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AFFORDABLE HOUSING IN WEST VIRGINIA: CHALLENGES IN THE EASTERN PANHANDLE

FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

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AFFORDABLE HOUSING IN WEST VIRGINIA: CHALLENGES IN THE EASTERN PANHANDLE

Tuesday, July 29, 2008

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

The subcommittee met, pursuant to notice, at 11:24 a.m., at the Berkeley County Commission, suite 201, 400 West Stephen Street, Martinsburg, West Virginia, Hon. Maxine Waters [chairwoman of the subcommittee] presiding.

Members present: Representatives Waters and Capito.

Chairwoman WATERS. This hearing of the Subcommittee on Housing and Community Opportunity will come to order.

Good morning, ladies and gentlemen. What a wonderful turnout. Thank you so much for your presence this morning.

I would like to start by thanking the Berkeley County Commission for allowing us to use this space for today's hearing on "Affordable Housing in West Virginia: Challenges in the Eastern Panhandle."

Now I am going to stop for a moment because we have with us, as you can all see, Commission President Steven Teufel, and he would like to say a few words of welcome.

Mr. TEUFEL. Good morning, everyone. I am pleased to have the opportunity to greet all assembled here today, and to thank Congresswoman Capito and Chairwoman Waters for holding this important congressional field hearing in Berkeley County and in the Berkeley County Commission chambers. Like much of the rest of the country, Berkeley County has wrestled with the struggle for affordable housing for our citizens. Berkeley County has partnered with Jefferson and Morgan County Commissions in the City of Martinsburg as part of an Eastern Panhandle Housing Consortium which offers Federal finances to assist in downpayments and closing costs for home buyers seeking their portion of the American dream.

We appreciate all efforts to bring affordability issues to the attention of Congress and to partner in creative means of making this American dream possible to all Americans.

Thank you for your choice of Berkeley County for this important congressional field hearing. We appreciate your attention to these important matters.

Thank you.

Chairwoman WATERS. Thank you very much.

I would especially like to thank the subcommittee's ranking member for requesting that I hold a field hearing focused on affordable housing challenges here in the State of West Virginia.

When Ranking Member Capito requested this hearing, I was pleased to grant her request because I have become very interested in the unique housing challenges facing West Virginia. Although it has a relatively small population, with 1.8 million residents as of 2007, West Virginia's housing market presents large challenges. To an outsider, at first glance, it seems as if housing is affordable. For someone like me who comes from Los Angeles where the median home price is $529,000, the housing costs in West Virginia seem downright reasonable. It costs over $400,000 less to purchase the median home here.

On the other hand, reasonable does not necessarily mean affordable. West Virginia has one of the Nation's highest rates of individuals living in poverty with 17.3 percent of individuals in poverty compared to the national average of 13.3 percent. Only Mississippi, Louisiana, the District of Columbia, and New Mexico have a higher poverty rate.

In terms of median family income, West Virginia rates last nationally. In 2006, West Virginia families earned a median family income of about $44,012, substantially below the national median of $58,526.

The high poverty rate and low median family income make affordable housing especially critical. According to the National Low Income Housing Coalition, 81 percent of the 15,074 extremely-low-income renters in the Second Congressional District, which includes the City of Martinsburg, are extremely cost-burdensome, paying over 50 percent of their income on housing costs.

This is a situation that has gotten worse. From 2000 to 2008, fair market rents have increased by an average of 39 percent in Martinsburg, and a renter would have to earn $13.10 an hour in order to afford the rent on a two-bedroom apartment.

Given this situation, it is clear that more affordable rental housing opportunities are needed. Unfortunately, public housing and Section 8 resources are being pushed to the limit and are failing to meet the overwhelming need. As Mayor Karos will testify, the City of Martinsburg only has 300 housing choice vouchers for 12,500 low-income households. Like every other State, West Virginia has been affected by the foreclosure crisis, albeit not to the same extent as my home State of California which has the Nation's second-highest foreclosure rate.

Although West Virginia has one of the lowest foreclosure rates in the Nation, 48th overall, with only one foreclosure for every 4,501 households, the effects of the housing bubble and burst are still being felt. Here, just as in States with high foreclosure rates such as California, Nevada, and Ohio, the foreclosure crisis and subprime meltdown are affecting West Virginians in different ways.

First, increased housing costs resulting from the bubble have served to place rental housing further out of reach for many families in West Virginia, including those in the Eastern Panhandle. Although housing prices are falling in some parts of the State, such as Jefferson County, homeowners trying to rent their properties are

reluctant to charge a market rent because they are trying to cover the cost of a higher mortgage. As a result, affordable rental housing remains out of reach.

Second, falling home prices in some parts of the State have caused some families to be upside-down on their mortgages, owing more than they are worth.

For these families, refinancing their mortgages isn't an option because of the credit crunch and tighter lending standards. Even for families with sound mortgages, tighter lending standards resulting from the subprime meltdown have served to reduce credit to households in West Virginia, much as it has to households in California.

Third, abandoned and foreclosed properties are taking a toll on the Nation's neighborhoods, including those in West Virginia. This is why I introduced H.R. 5818, the Neighborhood Stabilization Act of 2008, to provide much-needed bonds to States and local governments detailed with this aspect of the foreclosure crisis.

I am extremely pleased that the housing rescue package recently passed by the House and Senate and expected to be signed into law by the President today will include $4 billion for States and cities to buy up and rehabilitate abandoned foreclosed properties and put them back on the market. I must note that this provision will provide $23.1 million for the State of West Virginia, with almost half going to the Second Congressional District for the rescue and rehabilitation of 748 abandoned and foreclosed properties.

These funds will also have a stimulative effect on West Virginia's economy by: One, generating $48 million in additional economic activity; two, creating 447 new jobs; three, producing $40.6 million in property taxes; and four, saving the State about $7.5 in police, fire, trash collection, and other costs associated with the maintenance of abandoned and foreclosed properties.

It is clear that the recently passed housing bill will go a long way toward alleviating the foreclosure crisis in not only those States hardest hit but also in States like West Virginia that experience the indirect effects of the housing downturn. So I am looking forward to hearing from our two panels of witnesses on the state of affordable housing in West Virginia.

Let me just say that it gives me great pleasure to recognize our subcommittee's ranking member, who has worked so hard on all of these issues. And, as a matter of fact, I am going to admonish my staff just a little bit.

It should not be me giving you all of the good news. Your Representative should be doing that. And I am sure that she will.

