bill envisions? If you could get back to us on that, I'd appreciate it.

Then, let's see, I just have a minute. The Section 8 Disability Fund, why doesn't the Administration support full funding for the Section 811 program?

Secretary JACKSON. We do. At this present time, we have a lot of the units in the process of being built, and we believe that the allocation that we made will continue the progress that is being made. I don't see this as a cut or not supporting. We do support 202 and 811, there's no question about it, because those persons who are seniors deserve the best that we can give them, and those persons who have certain disabilities deserve the best, and we will continue to do that.

Now I know some will say, "Well, you cut the program." But initially, when we came in, the program was not moving, Congresswoman; it was at a standstill. To date, we have it back online, we are allocating monies, and we will continue to do that. We'll make sure that the program works.

Mrs. BIGGERT. All right. Thank you. I yield back.

The CHAIRMAN. The gentlewoman from New York.

Mrs. MALONEY. I thank the gentleman for yielding and for having this truly important hearing on affordable housing, and I thank Secretary Jackson for your help with Starrett City. We are deeply grateful; thank you.

But every day that I pick up a paper now, there's a new story about the crisis and volatility in the subprime market. Today in the Wall Street Journal, the headline reads, "Subprime Fears Spread Sending the DOW Down 1.97 Percent." The Washington Post lead article today is, "Mortgage Report Rattles the Markets." And just yesterday, Mr. Secretary, the Mortgage Bankers Association reported that the number of risky borrowers who missed payments climbed to a 4-year high.

The number of foreclosures on all homes jumped to the highest level in nearly 4 decades, and even homebuyers who relied on loans insured by the Federal Housing Administration are having record default rates, so we truly have a crisis of affordable housing in this country.

At the same time that we're facing this housing crisis, funding for public and other affordable housing has been cut from the President's budget, and I just cite the CDBG program. It was cut $700 million; that's $58 million to New York City. So my question to you is, what is HUD doing to ensure that those who were ex-

posed to predatory mortgage practices are able to refinance or otherwise stay in their homes?

Secretary JACKSON. Congresswoman, I think that's a very fair question, and let me say this. We are doing everything in our power, in our moral persuasion, to try to keep foreclosures from occurring but because many are low- and moderate-income—

Mrs. MALONEY. But what are you doing to keep the foreclosures from occurring?

Secretary JACKSON. We are asking banks, we are asking others to—Fannie Mae, Freddie Mac, to have forbearance, to look at the situation. We don't have the power to dictate to them what they should do, but we're doing everything in our power, and that's one of the reasons that I said earlier that the FHA modernization legislation is so important because if we can do this, we can stop a lot of the problems that we're facing today.

Mrs. MALONEY. Maybe we'll move that legislation, but what is the Administration doing with regard to providing assistance now to the families with FHA-insured loans as they likewise report record default rates?

Secretary JACKSON. I must tell you that we are working every day with families who have FHA loans and we have not seen the record-breaking number of FHA foreclosures. We see foreclosures in the—

Mrs. MALONEY. Okay. But what are you doing to help them? You say you're working with them, but exactly what are you doing with them?

Secretary JACKSON. We counsel and work with them. We don't foreclose immediately like you've seen some of the others do at 30 days. We go 90 days, 120 days.

Mrs. MALONEY. 90 to 120 days? That's good, and what else?

Secretary JACKSON. That's all we can do is to try to work with them and make sure they work out. We can't, in essence, provide them with money, but we can work with them. And if we can work with them, usually 90 to 120 days, we save a lot of families from going into foreclosure.

Mrs. MALONEY. I think this committee would be very interested in the numbers you're seeing in FHA, and if they're different from what's being reported in the press, I'd like to see that.

Secretary JACKSON. I'll be happy to do that, because I must tell you, Congresswoman, a lot of things I read in the press it's beyond my comprehension when I—

Mrs. MALONEY. Okay. Getting back to what we can do, what are you doing to help those who lose their homes now have access to other sources of affordable housing? Obviously, Mr. Secretary, people would not have been going into risky, subprime loans if the affordable housing was there, and as we all know we cannot have affordable housing without a Federal role. And what we see are repeated cuts in the affordable housing program, so what are we going to be doing?

Some people are estimating—and again, you're saying the press is wrong, and I hope they are wrong, but we have to pay attention to what some of these independent groups are reporting. Some of them are estimating that 2.2 million Americans will lose their homes in this current subprime crisis, and what are we going to

be doing to help those people? If they lose their home, what are we going to do; let them sleep on the street? We have to have alternatives for them and should be planning, so what plans do you have to respond to this crisis that we're reading about every day in the paper?

Secretary JACKSON. First of all, Congresswoman, I would disagree with you. I don't think it's our responsibility to tell people how they want to refinance their home or how they will finance their home. I do believe that if we do the FHA modernization—

Mrs. MALONEY. Well, calling a point of privilege, I wasn't saying that we should tell them how to finance their home or refinance their home; I was saying that if they could get into affordable housing, they would not be going into risky loans. I don't think anyone supports people going into loans that they can't afford; it certainly does not help the consumer, would you agree?

Secretary JACKSON. No, that's not true, Congresswoman, because many people do not want to deal at this present stage with FHA because it's so cumbersome, so they are going into the subprime loans. That's one of the reasons that I am just very, very concerned with this process. We want to change that. I agree with you. They shouldn't go into these loans. But many of these persons, like we just read in the paper the other day, prey on minorities—blacks and Hispanics—and when they sign these notes, they say it's 3 percent, but when you look at it it's actually 8 or 9 percent.

They enter these agreements on their own. Now, we have done a lot of investigation through FHA—I mean, I'm sorry, through fair housing, equal opportunity—and we're beginning to come down on a number of these subprime lenders. That's what we can do. But we can't—

Mrs. MALONEY. Congratulations. Could you give us a report to this committee on who you came down on? Did you come down on Sentry? It's reported that they may be going bankrupt. They had a story about an 80-year-old woman who had a loan for $800; they refinanced it for her, to help her, so that now her payment was $4,000. She obviously lost her home.

Secretary JACKSON. That's right.

Mrs. MALONEY. So what are you doing? Seriously, I would love to see this in writing, because this is a huge crisis in the country. And if you've been going after these people, I think we should know about it.

Secretary JACKSON. I'll be happy to do it—give it to you.

Mrs. MALONEY. Have you taken steps against Sentry?

Secretary JACKSON. I can't tell you specifically against Sentry. I don't know exactly, but I'll get that information to you very quickly.

Mrs. MALONEY. Well, my time is up. And all I can say is, millions of people are turning their eyes to you and hoping that HUD can help with affordable housing; it's one of the biggest challenges that we confront in this country.

Thank you.

The CHAIRMAN. The gentlewoman from West Virginia.

Mrs. CAPITO. Thank you, Mr. Chairman. And I'd like to thank Mr. Secretary for being here today. I'd also like to thank you and your agency for the help that you have given my local community, Charleston, West Virginia, to try to rebuild units and try to work

with the desires of the city and the county which were sort of counter to what HUD's practices were. But we worked it out, and I really appreciate it, and that project is moving forward very well to provide affordable, safe housing to a lot of West Virginians.

Secretary JACKSON. Thank you.

Mrs. CAPITO. I'd like to kind of put my question to what my colleague was talking about in terms of people who are falling prey to subprime lenders and are unable to meet those obligations. I know that we appropriated a lot of money for housing counseling. Can you talk about how that's rolling out? Are you seeing any results from that? And do you think this is an effective mechanism to help people who have fallen into this situation?

Secretary JACKSON. I really do. And let me say this to you. When President Bush was first elected, we were spending about $8 million a year on housing counseling. Today we're spending close to $50 million. And we've seen the results, because more people are keeping their homes because they understand the nuances of when you get a home what is expected and required of you in providing the necessary care for that home.

Also, we're not putting people in homes, Congresswoman, who really can't afford them. We are saying to them, it might take you a year through our program to get you ready for a home, but the moment you move in, you will be ready to keep that home and stabilize that home. I believe that clearly that is not the case that the Congresswoman talked about in the subprime market. They're going in and really—it's very disheartening what they're doing to a lot of people because, if you think about it, many of us are well educated, and we don't read all the papers when we sign a loan. So many of these people are not going to read the papers either, and they sign the loans and they get duped in other words.

So our position is, is we're working with housing counseling groups around this country. They've been very, very accessible. We're working with a lot of faith-based groups around the country that are counseling people for housing. And we've seen the results. People are keeping their homes, the ones that we have worked with. We gave you an example of the 21,000 who have gone through the housing counseling program and used the American Dream Down Payment. They're stable in their homes, and that's what our job is.

Mrs. CAPITO. Right. Thank you. One last question on the CBDG. Obviously, I don't support this cutback on the CBDG either, but in the notes, you mentioned that they had—that the program had gone away from its original mission and there was some question as to whether funds were being allocated into the original mission of the community block grant, and you wanted to see some changes and some competitiveness grants going to those communities that were most adept at using their resources. Certainly I live in a community that really relies on this. I just don't see the justification for it.

Secretary JACKSON. Let me say this to you. I won't say that the program has gone awry. That would really be inaccurate. What we have said is that there are certain communities that are receiving block grant monies that we really don't believe should be receiving them.

Mrs. CAPITO. Like, for example, because they have higher income levels—

Secretary JACKSON. That's right.

Mrs. CAPITO.—or they're too big, or—

Secretary JACKSON. Right. They have—it's a very wealthy community but they have pockets of poverty. Well, my position is, take your city, for example, it has more than a pocket of poverty. It has great poverty. And I think that if we can reallocate the money to where it's needed most, we can do the most good. You can take the chairwoman's area, some of the areas she represents. I mean, if we had block grant monies rather than going to Bellevue, Washington, or Palm Beach, Florida, going directly where they should be going, I think we'd see better allocations.

Secondly, if we see a project that is going well and know it's going to take 3, 4, or 5 years to make sure it works, we can use this competitive part of the grant to say, okay, Charleston, if you're going to do the port, if you're going to do this, we're going to work with you for the next 5 years until it gets done. I think that's what we should be doing. We should look in depth. You know, we can dot over here and dot over there and really get nothing done, or we can concentrate in areas where we really have serious problems and get it done. That's exactly what I'd like to do, and that's what the legislation is asking to do.

But I don't think that Bellevue, Washington, should be receiving block grant funds, nor do I think my home town, Dallas, should be paying housing inspectors with block grant funds. They should be paying them out of the city coffer, and they're not doing it. So, my position is, we're spending a lot of money, and we're not getting the benefit of that money. If we can concentrate the money where it should be concentrated, I think we'll see great things happening. And that's not to say—and I want to make it clear—that's not to say that block grant doesn't work. I'm the first to say that I've seen too many great projects from the block grant program.

Mrs. CAPITO. Thank you, very much. Thank you, Mr. Chairman.

Mrs. MALONEY. [presiding] Thank you very much. Ms. Velazquez?

Ms. VELAZQUEZ. Thank you. Mr. Secretary, I just would like to acknowledge publicly the work and your role on Starrett City, New York.

Secretary JACKSON. Thank you.

Ms. VELAZQUEZ. But I would like to ask you regarding the budget, the fact that the budget proposes again this year to limit TANF protection vouchers to only occupied units rather than all units in a subsidized building. This is at a time when units being lost to opt outs and demolition are at historic levels. In New York City, more than 5,000 units were lost in 2005, and another 15,000 are threatened today. Further, in 2003, HUD's survey states that 5.1 households face worst case housing needs. Can you explain the rationale for a policy that reduce the overall supply of affordable housing?

Secretary JACKSON. I can, Congresswoman, but I'd like, if you want the specific, to get the Assistant Secretary to give you specifics.

Mr. CABRERA. Congresswoman, our methodology for dealing with Section 8 this year is to propose that the caps be relieved and that the pot of money which is known as undesignated fund balance be made available to PHAs to utilize. Expanding that capacity gives PHAs greater flexibility to address a lot of the issues that you've addressed.

Ms. VELAZQUEZ. Sir, can you tell me how you plan to replace subsidized housing that is going to be lost as a result of that policy?

Mr. CABRERA. In the case—the struggle with New York, I think, is that in many cases, they have housing that's really Mitchellama—they're really Mitchellama units. They're State-subsidized units. And I think what they're trying to struggle with is how to deal with the States, the formerly State-subsidized units in a Federal context. That is a policy issue that's difficult to do. It would mean extending Federal appropriation to cover State-subsidized units in a particular way.

Secretary JACKSON. Let me say this to you, Congresswoman, because I think the question that you raise is so valid. When we have the authority, as we did in Starrett City, we will do what we have to do to make sure that those units are preserved. But when they are State units, we don't have the authority. That has to be done from your governor and from your mayor.

And so when we have this sale that the chairman alluded to a few minutes ago in New York early on in this year, I did pick up the phone and talk to the housing commissioner and said I really think that this is not a good way to do this by letting this go back to private hands when you have many people who still need that housing. But that was all I could do is use the moral persuasion, because it was left to the city.

Ms. VELAZQUEZ. But in that case, it's a Mitchellama, right?

Secretary JACKSON. Right.

Ms. VELAZQUEZ. And we have a lot of developments in New York City that despite the fact that they are Mitchellama, they also have 236 mortgages.

Secretary JACKSON. And when they do—

Ms. VELAZQUEZ. Those are Federal.

Secretary JACKSON. I'm saying to you that we will do everything in our power, as we did with Starrett City to make sure that it doesn't happen.

Ms. VELAZQUEZ. Okay. Mr. Secretary, nearly every day we see articles and news reports documenting the rising foreclosure and delinquency rates. Some of the gains made in homeownership among low-income households and minorities are in turn being erased. What steps is HUD taking to ensure that these trends do not impact families who have or plan to buy a home with assistance from an American Dream Down Payment Act grant or other HUD assistance?

Secretary JACKSON. Congresswoman, as I said to the other Congresswoman from New York, we went from $8 million for housing counseling to $50 million, and we are making sure that we work with those persons who want the opportunity to own a home so that they will understand all of the nuances of what it takes to be a homeowner. And we've been very successful with a number of the

21,000 who have come through the American Dream Down Payment—

Ms. VELAZQUEZ. Sir, if you'll allow me, there is a disparity in terms of the money that you are providing for the housing counseling. Yes, there was an increase by 19 percent, but when you compare the money that is granted or given to the Dream Down Payment Act, that represents an increase of 50 percent. So what is HUD doing to ensure that families have access to housing counseling programs? You're not putting enough money into the housing counseling program.

Secretary JACKSON. Well, I would say that in 2001 when we came into office, you were putting $8 million. Today we're putting $50 million. And I think that that—we are addressing more than 600,000 families a year with that money compared to addressing about 40,000 in 2001. So, maybe from your perspective it's not enough, but I think—

Ms. VELAZQUEZ. It's not enough when you could be—

Secretary JACKSON. Well, but we made—

Ms. VELAZQUEZ.—you gave an increase of 50 percent to the Dream Down Payment Act, and only 19 percent to the housing counseling.