It is my great pleasure to yield as much time as needed to Mrs. Capito. Thank you.

Mrs. CAPITO. I want to thank Chairwoman Waters for her leadership on our committee.

For those of you who are just now seeing her for the very first time in person—I am certain that most everyone in this room has seen her leadership through the national media, and she is quite an advocate and I have learned quite a bit by sitting at her side as the ranking member of the Housing Subcommittee of the Committee on Financial Services.

I also want to welcome you to West Virginia. I asked you last week if you had ever been to West Virginia; well, you have been here now.

Chairwoman WATERS. That is right.

Mrs. CAPITO. I was going to think of something really kind of corny, like making you an honorary Mountaineer or something like that, but I can bring you something when we get back.

Chairwoman WATERS. Does it mean I have to climb a mountain?

Mrs. CAPITO. Yes, it does.

But, anyway, welcome to the Mountain State and to the beautiful City of Martinsburg.

As you have probably already seen, the unusual geography of our State provides many unique challenges to the availability of affordable housing. Areas like Martinsburg and the Eastern Panhandle are rapidly growing, while other regions are facing stagnant growth and an older stock of affordable housing.

It is my hope that this hearing will highlight some of the challenges rural States, like West Virginia, face with the availability of affordable housing.

At times, West Virginia leads the Nation in some of the statistics that you read in the less than desirable categories. However, in many ways, we are a leader in the availability of affordable housing. And you did mention a statistic that we are 48th in foreclosure, and we are always happy to be at the bottom of the wrong list. We are very happy about that.

But we do have challenges, particularly here in the Eastern Panhandle. West Virginia has some of the highest rates of homeownership, just over 78 percent, which is almost 10 points higher than the national average, of the population who own their own home. And recent studies have shown that we have some of the lowest rates of foreclosure, as we both mentioned. At a time when many other regions of our Nation like your region in California are facing tremendous challenges, West Virginia continues to persevere. That is one of our ingrained qualities that we are all born with—it is already in my statement. I attribute this to the hardworking people—our staffs are on the ball—and we have a lot of hardworking people, and we fulfill our obligations.

Although we are a leader in homeownership rates, we still have challenges. Significant growth in the Eastern Panhandle here, we have a lot of folks who move into the Eastern Panhandle from the suburbs of Washington, and the suburbs of Virginia for a lot of reasons. I say it is because of quality of life, affordability, and a low crime rate. I could go on and on. But that is why a lot of folks come here, and it has been a blessing to our economy.

However, this growth has also led to this region being one of the few in the State that is affected by the recent troubles in the subprime mortgage market; Berkeley, Jefferson, and Morgan Counties have slightly higher rates of foreclosure.

West Virginia also faces challenges in meeting the needs of our veterans and disabled populations. We have a very large VA center here in Martinsburg we are very proud of. We have significantly higher proportions in the State than the national average of both veterans and disabled populations.

I am looking forward to learning more from our witness from Men of Valor and Visions, a group dedicated to caring for the men and women who serve our Nation so honorably. The care of our veterans must be a community effort, and it certainly is here in Martinsburg and in Berkeley County. I am pleased to share in the great accomplishments of this group.

Unfortunately, our State's low median income can place undue burden on those who are trying to better themselves and become more independent: 81 percent in the Second District of extremely-low-income renters are severely cost burdened, as you mentioned in your statement. This is particularly difficult for families living in growing areas like the Eastern Panhandle where the cost of living is in some case outpacing wage increases. With the migration from the metropolitan area also comes the higher cost of living, in some cases.

I would like to thank our witnesses for joining us today. This is a wonderful outpouring of community support. I think we have great witnesses. We are going to learn a lot.

This is really how we run a hearing in the Rayburn Building, with Ms. Waters wielding the gavel. And we are going to try to stick to the procedure and question the appropriate witnesses when they are finished giving their testimony.

The information we will share with you today is instrumental in highlighting some of the unique challenges facing West Virginia.

Again, I would like to thank the chairwoman for bringing the subcommittee to West Virginia. It means quite a bit to us and we look forward to our continued work together.

I will yield back the balance of my time.

Chairwoman WATERS. Thank you very much. I am delighted to be here.

I would now like to introduce our first panel of witnesses: the Honorable Roy A. Bernardi, Deputy Secretary, U.S. Department of Housing and Urban Development; and the Honorable Russell T. Davis, Administrator, Housing and Community Facilities Program, Rural Development, U.S. Department of Agriculture.

Thank you all for appearing before our subcommittee today. And without objection, your written statements will be made a part of the record. You will now be recognized for a 5-minute summary of your testimony.

We will start with you, Mr. Bernardi.

STATEMENT OF THE HONORABLE ROY A. BERNARDI, DEPUTY SECRETARY, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. BERNARDI. Thank you, Chairwoman Waters.

It is really nice to be here in the beautiful State of West Virginia with Ranking Member Capito.

Mrs. CAPITO. Is your microphone on?

Mr. BERNARDI. The only important part I stated there was the beautiful State of West Virginia.

Chairwoman WATERS. I think they heard you in the back.

Mr. BERNARDI. While West Virginia enjoys one of the lowest housing foreclosure rates in the country, and that has been a drastic—in fact, foreclosure rate on subprime is even lower than the

overall foreclosure rates as I understand it—there are still many challenges facing the State when it comes to affordable housing.

My testimony will discuss some of the programs at HUD and how those programs affect affordable housing here in West Virginia. I will discuss the status of public housing and voucher programs, programs that serve our veterans, our homeless as well as elderly housing.

The Housing Choice Voucher Program is the Federal Government's largest program for assisting very-low-income families, the elderly, and the disabled, so they can afford decent, safe, and sanitary housing in the private market. Because housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses, and apartments. Housing choice vouchers are administered locally by public housing agencies who receive their Federal funding from HUD to administer the voucher program.

There are 24 housing authorities in West Virginia, with the Charleston Housing Authority serving most of the panhandle area. Over 14,000 vouchers were leased monthly during the period of April 2007 to March of 2008, and approximately $54 million of funding was used for the units leased during that period of time.

The Housing and Urban Development Veterans Affairs Supportive Housing program, known as HUD–VASH is a supportive service program for homeless veterans that combines HUD's Housing Choice Voucher Program rental assistance with case management and clinical services provided by the Department of Veterans Affairs at its medical centers and in the community.

The 2008 Consolidated Appropriations Act provided $75 million to the HUD–VASH Voucher program. And a total of $433,600 was awarded to three PHAs in West Virginia to fund 105 HUD–VASH vouchers. The three PHAs, the Huntington, Martinsburg and Clarksburg Housing Authorities, each receive funding for 35 HUD-VASH vouchers. The way this works is that the veterans are referred to the PHAs by their partnering VA medical centers. As of July 2008, seven veterans have been referred to the PHAs by their partnering VA medical centers: four to Clarksburg; and three to Martinsburg. Vouchers were issued to all seven of the referred veterans. One veteran has been brought under leased contract by the Clarksburg Housing Authority. Two of the veterans in Martinsburg have found units, and the PHA will bring the units under Housing Assistance Payments contracts as soon as the units are inspected.

Now it seems like this is taking a considerable amount of time, but we really didn't receive all that we needed until May of 2008. The Veterans Department is putting together training teams to put on more advisors, and in August, there will be a national meeting, and hundreds of additional advisors and inspectors will be onboard.

The Huntington Housing Authority expects to receive its first three referrals from the VA medical center in the next week or two.

The Continuum of Care is a set of three competitive awarded programs created to address the problems of homelessness. We are trying to do this in a comprehensive manner with other Federal agencies and, of course, our State and local partners. In 2007, the Continuum of Care National Homeless Competition, all four of West Virginia's Continuums of Care receive funding. And 80 per-

cent of their projects were awarded a total of $2,280,000 to reduce the incidence of homelessness and the COCs within those communities. HUD funded 342 beds and will serve over 1,300 people in 20 Supportive Housing and Shelter Plus Care projects.

In the continuing competition, homeless veterans were represented by 16 organizations in West Virginia. And as the continuums know, when you have that type of representation, not only does that help the veterans, but it also adds points to the competition for the Continuums of Care.

The continuums are required to involve organizations serving veterans with specific experience in their programs. The Emergency Shelter Grant program provided West Virginia with a total of $1 million. That is a $130 million program nationwide, and that provides the basic shelter and essential supportive services for those who are in desperate need.

Now HUD defines elderly households as those with either a head or spouse who is at least 62 years of age. The Census shows that West Virginia has the 5th highest proportion of elderly population, 14 to 16 percent, the 5th in the country, behind only Florida, Pennsylvania, Iowa, and Rhode Island. Now that tells me that people love West Virginia and like to spend their senior years here. There are 264,800 elderly people who live in West Virginia, and that is measured by the American Community Survey.

The need for affordable housing for the elderly is great in West Virginia, as it is in other areas of the country as well, and it is increasing. There are currently 185 project-based Section 8 developments in West Virginia with almost 12,000 units. Of those units, 11,000 are under project-based Section 8 housing assistant payment contracts today. The number of contracts expiring through December of 2008 is 18; those 18 contracts involve just over 1,500 units, and we expect that these contracts will be renewed this year. For the past 3 years, all owners with expiring contracts chose to renew, and there were no opt-outs. And obviously, that is very important. That is very good. That maintains the number of units that you have.

Now, I want to conclude by thanking Congresswoman Capito and Chairwoman Waters for their early and steadfast support of FHA modernization, the landmark bill that they both just addressed, that the President will sign today, which will go a long way in dealing with the foreclosure crisis that we face in this country.

And I will be happy to take any questions on that and anything else you may have. Thank you.

[The prepared statement of Deputy Secretary Bernardi can be found on page 30 of the appendix.]

Chairwoman WATERS. Thank you very much.

Now, the Honorable Russell Davis for 5 minutes.

STATEMENT OF THE HONORABLE RUSSELL T. DAVIS, ADMINISTRATOR FOR HOUSING AND COMMUNITY FACILITIES PROGRAM, RURAL DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE

Mr. DAVIS. Madam Chairwoman and Madam Ranking Member, I would like to thank you for inviting USDA Rural Development to your hearing this morning.

I would like to start by describing the overall national situation for our Agency because that provides some context for West Virginia's situation. Nationwide, USDA Rural Development is near its all-time low in foreclosure rates. The real point is that not all markets in America are the same. Some are doing well; some are doing poorly.

And that is mirrored in this State also where you have the Panhandle experiencing one type of market and another type of market in some of the other areas of the State. In fact, we have only four States where our foreclosures are up. I call these situations palm trees and smokestacks. We have California, Texas, and Florida; those are the palm trees, and those are desirable high-cost areas. And then we have Michigan, which is experiencing out-migration and loss of jobs. And these are the two fact patterns that we face in rural America, and they require two different sets of policies in dealing with them.

One of the things that we are very proud of is our work with people facing foreclosure. We now have a 63 percent cure rate on our foreclosures. We keep 63 percent of the people who are going through foreclosure with us in their homes and bring them back current on their loans. That is something we have been working very hard on, helping people who are stressed, who are facing higher gas prices, higher insurance costs, and local taxes.

It is also important to look at why rural America is facing overall a different level of stress than some of the urban areas. And it is really four factors that I have identified in my written testimony, which I am following fairly closely here:

The first is that rural America never got the big bubble that some of the suburban and urban areas got. The fact is that there are 2,000 non-metro counties in America, and almost half of them face either stagnant populations or declining populations. So we never got the big increase in prices in most of the areas.

Where we do have the increase in price, what our Agency can do to help is to maintain the flow of mortgage money into those markets to keep bringing new home buyers in and to keep the prices up at market levels instead of a decrease in prices below market levels caused by a lack of market credit.

The second thing is that we have emphasized solid underwriting. Sometimes people complain about bureaucracy and so forth, but we require the documentation. We want to see the income tax returns. We want to see the actual appraisals and evidence of solid underwriting. At the same time, we are very proud of the fact that we can step in and make human decisions. And this is something that has sometimes been lost in the mechanical numbers-based underwriting; 23 percent of our loans go to people with fair or poor or no credit rating, fully a quarter of our loans. Yet our delinquency rate is 35 percent lower than the private sector's. We are making loans to what would be arguably lower credits but having a better experience of it. And I think that speaks a lot toward solid underwriting, but having good decisionmaking and counseling and educating our borrowers.

The third thing that we are seeing nationwide is that, although we don't make adjustable rate loans, our Single Family Direct Loan Program is adjustable rate in the sense that we change our sub-

sidies. But the difference is that we don't just go to a new interest rate and say, here, meet this higher interest rate. We do a means test. In other words, we approach every change in the rate as if it were a new loan, and we don't raise the payments unless the person's income can support it. So we means test any change in our payments, and that keeps us from having payment shocks that lead to foreclosure and stress.