Secretary JACKSON. No, no. See, I think, Congresswoman, you're mixing apples and oranges. The American Dream Down Payment is to help people with the closing costs and down payment. It has nothing to do with housing counseling. Housing counseling—

Ms. VELAZQUEZ. Of course, I know that. So, on the one hand, you are helping people to buy their homes, but on the other hand, you're not putting enough money to provide housing counseling to prevent foreclosure.

Secretary JACKSON. Well, I guess I disagree with you.

Ms. VELAZQUEZ. Of course you're going to disagree with me. CBDG is cut by more than $700 million. Under the current distribution formula, New York City will lose $58 million. I understand that HUD is proposing a new formula. Will this make up for the cuts, and when can we expect to see this proposal?

Secretary JACKSON. Let me say this to you. I just answered that to the Congresswoman from West Virginia. We have cities that are receiving large sums of monies, that I really don't think should be receiving those monies. I think we should concentrate the block grant program to those cities most in need where we have the highest rate of poverty, where we have the highest rate of the ability to make substantial changes in the quality of life for people. And in this case, we are trying to reallocate that based on where we see the greatest poverty need, not pockets of poverties in wealthy areas. That's a totally different situation.

So if we—if the proposal is accepted by Congress and passed, then, yes, I think that clearly those areas where the greatest needs are will be addressed.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman from California.

Mr. MILLER OF CALIFORNIA. Thank you, Mr. Chairman. Welcome, Secretary Jackson.

Secretary JACKSON. Thank you.

Mr. MILLER OF CALIFORNIA. And the reason I do that, in 1994 I know HUD was put on a high risk list. And I know in January, you guys were removed from that list, and I think a lot of that is due to your leadership. You know, we talk about a lot of things up here on the dais. I've been involved in the building industry for over 35 years, and you and I have had lengthy conversations.

Oftentimes we talk about subprime, we blur the line between that and predatory. We talk about affordable housing, and we've had lengthy conversations, even in my district, on the difficulties of providing affordable housing. But it's so complex. It's not just the Federal Government. It's State and local government. There's so many issues involved in affordable housing, and we're talking about risky loans. You know, there's a real problem in the subprime market, but I don't want to talk about that. I want to talk about the jumbo market that many of my people in California have been put into because GSEs can't lend in California. And I have a—it's called a map of misery that Business Week put out, and you can't see it.

Secretary JACKSON. Right.

Mr. MILLER OF CALIFORNIA. But the most miserable area in the United States is California.

Secretary JACKSON. That's correct.

Mr. MILLER OF CALIFORNIA. And 18.1 percent of all fixed-rate loans in 2005 came through the jumbo market. But if you look at conforming, 82 percent were fixed-rate loans. So, the problem we are facing in California is in the jumbo marketplace because the GSEs can't compete.

And I thank, Mr. Frank, the chairman, for working with me. We've been trying for several years to raise, you know, limits in high-cost areas and introduce FHA in those high-cost areas. But on the jumbo market, 34.9 percent of the loans made in 2005 were interest only, and 23.9 were negative ARMs. There's a problem there.

Secretary JACKSON. That's correct.

Mr. MILLER OF CALIFORNIA. And that's a problem we can do something about. We need to take and change the way the system has been going out there. We need to look at these high-cost areas and say how do we provide more opportunity for GSEs to compete in those areas and provide a good fixed-rate loan that's more affordable, more creative in some ways, and even an FHA to help people who don't have the down payment that they need to get into homes.

What's your opinion on that? Where do think we've failed?

Secretary JACKSON. Well, first of all, let me say this, that you're correct. That's one of the reasons, I'll go back, that we need FHA modernization legislation, so we can address the needs of persons in California. In fact, Congressman, I'd say from Utah all the way back to California, from Virginia all the way back to the East Coast, we have the same problem. And so if we can modernize FHA, we can address that issue, especially for low- and moderate-income persons.

Now my concern is the same concern that was raised by the chairwoman from New York. I'm so afraid of these interest-only loans, these subprime loans, and I think that clearly we need to do everything we can through moral persuasion to try to keep the

banks, Fannie Mae and Freddie Mac, from foreclosing on these loans.

Many of these persons have been put in a position that they didn't understand when they signed those papers; they did not know what they were getting into. So our task is to make sure that where there was clearly predatory lending taking place, we take every action possible to bring those companies down. But where it wasn't, we need to try to work with the companies and the banks and Fannie Mae and Freddie Mac to make sure that they don't foreclose on the loans.

As I said before, at FHA, we try to go out 90 days to 120 days to make sure the person can get back on their feet and afford the loan. And I think that's really what we can do at this point.

Mr. MILLER OF CALIFORNIA. I applaud you, and I think that's a great way to look at it, and to try to do everything you can to get buyers who own homes past that difficult stage to be able to make their payments. But in certain States like California, the people I represent, and Joe Baca represents, don't have the opportunity to participate in these programs that I think are doing a very good job.

Our people are stuck in a jumbo market, and the conventional marketplace, I think, needs to be retained. I'm not arguing that. There's an absolute place for a jumbo market, but there's a place in this country where conforming should be raised because house prices went up so much that the people we represent who are paying the same taxes as everybody else in this country can't benefit from these programs that truly provide a lower interest rate, a better opportunity to get in with less down.

But don't you think—I mean, we seem to be pointing fingers. I think we need to point fingers back at ourself here in Congress. We have been arguing this for years. I know Barney has been arguing the same thing for years, that we need to provide that opportunity, but we have failed in doing that. Don't you think that the market would be in a stronger situation and buyers would be in a better position to make their payments if we had afforded more opportunity for them to benefit from these loans?

Secretary JACKSON. Well, Congressman Miller, I'm not going to indict the Congress.

Mr. MILLER OF CALIFORNIA. I'll do that for you.

Secretary JACKSON. I still understand Article I, Section 9, and it simply says that all of the appropriators—

Mr. MILLER OF CALIFORNIA. Let me change the question. Do you think that people would be benefitting from these programs if we made them more accessible to more parts of this country?

Secretary JACKSON. I think this. I think it was a year ago that I testified that we have tremendous regulatory barriers in many of the eastern and western States. That if Congress would make an effort to relieve those regulatory barriers, do low-income tax credit to give—for developers to come in and develop, yes. Right now in California, I think, before the house comes out of the ground, it's about $109- to $120,000. If you do incentives, low-income tax incentives for developers, that could probably be cut by 40 to 50 percent.

Mr. MILLER OF CALIFORNIA. Let me say on FHA so nobody misunderstands, we make money on FHA. FHA is not a gift. So I'm

not up here proposing any gift to anybody, and even if it cost taxpayers a dollar. But Mr. Chairman, I think we need to focus on what we can do as a Congress to benefit the marketplace and create stability, and I would encourage you to move the bills we've introduced forward.

The CHAIRMAN. I thank the gentleman. I just have one question, if the members would indulge me. He said he had a map of misery. Was that the governor's redistricting plan for California that you're—

[Laughter]

Mr. MILLER OF CALIFORNIA. I wish that's all it was. It's a misery map on people who bought homes and are suffering today.

The CHAIRMAN. Well, I appreciate that. And I also—Mr. Secretary, did I understand you correctly to say that you were not going to indict Congress?

Secretary JACKSON. Absolutely not.

The CHAIRMAN. I think if you could speak for some of your cabinet colleagues, that would be very reassuring to some of my members.

Mr. MILLER OF CALIFORNIA. Thank you, Secretary Jackson. I appreciate your comments.

The CHAIRMAN. The gentleman from North Carolina.

Mr. WATT. Thank you, Mr. Chairman. Welcome, Mr. Secretary. It is good to see you again.

Secretary JACKSON. Thank you.

Mr. WATT. I want to try to deal, if we have time, with two subjects that you and I go back on quite a ways. First of all, I want to thank you and your department for providing to us the information about every HOPE VI project that is in—every city that has gotten a HOPE VI grant and money that is in the pipeline, because you and I will acknowledge publicly that we've talked about how to get money out of the pipeline into some usable system.

And if you look at it in gross, it looks like it may not be as bad as you all have made it out to be, but when you look at the specifics of what has happened in some of these localities—and I'm sure I will step on some of my colleagues' toes, including my own, as I look at these numbers—we haven't done too well in some respects. So let me ask you a series of questions related to that.

Number one, has HUD done a grant-by-grant analysis of where every grantee of a HOPE VI grant is, and why if there's still money in the pipeline, it's still there?

Secretary JACKSON. Yes. We basically know why the money is not spent, where it's not spent.

Mr. WATT. Okay. Now I'm looking at this chart, and I'm going back to 1993. There's still $5,548,000 left from 1993. Every single one of them says that the unit construction is 100 percent complete, yet there's money still outstanding. And one of those, so as not to pick on anybody else, is Charlotte, North Carolina, which has 9 percent still in the pipeline.

The unit construction is indicated as complete, and the information we've been given is that it's being used for community and supportive services in Charlotte. This analysis that you've done, I'm sure, would indicate all of that. How do we get this out of that

pipeline and officially into some other category so we can consider that closed?

Secretary JACKSON. Just what we suggested a month ago to the Appropriations Committee. Clearly, you have the right to recapture the money and tell us directly what you want done with the money.

Mr. WATT. But in this case, it's being used for something that you all have authorized, obviously. What I was told was that it was used for community and supportive services. And I assume that when you say unit construction 100 percent complete and it's complete, it's still being used in connection with a HOPE VI-approved undertaking, but it's still showing money in the pipeline from 1993. How can we get it out of that pipeline and into an approved use that doesn't keep it showing up on the books, so to speak?

Secretary JACKSON. Congressman, I don't have the specifics about the development in Charlotte, but if you want me to, I'll be happy to look at it and get back to you.

Mr. WATT. Well, what I'd like is to—for you to look at every one of these projects that still has money in the pipeline.

Secretary JACKSON. Well, we have—that's what I'm saying.

Mr. WATT. So let me ask a more general question. Do you feel that HUD has the sufficient authority at this point to recapture money that has been in the pipeline for over 10 years—it would be over 10 years, going back to 1995 maybe?

Secretary JACKSON. No, there's no capture authority that's given to us in—

Mr. WATT. So, do you think it would be a good idea for us to put in the new HOPE VI reauthorization bill some specific recapture provision, and what would you recommend that recapture provision say? Because we don't want to go back and start just recapturing any money. There's money out there. I didn't see any of these things that weren't at least partially completed, so, we don't want overkill.

Could we get some language from you all that might help address this in a way that is not just a mechanical way if you're over 10 years, then your money automatically gets recaptured, but instead does it on a project-by-project basis?

Secretary JACKSON. We'll be happy to work with you, yes, because we've suggested some form of recapture. And, so, yes, we would be. I think that if we can recapture some of this money and allocate it to those housing authorities that have performed very well, it will be a positive step.

Mr. WATT. I think I will run out of time before I get to talk about Section 8, but maybe I can submit some questions for the record, which I've asked you off the record. Anyway, how are we ever going to get Section 8 vouchers accepted in parts of the community that are not now accepting Section 8 vouchers and it's distorting—I mean, it's having all kind of negative consequences because a particular segment of the community is just unwilling to take a Section 8 voucher? Do you have any ideas on that?

Secretary JACKSON. I really don't, because that's to each local community. When I was in Dallas, I was very fortunate that we were able to send vouchers all over the City of Dallas, but in certain areas, there is great resistance.

Mr. WATT. But there has to be some public—I mean, if our whole philosophy was to provide public housing, go away with constructing public housing and go to a voucher system that disbursed people all over the community, that was the Federal policy—

Secretary JACKSON. That's correct.

Mr. WATT. There ought to be some way to play that Federal policy out. And the question I'm asking is, is HUD giving any thought to how that gets played out, not on a local community by local community basis, but are there some policy things we can do in the legislation to make that Federal policy be played out in a more effective way?

Mr. SCOTT. [presiding] The gentleman's time has long expired, but if you could briefly answer that.

Secretary JACKSON. Yes, I think you do have the power as Congress to legislate it, but we at HUD do not. So our position is, is that again, we'll use all of our moral persuasion to try to—

Mr. WATT. If—we can legislate, you can propose, and if you have some ideas, I think we would like to have those ideas just like we would like to have those ideas in how you would—

Mr. SCOTT. The gentleman—

Mr. WATT.—put in legislation a recapture provision in HOPE VI.

Secretary JACKSON. Okay.

Mr. SCOTT. The gentleman from North Carolina is definitely my dear friend, but his time has definitely expired. Thank you. The Chair now recognizes the gentlelady from Ohio, Ms. Pryce.

Ms. PRYCE. Thank you very much, Mr. Chairman, and thank you, Mr. Secretary. It's been a long morning for you, and I will try not to be too trying; I really appreciate you being here. But let me refocus once again on an issue that was brought up by Ms. Capito, Ms. Velazquez, and some others.

There are many on this committee, I think, who would like to really know how the new formula is going to affect their own communities, and the beauty in the past of the CBDG program has been in its flexibility. It allows communities to use the money for their own community development needs, needs that, you know, HUD here in Washington may have no idea what they are. And it's unclear at this point, without seeing the formal legislative proposal, what impact the formula change would have on the effectiveness of the CBDG.

And so my first question is, is there any data? Have you accumulated data that you can make available to us to help us understand how this is actually going to impact our own communities?

Secretary JACKSON. Yes. The formula changes have been published, so it's clear what we perceive as the answer to the question. So, yes, if you haven't seen them, we'll be happy to get them to you.

Ms. PRYCE. Is it published in legislative language? Do you propose to legislate on this issue?

Secretary JACKSON. Yes.

Ms. PRYCE. If you do—what I have seen isn't legislative language. Do you have legislative language? Do you propose to introduce it? And if so, when will this committee get a look at it so we can have our input?

Secretary JACKSON. I will get back to you. I know we have it in language, but I'm not sure whether it is in legislative language yet.

Ms. PRYCE. Okay. But there is data?

Secretary JACKSON. There is data, yes, ma'am.

Ms. PRYCE. And you said you have circulated that?

Secretary JACKSON. Yes, ma'am.

Ms. PRYCE. Okay. I haven't seen how that will exactly affect Columbus, Ohio, and so I look forward to digging that up wherever it is. And I also—you know, the process through which the Administration is going to make this change is very important to us on this committee, especially.

The chairman has made a focus on affordable housing one of the key priorities of this committee and this Congress, and I think that the proposed changes coming through HUD really need to be developed here in this committee, as well as in your organization, and we'd appreciate that opportunity, Mr. Secretary.