And finally, we do not hastily seize homes of borrowers who are in trouble. We have a 600-person servicing operation in St. Louis. We work closely with our borrowers. We get them counseling. We talk to them. It is just critical that lenders communicate with borrowers who are in trouble because there is a lot that can be done. And we are very proud of our success rate in keeping people in their homes and having a successful homeownership rate. Over 98 percent of our borrowers stay in their homes over the life of the loans, and we are very proud of that.

We are also proud of the fact that we are stepping in where the private sector is not able to make loans. Our volume nationwide has doubled in the past year. And we are seeing this in West Virginia, also, that we are doing our job as a lender of last resort essentially. We are there when the private sector isn't.

I have noticed that it runs in reverse. When the private sector is doing well, we step back. And over the period of 2001 to 2007, we actually cut our portfolio in half, 250,000 loans. We counseled and got people private-sector credit ratings and into the private sector. So we are very pleased with that.

I do want to mention our rental operations in West Virginia. A lot of people ask about the division of labor between HUD and USDA. USDA, the Department of Agriculture, is limited to towns under 20,000 in population.

Secretary Bernardi mentioned that they have 185 multifamily properties in the State, and we have 245 properties. Now ours are smaller, but we have tried to put a pin in every little town on the map. And we are very committed to keeping those properties in our portfolio as assistive properties for very-low-income residents. Our average income is about $9,000 per year. These are very-low-income residents. And we have a strong commitment to keeping this portfolio together.

Nationwide, we have a vacancy rate of about 30,000 units. Congresswoman Capito had asked this morning what kind of waiting lists we have. It is just one of the facts of housing that sometimes the housing is not where the people are. We have empty housing units with full subsidies available, but they are in places where there are not the people. And so we are working to realign that and bring the resources more in line with the need.

That is something with which State Director Rice here in West Virginia can help and encourage the localities who are here to discuss the availability of those resources in West Virginia.

Thank you.

[The prepared statement of Administrator Davis can be found on page 32 of the appendix.]

Chairwoman WATERS. Thank you very much, Mr. Davis.

We are going to take a little time for some questions now.

I suspect that Congresswoman Capito has a number of questions that she would like to ask, so I am just going to take a little bit of time.

I am just going to ask, first, Mr. Bernardi, about small public housing authorities. I understand that they are run very well here, but sometimes I think, based on the information that I have, that some of the policies that apply to the huge or the big ones are the same policies that apply to smaller ones. Do you see that as a problem in trying to use the one-size-fits-all approach in the administration of public housing authority programs? Or have you not experienced that as a problem at all?

Mr. BERNARDI. We have not experienced that as a problem. Basically, the formula is set that each housing authority receives the funding based on the need in that area. There is always more need. There is always a waiting list. But as far as the administration of the programs, I think our counterparts at Agriculture do the smaller ones in the rural areas, but the smaller housing authorities, it is easier to get a handle on those. It is easier to monitor those.

In the final analysis, they have the same set of circumstances and difficulty as the larger authorities, which is lack of dollars to place the people who are on the waiting lists.

Chairwoman WATERS. Thank you very much.

And to Mr. Davis, I am extremely impressed with the way in which you do workouts when you have constituents who are in trouble. We have not experienced that, as we have learned, what the servicers do and do not do as they handle this subprime meltdown that we are experiencing in the country.

When you talked about the resets, and you don't necessarily have to charge an increased interest rate no matter what the market is dictating, and I suppose you don't also charge an extra margin that I have learned about in working with some of the other financial institutions. In addition to the going interest rate, they can increase that interest rate 1, 2, or 3 percentage points with something called the margin. You don't use that at all, is that correct?

Mr. BERNARDI. No, ma'am. We do a strict means test and don't charge more than 29 percent of their income. We do not raise the payments above what they can afford.

Chairwoman WATERS. That is fabulous. So how does it all end up in this contract where you contracted for a certain amount for that entire mortgage? Does that mean that the principal ends up being reduced somehow?

Mr. BERNARDI. What we do is we move principal out to the end, and we do take a portion of the equity in the house, if necessary, and we recapture that but only upon sale and only under certain circumstances if it won't harm the borrower. But we do take an equity interest. We have certain flexibility that a lot of private-sector lenders who have designed their system for good markets find that they don't run the same way in bad markets.

Chairwoman WATERS. Well, perhaps you could write this up for us so that Mrs. Capito and I can take it back and give it to the HOPE NOW Coalition, so that they can learn how to do this.

Thank you very much.

I yield to the gentlewoman.

Mrs. CAPITO. Thank you.

I would like to first ask Mr. Bernardi a question. We just passed a massive housing bill and foreclosure avoidance act, a prevention act. And could you tell me how you think that is going to influence people who are facing foreclosure right now through HUD programs? I know it has FHA in there. Could you give us a little background on that please?

Mr. BERNARDI. Sure, Congresswoman. The FHA, back in August of 2007, we initiated what we call FHASecure. And the reason I bring that up is, when we first initiated that program, it was only to help those people who were already—who were behind in their payments but were not in a foreclosure situation.

But going forward, we have helped 285,000 families to date refinance through FHASecure. And just a few months ago, we extended the ability for people to refinance even up to 3 months when they would be delinquent on their payments.

But the bill that just passed is going to provide us, thanks to the good work of all of you, another $300 billion in capacity to help those individuals who are basically underwater, people who are facing foreclosure. How that will work is that we will—lenders that have to do it under their own volition will deal with those borrowers. We will be doing the underwriting. And hopefully, by the—that program will begin October 1st of this year, now that the bill has been passed. It will run through September of 2011. And we are anticipating it will be able to help 400,000 to 500,000 families refinance, get away from the rates that they had, put it into a fixed rate, if you will, and that would be FHASecure. We are kind of hoping that we will be able to help anywhere from 700,000 to 800,000 families over that period of time.

The contact that you probably should have is that you can always contact the Housing Counseling Agency at HUD.gov and also the HOPE NOW Alliance that Chairwoman Waters talked about. You can reach them at 1–888–995–HOPE, and they will help you in the modification of your mortgage. You can also call FHA, of course.

We are very excited that we have had this opportunity to assist. A lot of people are going to say, is this going to be enough? Well, I think it is a step in the right direction. At least we are making progress here. We are going to help folks who are right now looking—not only are they underwater. But the key though, as I go forward here, is that the lenders have to be able to participate. They can't pick off just the good notes that they are going to keep and send everything else over to FHA that is going to be a problem. That is why our underwriting is very, very important. The loans must have been originated on or before January 1, 2008. Now the borrowers' mortgage debt to income ratio must be at least 31 percent. The borrowers' household debt to income must be at least 43 percent. We want to help the people who need it the most. And we are going to validate the income and the employment of all borrowers. We are not going to have any Ninja loans. And we are not going to provide, obviously, refinancing to individuals who cannot afford the numbers that come on the board.

The way this will work is the lending institution—we are only going to be able to insure 90 percent of the present value of the home, which is very, very important. And so that will leave the

lender with obviously some exposure. But if things go the way we would like, and the homeowner can make those payments, as times get better, and then there is more equity in that home, and that equity, upon the sale of the home, will be shared not only between the borrower but also with the government. That is a long answer to your question.

Mrs. CAPITO. Thank you for that explanation.

I think the base of this, too, is something that we have tried to encourage in the hearings that we have had. And certainly our witnesses, if you are facing foreclosure, the last thing that—intuitively the last thing you will want to do is talk to your bank or talk to your lender because you are almost in avoidance. It is too tough. There is no way out.

We have been trying to encourage people that they have to work with their lender. And the best thing that you can do is contact your lender. And with this new program coming on, it has to be in conjunction with your lender. It is not required; it is a voluntary program. So you can't be avoiding your lender and participate in this problem at the same time.

Mr. BERNARDI. Congresswoman Capito, in this legislation I believe it is another $170 million for counseling in addition to the money—the National Reinvestment Corporation. You can't stress enough that individuals need to call, make that contact, and get in touch with the counselors to start the program.

Mrs. CAPITO. Right. Thank you.

And a question for Mr. Davis. In a State like West Virginia, and certainly across the country, a lot of our public housing stock is aging, as the rest of us are. And I think that this is a cause of great concern because—well, for obvious reasons.

Now, I toured two very beautiful facilities today, and one was 10 years old, and one I believe was like 16 years old. And they are holding up quite nicely because they are well-maintained and all of the things that you want.

But what are you seeing long term here in terms of—I think a lot of things were built in the 1950's. And it is time to reshift, renew, rehabilitate, rehab. What are we going to do here about this?

Mr. DAVIS. I think it is very instructive that rehab is so much cheaper than new construction. We spend $100,000 per unit on average building a new unit, but only $23,000 rehabilitating an old one. So, for the same amount of money, we can rehabilitate four properties or we can build a new one. Because of the vacancy rates, we would much rather do rehabilitation. That is where all of our extra resources are going now.

Mrs. CAPITO. And does Agriculture have the resources to rehabilitate? I mean, is that part of your rural housing—

Mr. DAVIS. Yes. This year, we will rehabilitate 200 properties, and we have a total portfolio of 16,000 multifamily properties; as I have said, in West Virginia, 245 properties. So over the course of 30 years—

Mrs. CAPITO. So you are doing all of ours, and then—

Mr. DAVIS. Well, for a 30-year life cycle, we will cycle through all of them.

Mrs. CAPITO. I am kidding.

Mr. DAVIS. We don't have enough money to do it all in 1 year. We cycle through.

Mrs. CAPITO. Right. Thank you.

Chairwoman WATERS. Thank you.

If you need additional time for more questions, please.

Mrs. CAPITO. No. I am good.

Chairwoman WATERS. Well, I would like to thank you very much for being here and sharing this important testimony with us today. And if there is further information needed, we will be in contact with you.

Thank you very much.

Mr. BERNARDI. Thank you.

Chairwoman WATERS. I would like to call our second panel of witnesses forward. First, the Honorable George Karos, Mayor, City of Martinsburg. Mr. Mayor, where are you? Am I pronouncing your name correctly? Is it "Karos" or "Karos?"

Mr. KAROS. Madam Chairwoman, it is "Karos," but it is pronounced all kinds of ways.

Chairwoman WATERS. Thank you for being here, Mr. Mayor. We are delighted to be in your City. Driving in, we could not help but remark what a beautiful place it is.

Also, we have Ms. Catherine Dodson, executive director, Martinsburg Housing Authority; Mr. David Ross, Men of Valor and Visions; Ms. Mary Skeens, executive director, Community Works in West Virginia; and Mr. David Rathbun, West Virginia Housing Development Fund.

Thank you all for being here today.

Let's see who we are going to start with here. We are going to start with the mayor.

STATEMENT OF THE HONORABLE GEORGE KAROS, MAYOR, CITY OF MARTINSBURG, WEST VIRGINIA; ACCOMPANIED BY PATRICIA McMILLAN, COMMUNITY DEVELOPMENT DIRECTOR, CITY OF MARTINSBURG, WEST VIRGINIA

Mr. KAROS. Madam Chairwoman, thank you for those kind remarks. I wanted to thank you publicly, but I couldn't find the right button to turn it on to thank you.

We agree with everything you said about Martinsburg. And please come back for a visit.

Madam Chairwoman and Congresswoman Capito, thank you for the opportunity to address the subcommittee today regarding affordable housing challenges facing the City of Martinsburg. We face several considerable challenges here in the City and throughout the Eastern Panhandle.

Housing costs have risen dramatically. Even in a declining market, costs remain too high for many families earning local wages. This is true for home buyers and renters. Home buyers need assistance with downpayment and closing costs to enable them to obtain affordable mortgages.

Many of our homeowners are elderly people living on fixed incomes that do not keep up with the increased costs of living.

Heating costs are a tremendous burden of many, and our housing means is deferred because of other demands on their small in-

comes. Our low-income homeowners need assistance to repair their homes and to make them more energy-efficient.

Rental housing costs are very high, resulting in 40 percent of renters paying more than 30 percent of their income for rent. Nearly 25 percent pay more than half of their monthly income for housing.

This housing cost burden places family at risk of eviction, unstable housing situations, and homelessness. As heating costs nearly double this winter, even more families will face eviction or the threat of having utilities turned off.

Eviction prevention is critical to preventing homelessness in our community. Homelessness among veterans in Martinsburg creates great demands on the local men's shelter and on our limited mental health and substance abuse services. We have made a number of efforts with our limited local and Federal resources to address these affordable housing problems in our City and the Eastern Panhandle.