Secretary JACKSON. No, and I agree with you. I do not think that we should operate in a vacuum, and I do not plan to operate in a vacuum, because I have a great deal of respect for the Financial Services Committee. And so we will work with you, as I've told the chairman; we will work with him.

Ms. PRYCE. All right. Thank you.

Mr. SCOTT. The gentleman from California, Mr. Baca.

Mr. BACA. Thank you very much. Mr. Secretary, I have a couple of questions. The proposed budget of HUD for the year 2008 would fund HUD at $35.2 billion, a decrease of $3.14 billion from the current 2007 fiscal year.

With rising rents, more homeless, more seniors, rising construction costs, and rising housing costs, how can it be that the costs will be lowered by $3.14 billion?

Secretary JACKSON. Well, Congressman—

Mr. BACA. Especially in California, where we have 37 million people now.

Secretary JACKSON. Congressman, the budget, as you said, is $35.2 billion, and that's an increase of $1.6 billion over our request from last year. So we're not decreasing the budget; we're increasing the budget.

Mr. BACA. But it's not based on the inflation or the growth of the total population, too, as well, and the need for housing. Even though it may appear to be an increase, it's a slight, but not overall, based on the total population and the demands and the need.

Secretary JACKSON. Well, I'm not sure what you mean by the total population. We think we've calculated it based on the population that we serve.

Mr. BACA. Well, I don't—I believe that it has, and even with California, because even California has a higher number of population than we had before, and there's a greater need.

And yet, you know, questions were asked earlier about foreclosures. We've had a lot of foreclosures in the area, yet there's a greater need in that immediate area, and the majority of the foreclosures have been in the Hispanic and the African-American communities in that area.

Because of the adjustable variables in that area, there's a tremendous need, especially in my county, in San Bernardino County, and Riverside County, where there has been a high number of fore-

closures, more so than probably any other county, and we have the lowest income level in the immediate area.

Secretary JACKSON. I can't speak specifically, Congressman, about your area, but I will say this to you. We believe that this budget addresses the needs of the population that we work with and serve.

Now I think the Congresswoman from New York raised the issue about foreclosures. We work very, very hard at FHA to make sure that we don't have a large number of foreclosures. But people having dealt with the subprime market over the last 10 years, I share your concern, that we have some serious problems and we're using our moral persuasion to work with banks, to work with Fannie Mae and Freddie Mac to not foreclose on those loans, to try to help these persons get back on their feet and keep their homes.

Mr. SCOTT. The gentleman's time has expired.

Mr. BACA. Just a quick question. It'll be short.

Mr. SCOTT. Very quick, very.

Mr. BACA. All right. Thank you. I'm sponsoring, along with Senator Boxer and other leaders, important national and State anti-gang legislation. HUD used to fund anti-gang programs directly such as the Public Housing Drug Elimination Program, yet no such programs now exist. What plans do you have to combat crimes at HUD properties? Are there any plans?

Secretary JACKSON. Congressman, when we did that, in many cases, the housing authorities were not necessarily using the money for anti-gang, anti-drug problems. They were calculating it into their budget. So we didn't take the money away. We simply redubbed the money and put it back in the budget and said if you choose the money for this purpose, that's fine. If you don't, you don't have to. The key to it is, is they were not using it as they should have been in the first place.

Mr. SCOTT. Thank you, Mr. Secretary. The gentleman from Illinois, Mr. Manzullo.

Mr. MANZULLO. Thank you. Good morning, Mr. Secretary.

Secretary JACKSON. Good morning.

Mr. MANZULLO. About a year ago you announced that HUD would be proposing new rules soon to address the Real Estate Settlement Procedures Act, otherwise known as RESPA. To date, there has been no new proposal. Is it still your plan to offer a proposed RESPA rule, or is it dead?

Secretary JACKSON. It is not dead. And let me say this to you, as I said to you a year ago, I'd much rather do it right than quickly. We're still talking to a number of the people in the industry and trying to come to what I perceive as a consensus. I don't want to introduce a bill and then have the bulk of the population that it affects resist the bill like we had done before.

I think we're pretty close, Mr. Congressman, to coming up with a solution as it relates to RESPA, and I hope that when I come before you next, a month from now, we can resolve this.

Mr. MANZULLO. Well, you know, when I chaired the Small Business Committee, we held several hearings on RESPA, and I guess what was really disconcerting is the fact that on two occasions, once just before the Christmas break, and another one during the August break, RESPA came up with its proposed rules when Mem-

bers of Congress were not in town. I came back, held a hearing the first week of January when nobody expected that, and obtained from you a promise that a middle-of-the-night, crammed-down-the-throat RESPA rule would not happen again. Do I have your word again that you won't—

Secretary JACKSON. Absolutely.

Mr. MANZULLO.—do timing like that?

Secretary JACKSON. I will not in any way do what was done before.

Mr. MANZULLO. I appreciate that. How many people at HUD are working on this RESPA issue?

Secretary JACKSON. It comes under the FHA Commissioner and the Assistant Secretary for Housing. We have a group called the RESPA group, and I think to date it's composed of about eight people, if I remember correctly.

Mr. MANZULLO. It's about eight people? One of the things that we would like to see done, but I know it may be difficult when we're working with proposed rules, is maybe just before you're ready to put things down in writing, if there is an open meeting with all the parties and Members of Congress to give us an idea of what it will look like before it's rolled out, then perhaps we can work on a consensus basis at that point.

Secretary JACKSON. I would appreciate that very much.

Mr. MANZULLO. Thank you, very much.

The CHAIRMAN. The gentleman from Georgia.

Mr. SCOTT. Thank you very much, Mr. Chairman. Mr. Secretary, let me first of all start out by thanking you for the help that you gave to me and to my constituent. We had a very, very serious issue with a predatory lending case involving Mr. and Mrs. Leroy Tremble in my district, and you came immediately to the phone, and got on this. You put your Assistant Secretary, Ms. Kimberly Kendrick, onto it, and it was because of your effort and involvement that we saved her home because they got their loan adjustment.

Secretary JACKSON. Thank you.

Mr. SCOTT. I want to thank you for that. It wouldn't have happened without your input. I also want to thank HUD in my home district of Fulton County. We had an issue of Section 8. As you know, one of the recurring issues is the lack of code enforcement that go into Section 8. The property goes down. We were able to get some response there. I certainly hope you'll pass that along to the Fulton County housing authority.

Secretary JACKSON. Thank you, very much.

Mr. SCOTT. I appreciate that. Now I'd like to ask you three quick questions. The first one deals with our veterans. Our veterans are coming home from Iraq with extraordinary brain trauma injuries. They fall within the category of our disabled, and what concerns me is that many of these veterans with disability rely on government assistance for housing.

Now, the President's new budget proposed for 2008 allocates $125 million for Section 811 programs. This is the major source of funding for rent subsidized housing for people with disabilities, which affects our veterans. My concern is that this $125 million represents a 47 percent cut in the budget. I want to make sure

you're aware of that at the very time when we need more, not less, especially for our veterans coming, and this is a program chiefly for that. It just doesn't make sense that we are cutting the very funds needed to protect and house our veterans who have these disabilities. I wanted to bring that to your attention, and ask if you could work with that. What do you think of that, very quickly. I have two more questions with my time.

Secretary JACKSON. Sure. Congressman, we have a lot of housing in the 811 in the pipeline. We have allocated monies that we think will carry us for the next fiscal year to get those units. We will do the same thing. We're not in any way reneging on our initial belief that we have a moral obligation for 811 when persons serve our country. That is not the case. But to allocate monies as we have in the past and let it sit for year after year after year without being obligated just doesn't make sense. So we are taking a very cautious approach, but we have not stopped building houses. We have not stopped taking care of the disabled.

Mr. SCOTT. Okay. The very point is, with a 47 percent cut, the Democrats have control now in terms, and we will make our input known, and we will strongly resist a 47 percent cut. But I would be very interested to work with you as we go forward to make sure, even as we go forward, we don't want any of our veterans, no one with a disability, but most assuredly, we made that mistake before, with Vietnam veterans sleeping on the street.

Secretary JACKSON. Right.

Mr. SCOTT. Even some Iraqi veterans, and from Desert Storm, sleeping on the street. We talked about that before. This has to stop. And when you look at it in the face of a 47 percent cut—let me get on to my next one, which is the Section 8 voucher.

I have a particular issue that I have heard from complaints from some of the housing authorities in many of the towns that I represent. As you know, I represent suburban Atlanta. I represent a lot of the towns there.

They're having difficulty in being reimbursed for money that they must put forward when a recipient uses a Section 8 voucher in their city, rather than in the city where it was originally issued.

What they're telling me is that the originating cities are not being forthcoming in sending reimbursements. Has HUD been made aware of this problem?

Secretary JACKSON. I have not, Congressman.

Mr. SCOTT. Okay. Well—

Secretary JACKSON. But I'll be happy to look into it. And if you'll tell me the cities, I'll be happy to look into it.

Mr. SCOTT. Okay. Marietta, also Ostel in Cobb County, and we'll get some of that information to you to be specific. They were just in my office just recently talking about the difficulty they're having in being reimbursed again for money that they have to put forward when the recipient uses Section 8 vouchers in their city rather than in the city where it originally—

Secretary JACKSON. No, I understand.

Mr. SCOTT. Yes. Okay. Now the third question, my final question, goes to HOPE VI. As you know, that's a baby with me, and we're going to save that program. That I think is the greatest program

that we have there, and I know that you and I have been working with this.

The HOPE VI housing program has continued to be a target for President Bush; I cannot for the life of me understand why. As a matter of fact, when I saw him personally, I asked him. And I said, "Mr. President, this is your program. This is a program that Jack Kemp and the Republican Party put forward. It is the most successful program, and there's no city that's been more successful at it than my City of Atlanta."

Secretary JACKSON. No question.

Mr. SCOTT. And so with that, what are your thoughts on this new legislation that has been introduced in the Senate to extend the HOPE VI program for 5 years with certain additional criterion? I want your thoughts on this new program and the additions included that we feel are improving the program, and addresses some of the concerns that you brought out in our last meeting. Would you please respond?

Secretary JACKSON. I have not seen the legislation, but the only caveat I'd add to that, Congressman, is this. Over the last 4 years of the HOPE VI program, one of the criteria that we required is for the housing authorities to try to get a developer who can leverage the package so that we're not only building units, but we're building commercial space and other space around it. That's the only caveat I'd add today to—and we've been pretty successful.

To date, out of 237 of the HOPE VI programs that we've allocated, 65 have been built, so we have about 172 that are still in the pipeline that have not been done. But I will tell you, those that have been allocated over the last 4 or 5 years are doing very well because we put a requirement on them that they work with a developer. And that's the only caveat I would say if you make the decision or you all make the decision to reinstate the HOPE VI program. Don't let it go as it did before where the housing authority by themselves tried to develop it, because many of them can't.

And if you'll notice in your City of Atlanta, and I must say this about Renee Glover, she was wise enough to have developers work with her on each one of those developments and they got done very quickly, very efficiently. And one thing to be noted, she took a—

The CHAIRMAN. You need to wrap it up, Mr. Secretary.

Secretary JACKSON. She took a housing authority that had 1,300 employees, and now she has 350, and she's financially solvent.

The CHAIRMAN. The gentleman from Texas.

Mr. HENSARLING. Thank you, Mr. Chairman, and welcome, Mr. Secretary.

Secretary JACKSON. How are you doing?

Mr. HENSARLING. It's springtime back home, and the Mavericks continue to win.

Secretary JACKSON. And I'm going to try to get to see them pretty soon.

Mr. HENSARLING. You should. You should. Seventy-five million families now are homeowners, almost 70 percent of all Americans.

Secretary JACKSON. That's correct.

Mr. HENSARLING. That is the greatest percentage that we've had in our Nation's history. What are the policies that accounted for this? You have something to brag about.

Secretary JACKSON. Well, first of all, President Bush, in my mind, has been probably the greatest housing homeownership president in the history of this country in the sense that even though we've been in the process of a war, he has not cut back on his effort to make sure that every American who wants to own a home has an opportunity to own a home.

And he specifically challenged us, in August of 2002, to create 5.5 million new minority homeowners, specifically African Americans and Hispanics. To date, we've created 3.5 million of those homeowners. Clearly, we couldn't have done it without the housing counseling money being increased. We couldn't have done it without the American Dream Down Payment. We couldn't have done it without HOME. So he's put in place a number of programs that have helped us to increase homeownership in this country.

Now, to say that, again, I will reiterate, Congressman, that we need to pass FHA legislation to address issues in the chairwoman's area of California and the chairman's area of the East. And I think with that, we can increase homeownership even more and take many of these low- and moderate-income people out of the subprime market that is really hurting us today.

Mr. HENSARLING. Mr. Secretary, I understand that two of the proposals will be to reduce the statutory minimum 3 percent down payment and to move to some type of risk-based formula on the premium. Speak to me about the correlation of those polices, their impact on default rates.

Secretary JACKSON. Sure. We believe that we have a mechanism, Congressman, that we can analyze the risk that's going to be taken—that we will be taking. And it doesn't mean that we're going to give people loans who can't afford to retire the mortgage. We're not going to do that. I'll be happy to send you the analysis that we've made that we're going to use, the criteria that we're going to use to make sure that a person who presents some problems might end up getting a loan for 3 or 4 percent, and if they end up taking a loan in play for the next 4 years, we'd reduce the interest rate.

For those persons who qualify, they might end up with a 1 percent loan. So we have the criteria in place. I can't specifically give you every detail of it, but I'll be happy to send it to you.

Mr. HENSARLING. But to some extent, isn't the flip side of this great homeownership rate we have some fairly alarming default rates as well? And I'm—are we really doing right by an American family if we help to put them into a home and unfortunately, 18 months later, they can't keep that home?

Secretary JACKSON. Yes, we would be. But let me say this to you, Congressman. That's not what we're doing at FHA. That's the problem that we're facing right now that's been enumerated by a number of your colleagues here today with that subprime market. Many of these persons did not want to deal with FHA, so they went to the subprime market. And I must tell you, when you look at the amount of paperwork that we have to deal with at FHA, I probably wouldn't want to deal with it either.

So that's why we're trying to modernize it, so we can have the flexibility that a bank has or anyone else has to evaluate the loan and then make our decision as to whether or not we lend.

Mr. HENSARLING. The Administration is proposing I think doubling the funding for your housing counseling program. Can you speak to me about its success?

Secretary JACKSON. We've been very successful. When President Bush challenged us to create 5.5 million new minority homeowners, one of the things that I said to him is that in order to do that, people must understand what it takes to own a home, what is required of them to own a home, and we don't need to put people in homes who are subsequently going to lose those homes.

We have been very successful over the last 5 years really using nonprofit, faith-based organizations to counsel people on homeownership rather than those for-profit areas that had been counseling them. So we've had a very, very good rate of not having a great deal of foreclosure, because people do understand. They know that they're going to have to have certain requirements in the process of owning a home, and they're going to have to put monies aside for something that might happen to that home.

Mr. HENSARLING. I'm almost out of time. You may have covered this earlier, but the thought behind lifting the cap on the Section 8 vouchers, is that principally to release funds that these PHAs are already sitting on but can't use? Or what's the rationale?

Secretary JACKSON. That's correct. They're sitting on it, but they can't use it today. And we're saying, let them use it.

Mr. HENSARLING. Okay. Thank you, Mr. Secretary.

The CHAIRMAN. The gentleman from Texas.

Mr. GREEN. Thank you, Mr. Chairman. Mr. Chairman, I assure you, I consider it a privilege to serve with you and under your leadership. I appreciate the vision you shared earlier and associate myself with it entirely.

I want to thank the chairwoman of the Housing Subcommittee because she did hold field hearings in Louisiana, and she not only held the hearings, but we had site visits, and we had an opportunity to have direct communication with the Katrina survivors. It means a lot to talk to people and get a first hand understanding of what is happening to them.

I want to thank you, Mr. Secretary, for a number of things, for coming to Houston and for announcing that you were going to engage HUD in the fight against discrimination in housing as related to the Katrina evacuee's.

A number of circumstances developed. I appreciate very much the fact that you were there to help persons being discriminated against.

I also would like to thank you for the extension of the 203(k) program as it relates to New Orleans, Louisiana, such that persons can have more than 6 months or 12 months to renovate. The extension time has now gone to 18 months. This means a lot to persons who are living in Houston and trying to relocate back home to New Orleans.

We have approximately 100,000 persons in the Houston area who are survivors, evacuee's, depending on who is counting, of course; approximately 20,000 in the Ninth Congressional District, the District that I have the honor of representing in Congress.

My hope is that you and I will continue to do some additional things, to work together so that we can help many of these persons and other persons in the City of Houston as well.

For fear that I will forget, let me start with the inspectors. You indicated that CDBG money is being utilized to pay inspectors in one city. I have some concern with this. I am concerned that there may be other areas where CDBG money is being utilized that perhaps we should look at and see if we can find a way to address.

If you would, re-visit with me for just a moment the question of inspectors, and then if you would, share with me if there are other areas comparable to this such that we might have an opportunity to address these other areas.

Secretary JACKSON. Thank you very much, Congressman.

The Community Development Block Grant funds are very flexible, but I think the desire, if you look at the legislation that you all passed back in the 1970's, it was clear that it was to be used to develop economic development within those areas of poverty that had not been addressed before.

If we do that, then it means putting infrastructure in, working with areas that are undeveloped that need to be developed, both from a housing perspective and an economic development perspective. In many cases, in a lot of cities, that has not been done.

I never use another city other than the city I am from, Dallas, when I talk about this because I know what the inspectors are being paid out of block grant money.

I do not think they should be paid out of block grant money. I think that should be a city responsibility. The block grant money should be going to places like west Dallas and south Dallas, where we have the highest rate of poverty in that City.

In many cases, you have great bickering that occurs between the council and the money is not getting there.

I can tell you a city that I visited that I saw block grant money working at its best, of course, he's the congressman and no longer the mayor. Kansas City was one of the cities that we used as a prime example of how block grant money should be spent.

They did it in the most poverty ridden areas and the development area. That is what I think the block grant money should be used for. That is why we want to re-allocate the formula.

Mr. GREEN. Do you have some other examples of how it is being used comparable to what is happening in Dallas? Any other examples we have with inspectors?

Secretary JACKSON. Yes, sir.

Mr. GREEN. I do not want you to mention cities. I just need the information. I am concerned about this and would like to address it.

Secretary JACKSON. Yes. I know cities that are using it in areas that it should not be used in—areas that are not pockets of poverty or not close to pockets of poverty.

Mr. GREEN. Can you provide me with the information on this after the hearing perhaps in some codified document? Is that acceptable to you?

Secretary JACKSON. Yes.

Mr. GREEN. Let me mention another area. In Houston, we had a good number of persons who were living in apartments. They

were assured—the City was assured by FEMA that FEMA would pick up the tab for their living in Houston.

FEMA cut the contracts short, and without a long explanation, the persons were then put in a position who were leasing property, such that they did not have security deposits, lots of damage was done, and we plan to do what we can to correct this problem.

Is there something that HUD can do in the interim while we are working on this to help persons who were involved in this process and to lend a helping hand at a time of need?

Secretary JACKSON. I do not think so, Congressman, to be very honest with you. The way the program was designed, FEMA has control. They assigned us those persons who were either on a Section 8 voucher or public housing. We have addressed those needs. Neither one of those programs have been cut off. We are still funding those today.

If many of the people who were displaced were not in one of the two programs that we administer, there is really not anything that we can do.

Mr. GREEN. I just mention this in closing, which is important. We will take it up here. This is important. We talked about counseling. I appreciate counseling persons with reference to homeownership.

This hurricane has presented a unique circumstance, and we have many persons who are suffering. They are really suffering to the extent that they cannot talk about what happened to them without literally crying. People are depressed and they are hurting.

I do not know exactly how we can address this. I am mentioning it to you because the word "counseling" came up. This is an apples and oranges comparison.

We have to find a way to provide some counseling of a different sort, such that these persons who are depressed can receive adequate counseling, too.

Mr. Chairman, I thank you for the time and I will yield back.

The CHAIRMAN. Thank you. Mr. Secretary, we have some votes. Would it be possible to come back in 45 minutes for us to finish up? I appreciate that. We have members, some of our most conscientious members, and I thank you.

We will go then to vote. We will reconvene as soon as the votes are over. It will be about 45 minutes.

Before you go, Mr. Secretary, with regard to the gentleman from Texas, one of the issues that was presented to us in the hurricane bill was some proposal to provide some HOME money or something for the City of Houston.

I know you know that the City of Houston, I think, has really been extremely decent in helping people.

Could you designate a staff member to work with the gentleman from Texas, the gentleman from California, and I, and we might think of something appropriate—we are doing things for Louisiana and Mississippi. It does seem to me that Houston has a claim on some additional help. If you could work with us on that, we would appreciate it.

Secretary JACKSON. I will make sure, Mr. Chairman. I will have Scott Keller do that.

The CHAIRMAN. Thank you. The other thing I would just say is this. I met yesterday with the people from the League of Cities, and they raised an issue. They are worried about scam artists now sort of swooping in on people who are in foreclosure or potential foreclosure with a "we buy homes" thing, and people being sort of lured into buying homes unnecessarily. They asked me about some possible means of getting the word out, and it seems to me that you are best able to do that.

There is a letter that I asked them to send to me so I could share it with you. We would like to work with you and the League of Cities for some public service announcements for some way to kind of protect people who are vulnerable from being made even more vulnerable.

There are other things we have to do on the policy side. It did seem that HUD was best able to do this. We will be following up with your staff on this as well and with the League of Cities. I think you would agree that this is something we could work on together.

Secretary JACKSON. I agree.

The CHAIRMAN. Thank you. We will reconvene in about 45 minutes. Mr. Secretary, I appreciate your indulgence.

[Recess]

The CHAIRMAN. We will reconvene. Mr. Secretary, I appreciate you staying around. Some of the members said that they will be back. I will ask you only to wait a few more minutes. If none come, I will tell you with our thanks that we are through. I apologize for the absent members. They were told 12:45. I will give them 5 more minutes, if that is okay. If no members show up, we will allow you to leave.

You did get that letter. We will be glad to work with you. The League of Cities and I certainly agree that HUD would be the appropriate one to start doing some of these announcements.

I guess they are particularly worried about Indianapolis—the Mayor of Indianapolis said that they were putting up posters all over the City.

Now our colleague from Miami is here. I would ask unanimous consent, and I cleared this with the Republicans, so there are no objections to allowing him to ask you some questions.

I will now recognize the gentleman from Miami who will ask you some questions on the topic, which will come as no surprise to you, Mr. Secretary.

Mr. Meek?

Mr. MEEK. Thank you very much, Mr. Chairman. I want to thank you and the ranking member for allowing me to be a part of the committee today and to ask a question of the Secretary, whom I consider a friend.

Also, Mr. Chairman, I want to thank you and the ranking member for the committee work that has been done thus far as it relates to a number of issues that are facing Americans in the housing arena, and I look forward to seeing a lot more of that.

Mr. Secretary, it is good to see you and your team again. We have been talking for several months now, and as you know, in Miami Dade County, we had a number of issues that we have been facing.

Last fall, there was a story that broke, "House of Lies," in the Miami Herald, dealing with not only HOPE VI dollars, but Section 8 mismanagement, but mainly on the housing finance end, where a lot of things went wrong.

There was no accountability. Funds were mismanaged. Managers were incompetent or corrupt or both. There was concern that Section 8 was going to people who did not meet the criteria. All of those issues were alive and well.

The Miami Herald has won quite a few awards based on that series. After that, not only myself but members of local government, responsible individuals, people of good will, came together and we met with you and some of your team here in Washington to inform you of the reforms that were going to take place.

Six members of upper management were fired and removed, and there are two investigations that are ongoing.

I personally asked for the Inspector General of HUD to look into the matter, and you encouraged that activity to take place also.

Also, we had a number of local reforms, working with the advocacy community and those that are displaced. The 1,178 residents of Scars Harbor homes that were residents of the HOPE VI Project were up in arms, but now are working hand-in-hand with the local government in Miami Dade County.

Mr. Chairman, I am going to enter for the record, for brevity purposes here, so I will not verbally have to go over all this—

The CHAIRMAN. Without objection, the gentleman may introduce anything he wishes.

Mr. MEEK. Thank you. I would like to introduce the February 28th letter that the Congressional delegation from Miami Dade County put together for Secretary Jackson to consider, not entering into a cooperative endeavor agreement with Miami Dade County because of the reforms that have taken place signed by myself, Mr. Mario Diaz-Balart, Mr. Lincoln Diaz-Balart, and also Ms. Wasserman Schultz.

There are also a couple of articles that have been written. The articles that have been written, all the people who have been working, and have come together as a community, I have gone to all of these workshops.

The residents, the advocacy community, the mayor, and the county commission all feel that we are on the right track; all of the folks are working together.

The Miami Herald has been the overseer of this and following this process similar to the Walter Reed Washington Post story that is now causing a number of people over in the Department of Defense to move around.

I say all of this, Mr. Secretary, to say that I would be the first one as a Member of Congress, and the individual who represents the people of the HOPE VI Project in Miami Dade County, and also a member of the delegation, to be the first to ask for Federal intervention if I did not feel they were taking the necessary steps to bring about change.

The Miami Herald editorial that was just released this week asks HUD to slow down because the housing director used to be a former employee of HUD, and went into troubled areas.

I raise the question, Mr. Chairman, because out of the last 10 years, not the Jacksonville office of HUD, not the Miami office of HUD, or the Federal office of HUD, found Miami Dade County as being a troubled housing agency.

I would go further to say that I am concerned and I have shared with you the concerns that I believe of the activity of HUD in Miami Dade County, of a number of officials, the Secretary of Public Housing, who is here today, several meetings he has had there, and many of the officials in Miami Dade County feel a little bit out of the loop.

The State prosecutor has contacted me wanting a copy of the audit report. I hope she has a copy of it now.

A number of individuals feel that it has now gone to a level of personalities. There is really not a great need for a takeover.

The mayor has said in a public statement, Mr. Chairman, and I am going to be closing in 1 minute, if I am allowed to do so, has said that he is willing to work with HUD to work out an agreement outside of a cooperative endeavor agreement.

The other issue that I guess that is of concern here, too, Mr. Secretary, is the fact that HUD did have oversight. It did not happen. Many of the issues that were uncovered in your own audit report were already uncovered by the Miami Herald and have already been addressed, many of them.

The document has been helpful for reforms, but it has brought together the congressional delegation, has brought together, with the exception of one member who has not said that she wants or is against the takeover, and it has brought together the advocacy community, the residents, and Miami Dade Housing.

We look for a perfect world because we know in housing, we need almost a perfect world for it to work for everyone.

I come again being humble and meek to ask you to please reconsider the letters that have been sent to Miami Dade County to go into a cooperative agreement, just to take a look at it.

I am saying this, Mr. Chairman, in all fairness to the Secretary, he has been open. Every time we wanted to meet, he has met with the local officials. He has been very forthcoming of his opinion on what he would like to do.

I would ask again and put it into the record of the committee all of the attempts and all of the reforms that Miami Dade County has made, and there are a number of residents in my District who are very, very concerned about taking this out of the public eye, having some sort of manager making the decisions over HOPE VI and Section 8 dollars, and a war between Miami Dade County and U.S. HUD, which is almost unnecessary.

It is like lining up 2,000 dominoes and then U.S. HUD comes after all this work has been done and thumps a domino and knocks all of them down, and now we have to place every last one of them back up again.

I will close with that, Mr. Chairman. Mr. Secretary, I would ask again if you would reconsider or work with the Mayor of Miami Dade County to see if there can be a management agreement outside the cooperative agreement that would allow Miami Dade County to have the governance and work with them if there is an independent board spirit that is there, work with them through the

process, but the takeover will smash the dreams and the hopes of all the people who are involved, including those of us in Washington.

Secretary JACKSON. First, thank you, Congressman. I can tell you that we are not going to take it over. That is not in any way within the spirit of what I think is realistic at this point in time.

I have not seen the letter, so I cannot tell you today what I am going to do, but I can say this to you, that my major concern is just with the residents, to make sure that things are done properly.

I have had a chance to evaluate some of the material in the audit, and it is very disturbing.

I will talk to you before I make the decision. I will make the decision fairly soon.

Mr. MEEK. Mr. Chairman, I want to thank you for the time. Mr. Secretary, you and your team are welcome to personally come down and meet with the folks from Miami Dade County before the final decision.

Secretary JACKSON. I am coming down.

Mr. MEEK. I would love to be there.

Secretary JACKSON. I am coming down. I will get you the date, to meet with both the mayor and the county manager. I have set a date. Do you know when it is, Scott? March 22nd, I will be in Miami to meet with both the mayor and the county manager.

Mr. MEEK. I guess I will be there, too. Thank you, sir. Thank you, Mr. Chairman.

The CHAIRMAN. The gentlewoman from Wisconsin.

Ms. MOORE OF WISCONSIN. Thank you, Mr. Chairman. Thank you, Mr. Secretary, for being so patient.

Secretary JACKSON. Thank you.

Ms. MOORE OF WISCONSIN. I was listening very carefully to your testimony. I do want to thank you and the Administration for acknowledging the need to close the minority housing gap, particularly in the African-American communities as it relates to homeownership.

You did cite in your testimony, written and verbally, that you thought that the best way to create more affordable homeownership opportunities was to help with down payments, which certainly is very helpful, and closing costs through HOME and the American Dream Down Payment initiative.