First, we appreciate that, for the past 4 years, we have received Community Development Block Grant funds from HUD. Beginning last year, we implemented a HOME consortium for the City of Martinsburg and the Eastern Panhandle counties of Berkeley, Jefferson, and Morgan. Using these funds, plus funding from local governments, we have tried to address affordable housing problems by providing no-interest loans for downpayment and closing costs for low-income buyers with HOME and CDBG funds; using HOME funds to support affordable housing development in Jefferson County; providing security deposit assistance to low-income renters in Morgan County; providing small grants for housing repair matched with West Virginia housing fund loans; and supplementing emergency rental assistance to prevent eviction.

These efforts are not enough by themselves. Local governments and our citizens need help to make housing affordable for homeowners and renters. We are starting to work together as a region to address affordable housing needs and the housing needs for all working families, but we have a long way to go to make sure every household has decent affordable housing. We need your help as housing costs remain high and energy and food costs increase faster than wages.

The Federal Government can help in the following ways: Our Federal funding for CDBG and HOME has decreased every year. We now receive 25 percent less CDBG funds than we did 4 years ago. The Federal Government should not make it harder to help ourselves. There is a long waiting list for winterization services in Berkeley County.

We need more Section 8 rental assistance in the Eastern Panhandle. We have less than 300 housing vouchers for 12,500 low-income households. Families are on long waiting lists for rental assistance, or the list is closed for a month at a time.

More fuel assistance is needed so families can remain in their homes.

When our veterans leave the local VA center, they need more comprehensive support services and better housing opportunities.

Again, thank you for the opportunity to address the subcommittee. I appreciate your interest in understanding our affordable housing needs and challenges.

Thank you, also, Congresswoman Capito.

[The prepared statement of Mayor Karos can be found on page 39 of the appendix.]

Chairwoman WATERS. Thank you, Mr. Mayor.

Ms. Dodson.

STATEMENT OF CATHERINE DODSON, EXECUTIVE DIRECTOR, MARTINSBURG HOUSING AUTHORITY

Ms. DODSON. Hello. I am the executive director of the Martinsburg Housing Authority. We are considered a small to medium housing authority. We have 327 units of public housing, and our ACC allows us for 285 vouchers for the Berkeley, Morgan, and Jefferson County area.

Our current budget authority does only allow us to lease up and help rental assistance with about 220. We have just recently, as was earlier mentioned, been awarded 35 of the HUD–VASH vouchers for the veterans program.

Our public housing stock is several years old. Our main concern is keeping our units decent, safe, and sanitary, and keeping all repairs up.

I differ with Mr. Bernardi's assumption; I think a small housing authority being compared to larger housing authorities is a hindrance. Our housing authorities in West Virginia all are run very well. When we have to go with the regulations of a large housing authority, it does make it harder for us.

Our biggest concern right now is HUD is asking for asset-management and project-based accounting. We have to go with that if they keep going, because anything over 250 units, they want you to do a separate budget and financial work and all of the paperwork and have separate staff and everything for anything over 250 units.

All of our five complexes are within 10 blocks of each other. We have a central office, and we have a central maintenance workshop. And it works out very well. It doesn't, in our opinion, make any sense to have to have equipment for each complex when we can within minutes take it anywhere we need it.

We have a wonderful maintenance crew who can literally build a building from the ground up. If I have to separate them out in each complex, and bill their time to wherever they are or hire different ones, our people have been working there for over 20 years. They are very dedicated, and they are very conscientious. When we replace an appliance, for instance, we tear it apart if we can't fix it and use the parts for something else. We don't just throw it away and replace it.

The housing authority units are in very good shape, and we take pride in that. It would be harder for us to have to do that kind of management because you have to divide your staff up. When it has taken this long, everybody knows what they are doing, and it can be more helpful. It takes more time away from us being able to work the units and get things ready.

We do have a long waiting list. It takes months for someone to get public housing once they apply. Section 8 can take from a year to 2 years as previously mentioned, and there are times when we do close the waiting list when it is unrealistic that they are going to wait so long.

HUD comes in and inspects our public housing units. We have always had very good inspections. The inspectors come in, and we would like HUD to look over that, too. They can come in and give you a bad score on one inspection, and your unit can go from a 90 percent to a 40 percent with something.

Our last inspection in our elderly high rises, some of the tenants wrapped their emergency cords near their bed so they could reach it better, and that is against the regulations. It has to be hanging down straight on the wall. So we tell the tenants not to, and of course, they do. That is because they need it where they need it, so they can reach it. And then we get a bad score, which gives us less money and subsidy and things like that. So that is one of the things that small authorities, you know, can check on, and tenants do things that, you know, you can't control. And then you end up getting less of a score.

So we do feel it is a small authority that needs to be looked at a little bit differently than people with thousands. They have more staff, and they can do all of the different things. But a small authority will run good, and we watch them nicely.

On our Section 8 program, the fair markets rents in this area are low compared to the rentals. Since our area is so close to Baltimore, D.C., and so many large areas, people move in, and they do think our rents sound reasonable. For their areas, they are. For our tenants, for our local people, they are not affordable. They are very high for our area. And with the utilities going up, we worry that the rents are going to have to go higher. If the tenant pays the utilities, that means we are going to have less money to pay toward the landlord's rent because we have to add them together. And their rents are going to go up if the landlord is furnishing them, which will also put them out of our fair-market rent area.

We are presently paying 110 percent as a payment standard for our fair market rents, which is allowable, and we still have a lot of complexes and things that are out of our range for our dollars.

[The prepared statement of Ms. Dodson can be found on page 37 of the appendix.]

Chairwoman WATERS. Thank you very much.

Ms. DODSON. You are welcome.

Chairwoman WATERS. Our next witness is Mr. David Ross.

STATEMENT OF DAVID ROSS, MEN OF VALOR AND VISION

Mr. ROSS. Thank you very much, Chairwoman Waters, and Congresswoman Capito.

My name is David Ross, and I am from an organization called M.O.V.V., Men of Valor and Vision. We are a veterans organization in the community here. We were established in May 2006 in my living room. We got together, a couple of veterans got together to try to help solve the problem of veterans coming from the VA hospital coming into the community and finding housing and changing their lives.

A lot of the veterans are coming from New York, Philadelphia, New Jersey, Washington, and surrounding areas. And there is a growing number now, and there are more coming to Martinsburg because Martinsburg is a friendly place. I find it very friendly. That is why I came here. There is less hassle, and the people are friendly. They are willing to help. They care.