I guess my question is while these are very helpful instruments, because people do have an acute cash flow problem as it relates to down payment costs, what the real problem is in terms of staying in a house is the long term amortization over 30 years and those monthly payments that come due.

What we have found is that some deep subsidies in these homes up front that lowers not only the purchasing costs but lowers the financing costs is what is most helpful to people.

Having said that, we had the GSE reform before us before, which would have created an affordable housing fund of $500 million per year.

The Administration was very opposed to that, but that would have been a great program to seed deep subsidies, so that someone getting into an $85,000 home would perhaps get a $15,000 subsidy.

It would not bring down the housing values to the surrounding neighborhoods because you would actually be paying the purchase price with the deep subsidy, but a long term amortization would make it much more affordable.

I guess I want you to respond. I think that is a much more aggressive way to prevent defaults and foreclosures as we have seen happen.

I would like to ask you about that and then I want to ask you a couple of other questions about elderly housing and disabled housing.

Secretary JACKSON. Sure. I am well aware that one of the terms that the chairman has introduced as it relates to the reform of GSEs is that there will be an affordable housing amount set aside.

If Congress does that, then yes, I think it will have a significant impact on low- and moderate-income housing. There is just no question about it.

Other than that, I really do not know much about it. I will tell you that if we are the persons to implement it, we will do exactly what you all tell us to do. If we are not, then I still think it will have an impact on low- and moderate-income homeowners.

Ms. MOORE OF WISCONSIN. Having said that, since you agree that it would really be very helpful, I would hope that you would use your position as advisor to the President on housing issues to really indicate to him how far such an affordable housing fund would go toward alleviating the minority homeownership gaps, since you indicated earlier in your testimony that you believed he has done more than any other President, if I did not hear you incorrectly, toward this end.

Secretary JACKSON. Yes.

Ms. MOORE OF WISCONSIN. Perhaps it could be something of a legacy for him if he were to do this.

I want to follow a line of questioning that Mr. Scott had started a while back before the break, when he talked about Section 811 disabled housing cut to the tune of 51.3 percent, and I would like to talk about the cut to Section 202, elderly housing, at 37.6 percent.

I guess I am feeling rather puzzled as to how these budget decisions are made, given the demographics in our country. People are living longer with disabilities. We have had our 500th amputee come home from the wars of Iraq and Afghanistan.

Certainly, I am a baby boomer. I am so looking forward to not cutting grass and shoveling snow at some point. As we age, we do need elderly housing.

You indicated that the reason—you said to Mr. Scott that you are still producing disabled housing but you are being more conservative and not putting those funds in this budget this time because you are spreading, I guess, the wealth somewhat.

What I would submit to you, Mr. Secretary, and want you to respond to, is that there are waiting lists. There are waiting lists in my town, and the only reason the waiting lists are not bigger is because we have stopped taking applications for elderly housing and disabled housing.

I guess I need to understand that the demographics speak to the need to do more elderly and disabled housing, so I am very puzzled and baffled as to why that is the case.

I just want to add as a commentary and want you to respond to, it is great that we are doing more for homelessness, for people coming out of prison, wonderful.

My fear is that we are increasing the expenses toward those activities, decreasing them to people like the elderly and disabled, Section 8 housing. We do not want to set up kind of a class warfare where when you have done everything right, you get your funds cut. You are coming out of prison, you get the help.

I am concerned about the housing policy, and I would like you to respond.

Secretary JACKSON. First of all, let me say I agree with you, Congresswoman. Nor do I want to set up class warfare because I do not think that is the way we should be doing it. We should not sectionalize people and say that "A" gets something at the expense of "B."

What I said, and I still stick to this, is that when we first came in, we had a huge backlog of 202/811s that were not being produced, that we had allocated monies for 3, 4, or 5 years earlier.

We took a slower pace. At this point, we have a number of units, elderly units, 811 units, in the pipeline.

This allocation that we made will be allocated to the next period when people come in, notification for availability. If we continue down the road that we are continuing on, spending the money at a timely rate, then yes, you will see an increase in the budget activity.

I want to spend the money first. It is the same thing that I made with the argument with Congressman Watt about HOPE VI. We have done about 65 HOPE VI, but we still have 172 standing out there with almost $2 billion.

Why should we continue to fund it? It is not that I want to cut the program. It is not that I do not believe it is serving a phenomenal purpose. It is not that I do not believe that we do not have a shortage where we do.

We have to find developers who are willing to develop these projects. To date, it has not been an overwhelming process. We have some and we will continue to work with them.

I can assure you. I am a baby boomer, too. I expect to live 20 or 30 more years. I am very, very concerned.

Lastly, I will say this. If there is a population that I am more sensitive to than any other population, that is the elderly and the physically and mentally handicapped. I think we have an obligation to those soldiers who have given their lives for our freedom, to make sure that they have an opportunity to live in decent, safe, and sanitary housing.

I feel the same way about the elderly, those persons who have worked all their lives, they might have been able to own a home, they might not be able to afford one now. It is our obligation to make sure they live in decent, safe, and sanitary developments.

Ms. MOORE OF WISCONSIN. Mr. Chairman, 30 seconds, I have a follow up question from something he said.

The CHAIRMAN. Very quickly. We are 3½ minutes over.

Ms. MOORE OF WISCONSIN. Yes, sir. You said you cannot find developers who want to do the elderly and disabled housing. Is it because they cannot make any profit out of it? Are we are not providing a deep enough subsidy? What do you attribute that lack of interest to? I cannot believe people do not want to make money.

The CHAIRMAN. The gentleman will answer.

Secretary JACKSON. I think in today's market, it is a very lucrative housing market. Developers are developing where they can make the most profit. At the same time, we are getting more developers coming in for 202 and 811, but not at the pace and rate that I would like to see it.

The CHAIRMAN. The gentleman from Missouri.

Mr. CLEAVER. Thank you, Mr. Chairman. I am a baby boomer, too. I have no plans of dying at all.

[Laughter]

Secretary JACKSON. You are close to God, so you would know.

Mr. CLEAVER. I have one question. I would like to take this opportunity to just express appreciation to our chairman, Mr. Frank, and most especially to the chairwoman of the subcommittee, Ms. Waters, who was probably the first elected official outside of Louisiana to come into New Orleans after the hurricanes hit, and for the work she did, and I want to express appreciation to you for the cooperative spirit with which you have dealt with this whole issue. We thank you very much for your cooperation.

Secretary JACKSON. Thank you.

Mr. CLEAVER. My only question is with regard to the rural loan program. Do you think it is possible to revitalize the rural loan program without enacting any legislation? Are there things that can be done administratively to do it?

Secretary JACKSON. I think it has to be legislative. I do not think that we can do it administratively. I will ask. I will tell you what I will do, Congressman, to give you a specific answer. We might be able to do it administratively, but I am just not sure.

I will make sure—today is Wednesday—that by Friday, you will have an answer. I will talk to your chief of staff and have our Assistant Secretary, Pam Patenaude, get back to you.

Mr. CLEAVER. Thank you. I yield back the balance of my time.

The CHAIRMAN. I thank the gentleman.

Thank you, Mr. Secretary. You have noted your 20 or 30 more years. You have spent more of it here than we had a right to ask you to, and the hearing is adjourned.

Secretary JACKSON. Thank you so much.

[Whereupon, at 1:12 p.m., the hearing was adjourned.]

A P P E N D I X

March 14, 2007

JULIA CARSON
7th District, Indiana

COMMITTEE ON
FINANCIAL SERVICES
Subcommittee on Housing and
Community Opportunity
Subcommittee on Financial Institutions &
Consumer Credit

COMMITTEE ON
TRANSPORTATION &
INFRASTRUCTURE
Subcommittee on Highways, Transit & Pipelines
Subcommittee on Railroads

Internet:
http://juliacarson.house.gov

Congress of the United States
House of Representatives
Washington, DC 20515-1410

WASHINGTON OFFICE:
1535 Longworth Building
Washington, DC 20515
(202) 225-4011
(202) 225-5633 Fax

DISTRICT OFFICE:
300 E. Fall Creek Pkwy N. Dr.
Suite 300
Indianapolis, IN 46205
(317) 283-6516
(317) 283-6567 Fax

E-Mail:
rep.carson@mail.house.gov

Financial Services Committee
Hearing on Oversight of the Department of Housing and Urban Development
Opening Statement for Congresswoman Julia Carson
March 14, 2007

Thank you Chairman Frank and Ranking Member Bachus for holding this important hearing. I would like to welcome Mr. Jackson to the Committee and thank him for taking the time to testify before us. I would like to start out by first addressing some of the major concerns that I and many of my colleagues share regarding the HUD Budget.

HUD's written statement claims the Administration's FY08 budget can "build on HUD's success in helping low-income and minority families achieve the dream of homeownership, ensure equal opportunity in housing, and lend a compassionate hand to Americans in need, while using taxpayer money more wisely and reforming programs in need of improvements."

In reviewing the Administration's budget proposal, however, it is evident those stated missions of addressing our nation's housing, economic, and community development needs are contradicted through the egregious cuts to programs such as Community Development Block Grants (CDBG), Section 811 Disabled Housing and Section 202 Elderly Housing.

In the President's proposed budget, the Brownfields Redevelopment program, which helps low-income families find affordable housing and develop housing in underserved communities, would be eliminated in favor of using CDBG funds for these initiatives. The budget proposal, however, cut funding for CDBGs by $735 million. My district of Indianapolis alone would suffer nearly $2 million in CDBG funding cuts in FY08.

In Indianapolis, CDBG funds have helped develop projects such as Fall Creek Place which developed over 300 housing units in the center of the city, most of which went to low-income families. The city has also utilized the program to develop libraries, a commercial real estate site, a flower shop and expand a firehouse. Without programs like CDBG or Brownfield Redevelopment, Indianapolis would have not been able to take dilapidated or unused sites and turn them into something that the entire community can benefit from.

In addition, we have seen historical and profound funding cuts to these public housing agencies. In Indianapolis, our public housing agency saw a 27 percent cut in funding in FY07. For FY08, the Administration's Operating Fund Level meets only 80.2 percent of

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need according to HUD's estimate of total eligibility, requiring PHA's to lay off staff and cut resident services. Further, HUD is requiring agencies to transition to asset management without providing them with adequate funding to do so.

HUD and the President claim they have taken stops toward the goal of ending chronic homelessness and that HUD has aggressively pursued policies to move more homeless families into permanent housing. Yet, families not considered chronically homeless will face a more difficult time obtaining permanent housing through HUD's McKinney-Vento homeless assistance programs. The argument has been made that this is acceptable, because these families can receive assistance through HUD's "mainstream" housing programs, such as Section 8. However, there has not been a new Section 8 voucher provided through the entire 6 years of the Bush Administration, and each year HUD proposes more and more cuts to its housing programs.

HUD's stated position on the Administration's budget proposal reflects a lack of understanding of the populations it aims to serve. I hope that we can work with Secretary Jackson and HUD to develop a plan that better serve those in need.

Once again, I thank the Chairman and Ranking Member for holding this important hearing and Mr. Jackson for taking the time to testify today.

Opening Statement for the Record – Congressman Albio Sires
Oversight of Housing and Urban Development, March 14, 2007

Mr. Chairman, thank you for this opportunity to address the Department of Housing and Urban Development's proposed Fiscal Year 2008 budget.

I want to state for the record that the Department of Housing and Urban Development's proposed budget for Fiscal Year 2008 is disgraceful. It continues a six year effort by the Bush Administration to dismantle critical federal housing programs.

Not only does the budget cut vital housing assistance to families, it also cuts administrative funding which directly affects individuals in our communities. Just last week, 34 constituents of mine lost their jobs with the Jersey City Public Housing Authority because of cuts to HUD's public housing programs. These cuts coupled with the Department's regulatory restrictions that prevent capital funds from being used for operational purposes, tie the hands of our local program officials. While we expect Public Housing Authorities to serve and provide safe housing to families, we cut their budgets. It is unconscionable and I am going to fight against these cuts and rule changes.

Beyond the administrative shortfalls, the budget cuts critical programs including Public Housing, Section 8, Community Development Block Grants, Section 202 elderly housing, Section 811 disabled housing, and lead prevention grants. The budget continues this Administration's six-year long effort to eliminate several relevant programs, including: the Drug Elimination Program, the HOPE VI public housing revitalization program, Brownfields redevelopment grants, Urban Empowerment Zones, Section 108 Community Development Block Grant loans used by cities to leverage larger economic revitalization projects, and several Rural Housing programs.

These programs serve the most vulnerable of our population and they have the ability to change the course for low-income families and children. By making housing more affordable, housing programs help to stabilize the lives of low-income families and improve their ability to secure and retain jobs. Frequent moving or living in homeless shelters or substandard housing can interrupt work schedules and jeopardize employment.

Housing assistance helps to improve children's educational prospects. Some studies have shown that the children of families that move frequently tend to do poorer in school. By enabling poor families to find and keep affordable housing, federal housing assistance helps children attend school regularly which improves their educational prospects.

Research indicates housing assistance may lead to improvements in child health. One study found that children of families on a waiting list for Section 8 vouchers were much more likely to suffer from stunted growth than children of families that receive housing subsidies.

In conclusion, federal housing assistance makes families and children able to participate more fully in society now and later in their lives. The investment we make today will pay off for many years. These programs are too important to cut. And we cannot expect the Public Housing Authorities to properly administer these programs without adequate funding and flexibility. I hope that Congress will appropriately fund these vital programs.

Opening Remarks

Honorable Maxine Waters, D-35th CA

House Committee on Financial Services

Oversight Hearing of U.S. Department of Housing and Urban Development

The Honorable Alphonso Jackson, Secretary, U.S. Department of Housing and Urban Development

Room 2128

March 14, 2007

Good morning ladies and gentlemen. I want to thank Mr. Frank, Chairman of the Committee of Financial Services and Ranking Member Bauchus for holding today's hearing. I am pleased to welcome today's witness, the Honorable Alphonso Jackson, the U.S. Secretary of the Department of Housing and Urban Development, to the Committee.

As the Chairwoman of the Subcommittee on Housing and Community Opportunity, I have a number of concerns that I hope you will be able to address today in your testimony. The Congress has made addressing the housing crisis in the Gulf Region its number one housing priority. As you know, the Committee on Financial Services passed a bill I introduced and sponsored by Mr. Frank, H.R. 1227, "the Gulf Coast Housing Recovery Act of 2007" to address a number of serious housing and community development issues in the Gulf Region. The bill that passed our Committee by a vote of 50 to16, is designed to avert an affordable housing crisis in the Gulf Region where more than 265,000 homes and apartments in Louisiana and Mississippi. This represents $67 billion damage to the

housing stock, requiring a rebuilding effort that is unprecedented in scale.

While you did not come to speak about the Gulf Region and the bill that passed this Committee, I am very interested in your views about the legislation. Do you believe that the bill will make a difference in the Gulf? What is the most pressing housing issue confronting the Gulf Region? I believe that it is the shortage of affordable housing, and until the shortage of affordable housing is corrected, it will be virtually impossible to rebuild communities in the Gulf Region.

Today, we will hear from the Secretary about HUD's major housing and community development programs as well as the Administration's budget recommendations for

Fiscal Year 2008. Last year, I was surprised by any number of proposals related to housing and community development programs proposed in the Administration budget. This year I am shocked that many of the same proposals are being advanced. These are proposals that the Congress overwhelmingly rejected on a bi-partisan basis last year, and I believe is poised to flatly reject again.

The overall HUD budget proposal is of great concern to just about anyone with whom I speak. The proposed FY 2008 budget would cut a number of critical programs by a combined total of $1.565 billion. Let me illustrate this point:

- Public Housing would be cut by $477 million, or 7 percent;

- The Capital Fund would be cut $415 million to $2.02 billion;
- Hope VI would be eliminated;
- Section 8 would receive $14.245 billion, representing a. 06 percent increase for inflation, amounting to $9 million;
- Community development block grants would be cut by $735 million form $3.711 to $2.976;
- Section 811 Disabled Grants would be cut by $112 million;
- Section 2000 Elderly housing program would be cut by $160 million; and
- Brownfields, Section 108 and Rural Housing and Economic Development grants would be zeroed out.

We can not adopt the President's budget proposal for FY 2008 for the nation's housing and community development programs. Can we truly make a difference in the communities that we represent if these cuts are adopted? CDBG is targeted to low and moderated income persons (70 percent) in communities across this country. To illustrate my point, the importance of the CDBG program, Los Angeles County received $74.5 million in CDBG funds for FY2006 with identical funding for FY 2007. However, if the President's 20 percent reduction in the CDBG program is adopted for FY2008, Los Angeles County would receive $59.6 million, or a $14.9 million reduction in CDBG funds. The Section 202 program assists the elderly, while the Section 811 program helps the

disabled. Section 8 is intended to provide affordable housing to renters.

My amendment to the HUD Appropriations bill last year spared the Section 108 program, but here we are again with an Administration proposal to eliminate the Section 108 program. Hope VI would be eliminated, but there is a bill in the Senate that would reauthorize Hope VI for several years at $600 million annually, a program where there are 3 applications for every grant. The Brownfields reauthorization just passed the House, but the HUD budget proposes to eliminate the program. Do you see my point? For almost every program where you propose to severely reduce funding or to eliminate it, the House is likely to overwhelmingly support them. Each one of the programs

has an important community and affordable housing purpose.

Fair housing is still a major issue in this nation as is lead paint poisoning. Unfortunately, based on the budget proposals related to these programs one must conclude that housing and community development is no longer HUD's mission. Mr. Secretary, I hope you can bring some clarity to these issues, because I am still trying to understand why the CDBG program would be cut, as well as housing programs assisting our rural communities to meet their housing needs. Mr. Secretary, what can we do to help you achieve your Department's mission? Thank you.

WRITTEN STATEMENT OF
SECRETARY ALPHONSO JACKSON
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HEARING ON

HUD'S FISCAL YEAR 2008 BUDGET

BEFORE THE

HOUSE COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

MARCH 14, 2007

Chairman Frank, Ranking Member Bachus, Distinguished Members of the Committee:

The President's proposed Fiscal Year (FY) 2008 Budget will address our nation's housing economic, and community development needs. HUD's $35.2 billion FY 2008 budget request - an increase of $1.6 billion more than last year's request — ensures that our Department can buil on our success in helping low-income and minority families achieve the dream o homeownership, ensure equal opportunity in housing, and lend a compassionate hand t Americans in need, while using taxpayer money more wisely and reforming programs in need o improvements. The President's FY 2008 budget request will allow the Department to build upo those successes by advancing the core mission given to HUD by Congress.

In formulating HUD's FY 2008 Budget, HUD examined its funding priorities to ensure that th resources were used for those most in need. The FY 2008 HUD budget also requests neede reforms in multiple program areas, notably FHA, CDBG, and Public Housing.

Promoting Economic and Community Development Through Homeownership:
The President's vision of an ownership society has been a central theme of his Administration and correctly focuses on the reality that ownership -- and homeownership in particular -- is th key to financial independence, wealth building, and stronger, healthier communities.

Under President Bush's leadership, this administration has achieved new records in the rate o homeownership. Today, more than 75 million families, or nearly 70 percent of all Americans are homeowners – the largest number of Americans to ever own their own homes. Despit having achieved record-level homeownership rates, minorities in America remain less likely tha non-Hispanic whites to own their homes. To close this gap, President Bush challenged th nation to create 5.5 million new minority homeowners by the end of the decade, and to date 3. million minority families have joined those ranks. President Bush and I are pleased that we ar making progress ahead of schedule. But we will not rest until the goal has been fully met, an we are asking Congress to help us do more to close the minority gap.

The President's proposed budget will help HUD to further that mission by transforming th Federal Housing Administration (FHA) so that it can expand homeownership opportunities fo low- and moderate-income families; spur Fannie Mae and Freddie Mac to lead the market t create more affordable homeownership opportunities; help more of the lowest-income Americans make downpayment and closing costs through the HOME Investment Partnership program (HOME) and American Dream Downpayment Initiative (ADDI) and increase the leve of housing counseling that has been so useful in helping families prepare for homeownership avoid predatory lending practices, and avoid default on their homes. Let me explain each o these areas further.

FHA Modernization:
Since its inception in 1934, FHA has helped more than 34 million Americans become homeowners. In recent years, however, FHA's outdated statutory authority has made it difficul to keep pace with the changing financial needs of those families who traditionally participated i the programs. Through the Expanding American Homeownership Act of 2006, HUD sought t provide workable solutions for borrowers, including homebuyers who do not qualify for prim

financing. This will give borrowers more affordable and safer ways to achieve the American Dream and reward them for having good household financial management. The key components of the legislative proposal, which will be reintroduced in this Congress, will: eliminate the current statutory 3 percent minimum downpayment, reducing a significant barrier to homeownership; create a new, risk-based insurance premium structure for FHA that would match the premium amount with the credit profile of the borrower; and increase and simplify FHA's loan limits.

I should also acknowledge our appreciation for this Subcommittee's collaborative leadership on FHA Modernization last year. Working closely with House authorizers and anticipating the success of the House Financial Services Committee legislation, H.R. 5121, that passed the House 415-7, this committee included the President's FHA Modernization legislation in last year's funding bill, H.R. 5576 that ultimately passed the House 406-22 in June.

Modernizing FHA will give it the tools it needs to again meet its legislative mandate: offering hard-working, credit-worthy borrowers, including those who cannot qualify for prime financing, the opportunity to obtain financing on reasonable terms at a cost they can afford.

Using HOME to Help More Low-income Families Own Their Own Homes:
The HOME Investment Partnerships program is the largest Federal block grant program specifically focused on creating affordable housing. Since 1992, more than 600 communities have completed building almost 762,000 affordable housing units, including more than 319,000 for new homebuyers. In addition, more than 160,000 tenants have received direct rental assistance. The Administration proposes to increase the HOME program to $1.97 billion in 2008, $50 million over the FY 07 request and $210 million above 2007 enacted.

For many low-income Americans, the single greatest obstacle to homeownership is the cash requirement for downpayment and closing costs. Within the HOME allocation, American Dream Downpayment Initiative or ADDI funds have assisted 21,000 families to purchase their first home -- of which approximately 50 percent were minorities. The FY 2008 Budget requests $50 million to continue funding the ADDI -- double the FY 2007 enacted -- to help provide grants to low-income families to help purchase their first homes. Further, the Administration plans to submit re-authorization for ADDI in the coming months to continue this effort.

Self-Help Homeownership Opportunity Program:
SHOP grants are another important program to boost homeownership among low-to-moderate income Americans. These grants are provided to national and regional non-profit organizations, like Habitat for Humanity, that are experienced in providing self-help housing. The FY 2008 Budget seeks $40 million for the SHOP Program. An additional $30 million under this account is also proposed for the National Community Development Initiative (NCDI). This funding will be used by intermediaries -- Enterprise Community Partners, Inc., and Local Initiatives Support Corporation (LISC) -- to develop the capacity and ability of nonprofit community development corporations to undertake community development and affordable housing projects.

Counseling Our Way to Greater Homeownership:
Housing counseling is an extremely important tool to help Americans purchase and keep their homes. The FY 2008 Budget proposes $50 million for housing counseling, $5 million over the FY 07 request, in order to prepare families for homeownership, help them avoid predatory lending practices, and help current homeowners avoid default. In partnership with faith-based and community organizations, HUD will assist approximately 600,000 families to become homeowners or avoid foreclosure in FY 2008. More than ever, potential homebuyers need assistance to make smart homeownership choices. Housing counseling is the most cost-effective way to educate individuals and arm them with the knowledge to make informed financial choices and avoid high risk, high cost loans, and possible default and foreclosure.

Combating Homelessness:
While helping homeowners and renters to a better way of life, HUD remains committed to the goal of ending chronic homelessness, and has aggressively pursued policies to move more homeless families and individuals into permanent housing. While persons experiencing periods of long-term homeless frequently get temporary help, they often return to a life on the streets. New data from the Annual Homeless Assessment Report indicates that 20 percent of the homeless experience chronic homelessness. Persons with disabilities who are homeless for extended periods of time, often referred to as the chronically homeless, consume a disproportionate share of available resources (psychiatric facilities, jails, detox centers, hospitals, emergency shelters, etc.) without having their basic needs appropriately addressed. Housing this population will free up Federal, State, and local emergency resources for families and individuals who need shorter-term assistance.

In July 2002, the President reactivated the Interagency Council on Homelessness (ICH) for the first time in six years, bringing together 20 Federal entities involved in combating homelessness. Since its inception, the ICH has helped State and local leaders across America draft plans to move chronically homeless individuals into permanent supportive housing, and to prevent individuals from becoming chronically homeless. As HUD Secretary, I currently chair the ICH.

In 2003, the Federal Collaborative Initiative to End Chronic Homelessness, through HUD, Health and Human Services, and Veterans Affairs, funded 11 grantees across the country.

The FY 2008 Budget provides a record level of resources to address the housing needs of homeless persons living on the streets of this nation. The FY 2008 Budget provides $1.586 billion for Homeless Assistance Grants. In addition to requesting a record level of funding, the Administration also proposes to consolidate the various competitive homeless programs into a single Continuum of Care grant program that would greatly simplify the local administration of HUD's homeless resources which benefit over 3,800 cities and counties.

Increasing Access to Affordable Housing:
While homeownership is one of President Bush's top priorities, the President and I realize that it is not a viable option for everyone. The largest component of HUD's budget promotes decent, safe, and affordable housing for families and individuals who may not want to become homeowners or who may not yet be ready to purchase a home.

Assisting the Most Families—Section 8:
HUD's Housing Choice Voucher Program provides approximately two million low-income families with subsidies that help them obtain decent, safe, sanitary, and affordable homes. In the FY 2008 Budget request, the President is asking for $16 billion, nearly $100 million over the FY 2007 request. The Administration is also proposing several changes to the Housing Choice Voucher Program that would allow the 2,400 Public Housing Authorities (PHAs) that administer the program to assist even more families. The Administration is proposing that Congress eliminate current appropriations language that imposes a cap on the number of families each PHA is allowed to assist. Many PHAs that have reached their caps have additional funds that they are unable to use to assist additional households. In addition, administrative fees would again be tied to the number of households assisted, encouraging PHAs to assist more families. By better utilizing all appropriated funds, the Housing Choice Voucher Program would assist thousands of additional families.

Making Improvements to Public Housing:
For FY 2008, the Department will continue its efforts to transition Public Housing Agencies to asset management, which will result in improvements in public housing management and financial accountability.

Public Housing Funding:
The FY 2008 Budget for the Public Housing Operating Fund provides $4 billion, which is the highest funding level ever in the history of the program, up from $3.6 billion in the FY 2007 request. This funding will assist PHAs in the second year of transition to the new operating formula and will help pay for utility/energy and other cost increases. Additionally, HUD will continue its successful implementation of the Public Housing Capital Fund Financing Program. This program allows PHAs to borrow from banks or issue bonds using future Capital Fund grants as collateral or debt service, subject to annual appropriations. In this way, PHAs can leverage their Capital Funds to make improvements. The President's FY 2008 Budget request maintains the overall Capital Fund Account funding at the $2 billion level.

Management Accountability of Public Housing:
The Department continues to place great emphasis on the physical condition of public housing properties, and the financial status and management capabilities of PHAs. The Department will continue providing technical assistance to PHAs and rating the effectiveness of PHAs through the Public Housing Assessment System (PHAS). PHAs with consistently failing scores may be subject to an administrative or judicial receivership. The Department will continue to utilize other tools such as Cooperative Endeavor Agreements with local officials, Memoranda of Agreements, and increased oversight, in order to correct long-standing deficiencies with PHAs.

Indian Housing Loan Guarantee Fund:
HUD is also working to improve housing for Native Americans. The U.S. Government holds much of the land in Indian country in trust. Land held in trust for a tribe cannot be mortgaged, and land held in trust for an individual must receive Federal approval before a lien is placed on the property. As a result, Native Americans historically have had limited access to private mortgage capital. The Section 184 program addresses this lack of mortgage capital in Indian country by authorizing HUD to guarantee loans made by private lenders to Native Americans.

The President's Budget proposes $367 million in Section 184 loan guarantees under the Indian Housing Loan Guarantee Program for homeownership in tribal areas, which represents a more than $251 million increase over the enacted FY 2006 Budget and $116 million over the FY 2007 request.

Elderly and Persons with Disabilities:
The FY 2008 Budget will provide $575 million in funding for the Supportive Housing for the Elderly (Section 202) Program – a net increase of $30 million over the FY 2007 request. This funding level covers all operating costs for existing Section 202 housing and supports construction of about 3,000 new units. In the Section 202 program, funding for housing for the elderly is awarded competitively to non-profit organizations that develop these facilities. The facilities are also provided with rental assistance subsidies, enabling them to accept very low-income residents. Many residents live in the facilities for years, and over time, they often become frail and less able to live without some additional services. Therefore, the budget allocates up to $25 million of the grants to fund the conversion of all or part of existing properties to assisted-living facilities, enabling these elderly residents to remain in their units. In addition, up to $71 million -- an increase of $11 million over the FY 2007 request -- of the grant funds will be targeted to funding the service coordinators who help elderly residents obtain supportive services from the community.