So we got the organization together. We have been in existence now for 2 years. We are located at 732 West King Street. We have an establishment now where we house nine veterans. We have a program that assists them with their living. You know, it is not just a place to live. It is an atmosphere they create for veterans to pretty much to better themselves, you know, to get some advice on, how do I get an ID; have an address so they can have mail sent to them; you know, other agencies that work throughout town; how do I seek a job, training, and looking out for jobs.

We are also affiliated with a coalition, Berkeley County Coalition for the Homeless. It is not just for veterans; it is for anybody who is homeless. As veterans, we volunteer our time. We are Vietnam era and Vietnam veterans. We have two guys who were in the era of Vietnam, and we have three guys who are combat Vietnam veterans. And we all work together volunteering. You know, there is no profit. And we just come together and have meetings, discuss how to work in the community of Martinsburg to help the homeless veterans.

We don't have any numbers. We deal with them one by one, or two by one, whatever the case may be. If they are homeless, and they are parked up there at Kmart, or Wal-Mart, sleeping in their car, we pull them out of there and help them to do better, hook them up with agencies, find them someplace to live.

We have been working with the VA hospital. When they are overcrowded and they have no place to go, they call us to see if we have available rooms.

The only problem is now we are being overpopulated. You know we don't have enough room to house all these guys. So what we do is we just call different agencies around town to see if anybody has a room.

Now, in our program, we have a job development program. We have training where our main focus is to cover the guys' homelessness and finances, merging back in the community, employment, education, housing, legal matters, addictions, voting, family, and health.

Through the VA hospital, they come to us for pretty much veteran on veteran, peer to peer. The veterans in the area do better talking to other veterans who have experienced a war. We are trying to gear ourselves up now for the veterans who are going to be coming home from the war that they are in now. They need to be attached to another veteran as a buddy-buddy plan to help them get over issues as limbs have been cut off. It used to be PTSD, but now it is called brain trauma. You know, these guys need to talk to other veterans who have suffered brain trauma or PTSD. For instance, you have a guy whose legs have been cut off, his feet have been cut you have off, and he is laying up in bed, and he is saying, hey, can you help me scratch my toe? But there is no toe. So how does he deal with that? The VA hospital gives you medical insur-

ance and psychological. But when you have another person who has experienced that scratching of the feet when it is not there, it helps them out a whole lot with getting over it.

We are there just to help the veterans merge back into the community, to get back with their families. And we do all we can. We are not funded by anybody else. We volunteer to do this. Just like I said, right now, we are very small, and we need to expand. You know, we have tried. We go for grants, you know, to try to expand. We need a bigger building.

We need more housing that these veterans can afford. A lot of them, when they come back, they are not employed. You know when they come out of a war zone, the first thing they are, are homeless. If they can't go back with their families, if they can't go back with their wives or their husbands, you know, a lot of times they need to be someplace where they can gather their thoughts together and build back their self confidence, you know, from what the war has done to them to give them time to merge back with the family in the community, to know what is new.

We have cell phones now, and there are different types of cell phones. And a lot of guys come home and a lot of things will be changed when they come home. And their thoughts are different. But we are just seeing them coming home. And to them, they are all right. And they are not. They are not.

So I am just saying, my organization is just here to help here in Martinsburg any veterans or any homeless people to make the step to be a better citizen.

[The prepared statement of Mr. Ross can be found on page 42 of the appendix.]

Chairwoman WATERS. Thank you very much.

Mr. Rathbun.

STATEMENT OF DAVID RATHBUN, SENIOR DIRECTOR, SINGLE-FAMILY PROGRAMS, WEST VIRGINIA HOUSING DEVELOPMENT FUND.

Mr. RATHBUN. I am the senior director of single-family programs for the West Virginia Housing Development Fund.

On behalf of the Housing Development Fund, its Board of Directors and staff, I want to express my appreciation to Chairwoman Maxine Waters and our Congresswoman Shelley Moore Capito for inviting me here today.

The West Virginia Housing Development Fund is a State housing finance agency, and our role in West Virginia is quite different than others you may have heard from in the past or dealt with before.

The Housing Development Fund only operates qualified mortgage bond programs and other Federal programs in the State, including low-income tax credits, HOME, and Community Development Block Grants. The Housing Development Fund is also one of the largest secondary market participants, and it is the State's largest servicer of first mortgage loans.

We have financed and assisted more than 104,000 West Virginia families, which has contributed significantly to West Virginia's position of being the State with the highest percentage of homeowner-

ship in the Nation. One out of every seven West Virginia families is in a Housing Development Fund financed or assisted home.

Throughout our history, not only have we fulfilled our responsibility to the people of West Virginia in order for them to be able to acquire affordable housing, but we also have approached each of our efforts in a very constructive fashion so that our families will be able to afford those homes in the long run. We have not sacrificed our underwriting philosophies in order to obtain high-volume business, nor have we given up on prudent underwriting standards as it relates to our multifamily practices today.

The Housing Development Fund is the Nation's only housing finance agency rated AAA by both Moodys and Standard & Poor's. And I am pleased to advise you that we look back over our delinquencies over the last 6 years, and there are no notable spikes in those percentages.

Being able to offer the wide variety of programs to our homebuyer public for more than 20 years, and that includes every county, hill, and hollow across the State, has also impacted delinquencies and foreclosure rates among our banks, mortgage lenders and mortgage brokers. We can thank Fannie Mae, USDA rural development, FHA, VA, and our mortgage insurers for our continued success.

We have strong allies in West Virginia, a lot of them in the room today, to assist us in our efforts. And we meet monthly to discuss programs and efforts as well as our problems. Our interagency housing council is made up of builders, Realtors, lenders, not-for-profit housing providers, and a variety of other agencies who keep us focused and attentive to the needs of West Virginia home buyers.

This council has stressed homebuyer counseling which has led to a strong funding effort by the Housing Development Fund and our State Affordable Housing Trust. We have a homebuyer counseling organization in each county. We require low-income buyers and our high loan-to-value customers to obtain the counseling.

I will discuss a few of our programs now. The most utilized program for addressing the needs of affordable housing by Statewide borrowers is our Qualified Mortgage Bond program, better known as QMB. QMB provides a low fixed-rate mortgage for mostly first-time homebuyers under an income limit per county. Each year, we help more than 2,000 families to chase the dream of homeownership through the QMB program.