The FY 2008 Budget proposes $125 million for *Supportive Housing for Persons with Disabilities* (Section 811), a $6 million increase over the 2007 Budget request. The Section 811 program will also continue to set aside funds to enable persons with disabilities to enjoy independent lifestyles. In FY 2008, up to $75 million of the grant funds will be used to renew Mainstream Section 8-type vouchers so that individuals can continue to use their vouchers to obtain rental housing.

The Department is proposing financing demonstration projects in both Section 202 and Section 811: $25 million is requested for Section 202 and $15 million is requested for Section 811. A key priority is to increase the production of units serving these special needs populations by removing the barriers that discourage tax credit applicants from utilizing Sections 202 and 811. In developing the program, the Department will consider mixed-finance arrangements including low-income housing tax credits and other creative financing options for development of additional housing units and/or rental operating assistance.

Housing Opportunities for Persons With Aids (HOPWA):
The HOPWA program provides formula grants to states and localities for housing assistance for low-income persons living with HIV/AIDS. The program helps maintain stable housing arrangements that improve access to health care and other needed support. The program also provides competitive grants to government agencies and nonprofit organizations that serve as Special Projects of National Significance due to their model or innovative qualities. HOPWA also provides grants to governmental agencies in areas that do not qualify for formula funds.

In FY 2008, HOPWA will fund an estimated 26 competitive grants to renew expiring permanent housing projects and use the remaining funds to select new model projects. HUD will also provide HOPWA formula funding to an estimated 122 jurisdictions. Grant recipients will

collaborate with over 700 non-profit and local agencies to subsidize housing for an estimated 67,000 households. In FY 2008, HUD will proposes to provide $300 million in new grant funds for housing assistance and related supportive services for low-income persons with HIV/AIDS and their families.

The Administration is proposing legislation to update the HOPWA allocation formula. The revised formula will more accurately reflect the current housing needs of persons living with AIDS in this country.

Reforming the Community Development Block Grant Program:
It has been more than 30 years since President Gerald Ford and Congress created the Community Development Block Grant (CDBG) Program to address the community needs. Since 1974, CDBG has been an important tool for cities, counties and States, allocating more than $116 billion to help them to target their own community development priorities. The FY 2008 Budget proposes funding CDBG's formula program at $2.775 billion.

CDBG's underlying formulas have remained essentially the same since 1978 while the nation's demographics have changed significantly. It has becoming increasingly clear that an outdated formula that once measured the needs of urban America no longer reflects the modern needs of today's cities, larger urban counties and States. Some high-need areas receive smaller grants than they should, some low-need areas receive larger grants than they should; and some communities with similar needs receive different per capita grant amounts.

The Department will continue to pursue "formula fairness" by appealing to Congress to authorize a new formula that will more effectively target CDBG funding to areas of greatest need in 21st Century America. A second key part of the President's proposal is the $200 million Competitive Challenge Grant. The Challenge Fund will award "bonus grants" to distressed communities that target and leverage funds to the most distressed areas within the community. In addition, HUD will work to boost performance measurements within CDBG to ensure these critically needed dollars produce the results the program was designed to achieve.

Healthy Homes and Lead Hazard Control:
HUD's Lead Hazard Control program is the central element of the President's effort to eradicate childhood lead-based paint poisoning. In FY 2008, proposed funding for the Lead Hazard Control Program will be $116 million, continuing the substantial progress to date in eliminating lead hazards to all children. Grant funds are targeted to low-income, privately owned homes that are most likely to have children exposed to lead-based paint hazards.

The program conducts public education, compliance assistance, and regulatory enforcement to prevent childhood lead poisoning. New estimates from the Centers for Disease Control and Prevention (CDC) show that the program has helped to reduce the number of children at risk by 65 percent, but more than 250,000 children still have dangerous levels of lead in their bodies.

Continuing the Fight Against Housing Discrimination:
The Bush Administration is committed to the vigorous enforcement of fair housing laws in order to ensure that equal access to housing is available to every American. Fair housing enforcement

and education activities are pivotal in achieving the Administration's goal to increase minority homeownership by 5.5 million by 2010.

The intent of HUD's fair housing programs is to bring about equal opportunities in housing by protecting the right of families and individuals to live where they choose, free from discrimination. HUD accomplishes this goal by aggressively enforcing the nation's fair housing laws and by educating the public and the housing industry about their fair housing rights and responsibilities. HUD also furthers fair housing by funding housing activities through two programs: the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiatives Program (FHIP).

The FY 2008 Budget will provide $25 million through FHAP for State and local jurisdictions that administer laws substantially equivalent to the Federal Fair Housing Act. The Department supports FHAP agencies by providing funds for capacity building, complaint processing, administration, training, and the enhancement of data and information systems.

The FY 2008 Budget will also provide $20 million to help private, non-profit FHIP agencies across the nation combat discrimination through an array of targeted education and outreach and enforcement activities.

Additionally, the requested amount would support the Department's ongoing efforts to address fair housing concerns in areas affected by Hurricanes Katrina and Rita. The efforts would include support for fair housing enforcement efforts in the Gulf Coast, bilingual public service announcements, printed advertisements, and training events. Protecting the fair housing rights of persons with disabilities is a Departmental priority. As such, the Department would continue to provide technical assistance to builders, architects, and housing providers on disability-accessibility requirements through its Accessibility FIRST program to ensure that newly constructed housing units are accessible to persons with disabilities.

Increasing Operational Efficiency:
Over the past several years, HUD has taken many notable steps to improve its management and performance, and the President's new budget request strengthens these efforts.

In FY 2006, HUD received a clean financial audit for the seventh consecutive fiscal year, and for the first time ever had no auditor-reported material internal control weakness issues.

In January 2007, the Government Accountability Office (GAO) removed HUD from its watch list of high-risk government programs. It marked the first time since 1994 that no HUD programs were on the list, demonstrating HUD's effective implementation of the President's Management Agenda to improve our fiscal house and program results.

Improved information technology systems are enabling HUD and its program partners to more efficiently and effectively deliver HUD's program resources, and more can be accomplished with the funding increases proposed for the Working Capital Fund that supports the Department's information technology infrastructure and systems applications.

In Conclusion, Mr. Chairman:
The President's proposed FY 2008 Budget makes good progress toward successfully realigning Federal government priorities according to our nation's current needs. The HUD portion of that budget will help promote economic and community development through increased opportunities for homeownership and affordable rental housing, free from discrimination; it will also lay the groundwork for reform by focusing community development funding more carefully toward those most in need; and it will enable HUD to continue along the path to greater Departmental efficiency and effectiveness.

This is a good budget, Mr. Chairman, and I respectfully urge the Congress to adopt it. I am now available to answer any questions that you, or other Members of the Committee, may have.

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Mr. Baca #1

Anti-Crime Programs

Question: I am sponsoring, with Senator Boxer and other leaders important National and State anti-gang legislation. HUD used to fund anti-crime programs directly such as the "Public Housing Drug Elimination Program' yet no such programs now exist. What are the plans to combat crime at HUD properties?

Answer: Although the Department does not fund a specific anti-crime program, the Department supports PHA's efforts to combat crime in public housing, and such programs are an allowable operational expense. In addition, PHAs can seek funding from the Department of Justice and the Department of Health and Human Services for this purpose.

Mr. Baca #2

HUD Budget

Question: The proposed budget for HUD in 2008 would fund HUD at $35.2 billion, a decrease of $3.14 billion from the current 2007 fiscal year. With rising rents, more homeless many more seniors, and rising construction costs, how can this be that costs can be lowered by $3.14 billion?

Answer: The President's fiscal year requested budget is $35.2 billion on a net discretionary budget authority basis and that represents a reduction of $938 million when compared to the full-year continuing resolution enacted by Congress for fiscal year 2007.

The largest difference is that the President's fiscal year 2008 budget requests $3.0 billion for a reformed more highly targeted Community Development Block Grant program whereas the Congress appropriated $3.7 billion in fiscal year 2007, a difference of $0.7 billion. In addition, other significant differences include a smaller rescission of $1.3 billion projected in fiscal year 2008 versus the $1.65 billion enacted in fiscal year 2007. The fiscal year 2008 budget also proposes increases compared to the fiscal year 2007 budget for the HOME program ($209 million); the Homeless programs ($144 million); the Public Housing Operating Subsidy program ($136 million) and for Management and Administration ($110 million).

The fiscal year 2008 budget proposes funding for Public Housing Capital Assistance that is $415 million below the fiscal year 2007 appropriated level; Project-Based Rental Assistance that is $163 million below the fiscal year 2007 level and Supportive Housing for the Elderly and Disabled that is $160 million below the fiscal year 2007 level.

The President's budget reflects several increases and decreases that represent both different prioritizations of scarce funding resources but in other instances, reflect the analysis of what it would take to fund programs at certain levels often taking into account important factors and sometimes externalities that differ from conditions that exist in fiscal year 2007.

Mr. Baca #3

Moving-to-Work

Question: The HUD Moving To Work (MTW) demonstration program has been implemented at 1% of the 3,000+ Housing Authorities in the U.S. It allows agencies to redefine HUD regulations at a local level and therefore operate more efficiently and house more people. Why can't more agencies get in? All of the housing groups have been requesting this; it has proven to be innovative and successful; and Mr. Lewis and I have been asking this bipartisan question for 2 years with no answer.

Answer: Section 204 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104-134) established the Moving to Work Program. Section 204(b) states, The Secretary of Housing and Urban Development shall conduct a demonstration program under this section beginning in fiscal year 1996 under which up to 30 PHAs (including Indian housing authorities) administering the public or Indian housing program and the Section 8 housing assistance payments program may be selected by the Secretary to participate.

Shortly after the above statute was passed, a subset of Moving to Work was created called "Jobs Plus." Six agencies were selected to participate – two (Baltimore and Seattle) also became full MTW agencies. Twenty-four other agencies became full MTW agencies between 1999 and 2005. These filled the 30 slots designated in the original statute.

The 1999 VA-HUD Appropriations Bill (HR 4194) allowed HUD to not only consider the applications of Charlotte and Pittsburgh, but to add them to the 30, increasing the number of slots to 32.

The Department has not issued a request for applications and does not have plans to do so, since the number of MTW slots was originally set at 30 and later at 32, and all were used at one time or another. Per HUD's Office of General Counsel, once a housing authority has completed its time in the demonstration, the slot is considered used, and cannot be re-used.

Mr. Baca #4

HOPE VI

Question: HOPE VI is the 12 year old program that has allowed many cities to rebuild older Public Housing properties. It is deemed as a God-send by virtually every Mayor and Governor yet HUD is proposing (again) to eliminate it. I know the projects take years – like any modern real estate project – so the funding takes years to actually spend after commitment. But why would we eliminate one of the most successful HUD programs ever? My own San Bernardino County Housing Authority would like to apply for this seed money which generates 5 times the initial investment and rebuilds entire neighborhoods.

Answer: The Administration is not requesting FY 2008 funds for HOPE VI because it does not believe there is a need for HOPE VI funding. As a result of this program and other initiatives, the Department's goals for demolition of the worst public housing have been met. However, the Administration is proposing to recapture remaining HOPE VI funds from older nonperforming grants and to award these funds as new grants to sites that are ready to move forward. This will also help existing grantees to understand the importance of completing projects in accordance with the approved timeframe.

The program has shown to be more costly than other programs that serve the same population. In a GAO report (GA0-02-76), the housing-related costs of a HOPE VI unit were shown to be 27 percent higher than a housing voucher and 47 percent higher when all costs were included. Because of the large scale of these grants, there is a long and complex planning and redevelopment process that has resulted in significant delays in the completion of these grants. Some PHAs also lack the capacity to manage their re-development projects.

Mr. Baca #5

Public Housing

Question: Some progress has been made in rebuilding old 'Public Housing' in big cities but the funds to maintain older housing is decreased every year for the last 3 years – yet HUD expectations for conditions of properties is high. In the proposed budget 'Public Housing' operations cost are cut by $378 million in 2008 compared to 2007 when capital funds and operating funds are considered together. How can HUD expect Housing Authorities to maintain properties, much less improve properties, with about 86% of the actual funds required from prior years?

Answer: The difference between the fiscal year 2008 and fiscal year 2007 appropriation is $279 million or an approximate 4 percent reduction. In addition, some steps that the Department has taken to encourage and support PHAs in this area include the demolition of the worst and often most expensive properties in their inventory, entering into energy performance contracts to reduce the cost of utilities, and switching to tenant paid utilities.

The Department stresses operating efficiency, as evidenced by our shift to project-based management and accounting. While funding cuts may be imminent, many housing agencies have operating reserves on hand or derive income from other sources. Furthermore, the final rule on the Operating Fund program allows PHAs to retain 100 percent of investment and other non-dwelling unit rental income – laundry receipts, income from rooftop antennas, etc. In 2006, such other income accounted for $349 million in extra income not recognized by the Operating Fund formula. For purposes of operating subsidy calculation, rental income is frozen at 2005 levels, so that any increases in rent collected by PHAs will not reduce the amount of subsidy allocated.

Mr. Baca #6

Section 8

Question: With only slightly more Section 8 funding proposed than last year ($80 million more in a $16 billion budget) it is apparent that the budget will not meet the rising rents – therefore fewer seniors, children and disabled will be housed at a time when the number needing housing is at an all time high. In my district, 815 fewer households (about 2,200 people) will be housed this year than last yet over 20,000 households will be on the waiting list! Note that when the waiting list opened on March 4, 2007 over 5,000 families applied on the first day in San Bernardino County. How can we house fewer when the needs are greater?

Answer: The Housing Choice Voucher program was changed from a unit-based program to a budget-based program by Congress for calendar year 2005 and thereafter. The President's budget seeks to eliminate the limitation of the caps imposed on PHAs under the previous unit-based funding strategy and also proposes to adjust future budgetary allocations by the amounts of prior year unspent funds allocated to PHAs. If Congress adopts both of these provisions, the Department believes the net impact would be an increase in the total number of families PHAs are able to serve.

Mr. Baca #7

McKinney-Vento Homeless Assistance Grants

Question: Approximately 6,800 homeless individuals reside in San Bernardino County, based on information collected in 2002. I recently learned that the San Bernardino County Continuum of Care, the board responsible for applying for McKinney-Vento Homeless Assistance grants for the area, did not receive a high enough score to receive funding beyond the congressionally-mandated renewal funding levels in the latest round of HUD homeless assistance awards. As a result, the County has lost over $4.5 million in funding this year. The County's score was 1.25 points below the cut-off score for full funding. I was surprised myself at the results of the grants, but unfortunately, all over California, continuums lost significant money this year in McKinney grants. Would it be possible for you to request meeting/conference call between HUD and the continuum? I think the people who run the continuum were frustrated that HUD will not debrief them on the problems with their application. Also, if there was an error in scoring, they have no way of correcting the error because they don't know what they got dinged for.

Answer: The San Bernardino City and County Continuum of Care (CoC) submitted 12 projects for the 2006 CoC national competition, totaling $6,742,417. There were four new projects, totaling $5,094,061 and eight Supportive Housing Program (SHP) renewal projects, totaling $1,648,356. The total awarded amount was $923,155.

A key factor in the outcome is that the San Bernardino City and CoC application scored 84.75. The Continuum of Care received 44.75 points out of a possible 60 points. When coupled with 40 need points, this meant that the CoC's new project received a total of 84.75 points. To receive funding for new projects, a CoC must score above the national funding line, which was above 86 for the 2006 competition. Because HUD only had enough resources to fund new projects that scored above 86 points, the San Bernardino City and County Continuum did not receive any award for new projects.

Please note that HUD reserves the authority to conditionally award 1 year of funding to lower-rated eligible SHP renewal projects that receive a minimum score of 65 points. For the San Bernardino City and County Continuum, HUD funded 1-year awards to 7 of the 8 renewals totaling $923,155. One renewal project was not funded because the project expires in 2008. The 2006 Notice of Funding Availability (NOFA) stipulates that only projects that expire in 2007 are eligible to apply in the 2006 competition. This project will be eligible to apply in the 2007 competition.

Although these lower-rated SHP renewal projects score below the national funding line, the funding allows homeless persons to continue to be housed and move towards self-sufficiency. Not renewing these projects would likely result in the closure of these projects and displacement of the homeless people being served.

Each year HUD publishes a NOFA that contains the requirements for submitting a CoC plan and projects, and the requirements that HUD uses for scoring these documents in the national competitive process. The Department is further subject to the HUD Reform Act requirements for conducting a fair and unbiased competitive funding process. HUD must apply its rating and ranking protocols in a consistent manner for every application. The Department also must follow consistent procedures for debriefing CoCs.

This year, HUD undertook a new debriefing process for all CoCs. It provided all CoCs with a standardized written debriefing package. The San Bernardino City and County Continuum of Care CoC received written scores for the five NOFA rating categories and two subcategories, an extensive written analysis of the rating standards, and the strengths and weaknesses frequently found in HUD's review of its 2006 applications.

Representatives from the Office of Special Needs Assistance Programs are available to conduct a follow-up call with the San Bernardino City and County Continuum of Care to discuss observations consistent with the in-depth debriefing materials already provided and to further clarify the basis for not funding all of its projects.

Mr. Hinojosa #1

Empowerment Zones

Question: Mr. Secretary, can you tell me, based on your discussions with business operating in empowerment zones, as well as local governments who partner with HUD on economic development efforts, whether there are any constraints to issuing tax-exempt bonds in empowerment zones? And, before you answer the question I should let you know that it is my understanding that the existing requirements for resident employees makes it very difficult to market exempt bond. Under current law, if the 35 percent threshold for employees who are residents of the zone is not met, for even a brief time, the bonds could lose their tax-exempt status. So are there any constraints to issuing tax exempt bonds in empowerment zones? If so, what should we do to remedy the problem?

Answer: In order for an Empowerment Zone (EZ) business to be eligible for an Enterprise Zone facility bond, 35 percent of its workforce must be EZ residents. For a substantial number of EZ businesses, meeting the 35 percent resident requirement is insurmountable, resulting in only $589 million of the $4.303 billion of total bond authority available to businesses being used according to a 2005 bond evaluation.

Also current law requires a business that wishes to use this bond program to have at least 35 percent of its workforce consist of Empowerment Zone residents for the duration of the bond period. It is also correct that, if the 35 percent threshold for employees who are residents of the zone is not met, for even a brief time, the bonds could lose their tax-exempt status. The Office of Community Renewal has heard from both the Empowerment Zone directors and from business owners in these areas that many otherwise-qualified businesses are reluctant to take advantage of the low-cost financing through these bonds because of this 35 percent threshold.

Time can change the status of a business initially deemed an eligible business where circumstances affecting the availability of Zone employees can adversely affect the business' ability to meet the 35 percent employee requirement, such as a loss in a Zone's population and a decrease in workforce availability within the Zone.

Legislation was introduced in the 109th Congress ("Empowerment Zone and Renewal Community Enhancement Act," HR 5660 and S 3827) and is expected to be introduced in May modifying the bond rules by removing impediments to the efforts of EZ businesses in taking advantage of the bonds. The modifications create alternatives to the 35 percent resident employee threshold by allowing flexible criteria referred to as a safe harbor. For example, a business would be able to take advantage of one of the following three options: (1) create one additional job for each $150,000 in bond amount; (2) within 3 years of bond issuance, 35 percent of the business workforce would be EZ residents; or (3) business enters into a binding agreement with local employment agency to advertise employment opportunities to qualified EZ residents.

While the Department has not taken a position on the proposed legislation, we are sympathetic to more flexible approaches to providing a Zone business with opportunities to take advantage of an Enterprise Zone Bond while ensuring that its obligation to employ EZ residents will be met.

Mr. Hinojosa #2

Rural Housing and Economic Development

Question: Mr. Secretary, one thing I have learned as Chairman of the Congressional Rural Housing Caucus, Mr. Chairman and Secretary Jackson, is that Rural America is at a disadvantage from the rest of the nation. Many housing and community development programs cater to the urban population, and the few programs dedicated to the needs of the rural population are slated for elimination.

The President's proposed fiscal year 2008 budget for HUD terminates the RHED program which works to provide capacity building assistance, funds for innovative activities for established organizations, and seed support for new programs. Grants have supported micro-enterprise development, affordable housing construction, small business incubators, and staff development and computer software. There is a real need for this type of flexible funding.

Rural communities face different challenges than urban communities, and the RHED program is essential in addressing rural housing needs.

There is ample evidence that HUD does not serve rural communities effectively. For example, although the rural population is 22 percent of the nation's population:

- Only six percent of FHA assistance goes to non-metro areas. On a per-capita basis, rural counties fare worse with FHA, getting only $25 per capita versus $264 per capita in metro areas;
- Only 12 percent of Section 8 funds go to non-metro areas;
- There is no set-aside for rural areas under the HOME program, which means that most of HOME funding ends up in participating jurisdictions in metropolitan areas; and
- Although the CDBG has the State and Small Cities Block Grant program, there is a significant problem for rural areas from a targeting standpoint in that states may award grants to communities with populations up to 50,000. This means that small rural communities must compete with larger jurisdictions for funding.

Mr. Secretary, how will HUD address this discrepancy? Don't our rural communities deserve the same opportunities as our urban communities to meet the growing demands for affordable housing and business development?

Answer: The Rural Housing and Economic Development program was created to encourage new, innovative approaches to serving the housing and economic development needs of the nation's rural communities. With the Department's proposed revisions of the Community Development Block Grant (CDBG) program, the needs of America's rural communities will be better addressed through the State CDBG program, along with the HOME program, and through the U.S. Department of Agriculture (USDA). USDA manages a portfolio of rural housing and economic development grant and loan programs that vastly exceed the Rural Housing and

Economic Development program in terms of programs and services provided to America's rural communities.

The Housing and Community Development Act of 1974, as amended, provides that 30 percent of CDBG formula funds are allocated to non-entitlement areas. In fiscal year 2007, this will amount to slightly more than $1.1 billion. Although it is true that some cities with close to a 50,000 population do receive State CDBG funding, it is also true that many units of general local government with populations below 50,000 receive funding as CDBG entitlements based on: qualification as principal cities by OMB definition; "grandfathering" based upon prior participation as CDBG entitlements; or through urban county CDBG programs.

In addition, it should be noted that 40 percent of HOME funds are set aside for States and although there is flexibility in targeting these funds, States typically provide funding for rural areas.

Mr. Hinojosa #3

Housing Assistance Council

Question: Also, would you please explain why you have zero funded the Housing Assistance Council? HAC is the only national group that specializes in highest need, underserved areas, such as Delta, colonias, Indian country, and Appalachia.

The President's budget request proposes to eliminate funding for the Housing Assistance Council. HAC is the only national assistance organization devoted solely to rural housing and community development.

Created in 1971, the Housing Assistance Council offers seed money loans, grants, training, technical aid, and information to local community groups that are building decent, safe and affordable housing in underserved rural areas. Much of HAC's work has focused on homeownership for rural families, particularly using the equity, self-help approach. HAC has provided over $217 million in loans and grants to community- and faith-based groups in 49 states to help build almost 60,000 homes. This support has leveraged over $1.7 billion in other funds. In the last six years alone HAC has provided $99 million in loans and grants to groups in 42 states and 160 Congressional districts.

HAC works throughout the rural US but also has a special focus on high-need areas: Appalachia, the Lower Mississippi Delta and Southeast, the Southwest border region, Native American areas, and migrant farm worker regions. These are areas where poverty rates and housing need are very high, development capacity is low and conventional financing and development tools do not always work.

HAC works with all comers and specializes in trying to build up fledgling nonprofits, especially (but not exclusively) among minorities. Proyecto Azteca was a fledgling, start up that HAC help nurture into a unique and productive developer. This is the real need in "capacity building". Other national nonprofits with many times the funding HAC receives work only or mostly with "cream" groups that are already very successful.

HAC's performance in the HUD SHOP program recently helped SHOP receive an OMB PART rating of "Effective", the highest possible rating. Of 30 HUD programs evaluated under PART, only 3 have received an effective rating.

HAC has broad and unique information services – newsletter, magazine, web site updated daily, large list of downloadable publications – not offered by other larger, better funded groups. For example, this week, HUD's SuperNOFA came out (a vitally important notice for housing nonprofits). By midday only the Federal Register and HAC's web site had it up and available. HUD's own site did not have it available until late in afternoon.

HAC has an outstanding affirmative action record. The population HAC serves is 60 percent people of color. HAC's board in 2/3 African American, Hispanic and Native Americans. Its professional staff is 50% people of color, and its top six managers include 3 African Americans, 1 Latino, 1 Asian and 1 Caucasian. HAC is led by someone who grew up as a low-income migrant farm worker from a colonia.

Knowing all of this, why do you continue to zero fund such an important program that benefits Rural America and requires sweat equity of those who receive assistance from HAC in order for them to help build their own home? It seems like a win/win program.

Answer: The Housing Assistance Council has been a valuable partner with HUD in providing assistance to low and moderate income people, particularly in rural areas of the country. HAC has been an active and successful competitor in the Self-Help Homeownership Program (SHOP) and a valuable contributor as a technical assistance provider under the HOME program. While HAC has also received an earmark for additional funding, there is no underlying authorizing legislation for this earmark.

No funding was proposed for the HAC in fiscal year 2008 reflecting limited overall budget resources and other higher funding priorities. However, the Department expects that HAC will continue to remain eligible for funding through the SHOP and HOME programs.

Mr. Hinojosa #4

Section 108 Loan Guarantee

Question: At a time when the country is strapped for cash and competing for scarce resources, private investment dollars can provide much needed financing for infrastructure repair, economic development purposes and even affordable housing. The Section 108 loan guarantee is critical in attracting these private dollars to public improvement projects in distressed communities throughout the U.S.

Isn't this type of program – which requires very little federal financing and yet attracts substantial private investment dollars – exactly what our government should hail as a successful public-private partnership?

HUD's own website states, "Section 108… [is] one of the most potent and important public investment tools that HUD offers to local governments. Such public investment is often needed to inspire private economic activity…"

Further, to date, there has been no default under Section 108 resulting in a repayment by HUD. So, why would you choose to eliminate one of the most successful and least expensive federal programs and leave our nation's communities struggling with broken infrastructure when they could be prospering with burgeoning entrepreneurs and efficient public facilities?

Answer: The FY 2008 HUD budget includes a request to consolidate Section 108 into the CDBG program as part of the CDBG Reform proposal. Consequently, no funding is proposed for Section 108 loan guarantees. However, communities can still use their CDBG funds to carry out the infrastructure and job creating projects that are now financed under Section 108.

Mr. Hinojosa #5

Rural Housing in General

Question: Those of us who live in Rural areas have long known that Rural residents face as many, if not more, challenges to finding available, affordable and quality housing than urban residents. But, the extent of the problem may surprise you. For instance, did you know that:

- According to the Economic Research Service of the U.S. Department of Agriculture, 4 million rural families live in "housing poverty", a multidimensional indicator that combines measures of economic need, housing quality and neighborhood quality?
- .7 million of the 25 million Rural housing units in the United States are considered substandard?
- 17% of minority renters in Rural areas live in substandard units?
- Approximately 25% of homeowners and 36% of renters in RURAL areas spend more than 30% of their income in rent?
- Of the 6.3 million occupied rental units in Rural areas, 11% have severe or moderate physical programs, 10% have exterior water leakage, and 8% have inadequate heating?
- 14% of tribal homes have no access to electricity and 23% of Rural Native households have no telephone service?

These issues are compounded by the Administration's budget proposal for FY 2008, which zeroes out funding for two critical Rural housing programs:

- the Section 515 Rural Rental Multifamily Housing Direct Loan program, which benefits very low-income and elderly residents in many of our Rural communities; and,
- the Section 502 Single-Family Direct Loan Homeownership program, which is the only federal program targeting mortgage lending opportunities to low- and very low-income Rural Households.

These problems clearly show a need to provide incentives for building new and rehabilitating existing homes and rental units in Rural areas. For these reasons, I co-founded and now Chair the Congressional Rural Housing caucus to advocate for legislation and policy changes that:

1. Expand the availability of safe and affordable housing – both for purchase and for rental – in Rural America;
2. Eliminate substandard housing in Rural America; and
3. Address the infrastructure needs of Rural America, including providing access to clean water, working sewers, electricity, and other necessities.

Despite all of this, the Administration's budget calls for the following cuts:

1. Section 515 multifamily direct loan program. Zero funding compared to $100 million last year.
2. Section 502 single family direct loan program. Zero funding compared to $125 million (budget authority) last year.
3. Section 523 Self-help housing grant program. A $24 million cut – reduced from $34 million to $10 million.
4. Section 514/516 farm labor housing direct loan/grant programs. A $21 million cut – reduced from $31 million to $10 million.
5. Overall the RHS budget is reduced by $175 million, which amounts to a one third cut in the entire RHS budget over the last six years. RHS is eliminating programs that serve the very poor (direct loan programs) and focusing on programs that serve moderate income (guarantee loan programs).

It is my opinion that HUD and the Administration, based on these cuts, deems Rural America unworthy of any type of housing assistance, which is truly unjust and irrational. Please explain in detail the programs in question and the rationale behind all of the irresponsible cuts the Administration has proposed to RHS and Rural America. My constituents are appalled and frightened by the cuts you have proposed, and they will remember it.

Answer: All of the reductions you have cited are under the jurisdiction of the Department of Agriculture and should be addressed by the Agriculture Department. HUD has responded in related questions that we continue to provide significant funding for rural areas through the Community Development Block Grant program, HOME program, as well as other HUD Housing & Community Development programs.