In addition to this benefit of borrowing up to 100 percent of the sales price of the home in the form of a loan, veterans are now allowed to take special advantage of this program even if they are not first-time home buyers. This additional benefit took effect on June 17, 2008, with the enactment of the Heroes Earnings Assistance and Relief Act.

An additional challenge facing homebuyers is the downpayment required on most mortgages. To alleviate this burden on homebuyers, we created the Home Ownership Assistance Program. In essence, the program allows borrowers to obtain a loan up to $5,000 to cover the costs of downpayment and closing costs associated with the purchase of their home.

It should be also emphasized that, in addition to stick-built homes, our loans may be used for the purchase of condominiums, townhouses, and used manufactured housing, permitting the borrower to choose the type of property which best suits his or her needs and affordability.

With West Virginia being mostly a rural State with a small community lender base, government-sponsored entities such as Fannie Mae and Freddie Mac encountered problems in lending to its banks and directly to the homebuyers in this State. In 1991, we established a solid relationship with Fannie Mae to act as a conduit to provide mortgage lending. And to date, we have provided almost $1 billion to the citizens.

As well as our main loan programs, we address the needs of the current homebuyers in repairing existing homes through such programs as HELP and Onsite Loan Program. The HELP program funds provide for emergency repairs to owner-occupied structures so that the families may live in a safe, warm, and dry environment. Loans up to $10,000 may be used to cover such items as heating systems, plumbing, electrical wiring, and roofing.

In September 2007, we partnered with the Department of Environmental Protection to provide an Onsite System Loan which allows the State residents to upgrade, replace, or repair inadequate septic tank systems. We do recognize that the current economic conditions require further steps and actions to be taken to facilitate safe, decent, and affordable opportunities for the citizens of the Mountain State.

We have been working with our National Council of State Housing Agencies in passing our Statewide concerns for incorporation into the Home and Recovery Act of 2008.

Again, I would like to thank Chairwoman Waters and Ranking Member Capito for inviting me here today and I hope that your West Virginia experience is one that will not only be informative, but will benefit you in the future when you decide on programs.

Thank you.

Chairwoman WATERS. Thank you very much.

I will recognize myself for a few questions.

Mr. Mayor, I agree that CDBG funds are very important, and most cities would like to have more funds. Many cities are trying to develop additional resources in addition to the Federal funds, CDBG and HOME funds. Some people are trying to create housing trust funds where they are able to attract money from other sources to help supplement what they are getting in CDBG and in other ways.

And I am not sure how you work with the Housing Finance Agency, but have you been in discussion about maybe a housing trust fund, or is there something that is going on with the finance agency that could expand opportunities for assisting would-be homeowners?

Mr. KAROS. Madam Chairwoman, I cannot answer that question right now. But I will certainly get the answer back to you.

We have a lady by the name of Mrs. Pat McMillan who takes care of the HOME Consortium and also the Development Fund. And she has done a fantastic job with spreading the dollars. She

sometimes gets $1.02 or $1.03 out of a dollar. She can certainly answer that.

If she is permitted under the rules of the hearing, she is here now. If you would like for her to address that, we can. If not, I can answer it by e-mail or whatever. Is that permissible?

Chairwoman WATERS. Yes. Certainly, if you would like, that is certainly permissible.

Mr. KAROS. Ms. McMillan.

I was always told a long time ago, surround your people with excellent help, and you don't have to worry about a lot of things. And she is one of them.

Chairwoman WATERS. That is true. That is very good.

Ms. MCMILLAN. Thank you, Chairwoman Waters.

Actually, we have not been in direct discussion on a housing trust fund.

Mr. Rathbun can certainly attest to the lengthy effort and actually success in Statewide affordable housing trust fund being established for all of West Virginia. And I will certainly let Mr. Rathbun address that.

We have not at this point looked for new—basically revenue streams or dedicated revenue streams for housing out of local resources.

Chairwoman WATERS. Thank you.

Yes, Mr. Rathbun.

Mr. RATHBUN. We are very fortunate in the State. I think it was approximately 3 or 4 years ago that Ms. Skeens, who is in the room, and several of our advocates got our trust fund up and running in the State. They only forgot one thing, and that is the funding mechanism. It was up and running but no money.

We are very pleased in the last session in the State that we are able to facilitate the money for that trust fund. We charge a $20 fee on every real estate transaction in the State that goes directly to the housing trust fund. And we have donated, as the Housing Development Fund, some money to that fund also.

We are also pleased to announce that with—I think she is in the room. She can raise her hand. Our new executive director, our very first executive director, and she has been on the job for about 3 weeks, so I don't know why she hasn't accomplished much more. But she is here today. So we are moving forward with the housing trust. And we hope that will help facilitate affordability in the State.

Chairwoman WATERS. That is very good. Thank you very much.

Ms. Dodson, I don't really have a question for you, except I saw Mrs. Capito taking down information that you were sharing. And I suspect that she will be talking further with you about what you discussed with us today, because it sounds as if you have come up with some very cost-effective ways by which to do some management here. And you are absolutely correct, in my estimation, if you have a complex that is located where the units are located in close proximity, you certainly ought to be able to take advantage of that. So I am going to leave that to Mrs. Capito to deal with.

Mr. Ross, it sounds as if you are trying to take care of a lot of veterans without a lot of resources. That is a commendable thing that you are doing. I am very fortunate in my district to have the

U.S. VETS, and U.S. VETS is responsible for not only housing some of our veterans, but they, too, have substantial job training programs, and they are dealing with a lot of veterans who need a lot of care based on the experiences to which you alluded.

So my question to you is, much of what is needed, I suppose, is responding to requests for a proposal or finding ways by which to reach out to make sure that you are accessing those dollars that are available through government and also through private sources. Do you have a foundation-type person who helps to write the proposals and go after the money?

Mr. ROSS. Well, what I do have, I have a very close friend, whose name is Dr. Grove, and he has been assisting M.O.V.V. in every endeavor that we have had. And he pretty much has been a leader in helping us trying to get proposals together, applying for grants.

Right now, with the assistance of the men we have in our organization, we are limited to certain things. You know, I am the president. And I am barely at the office. I am in the street with the homeless persons. So, you know, we are pretty much hands-on with the situation more or less than the business aspects.

I have a CEO who is not here right now. He is in bad health. But if it pleases the hearing now, could I have Dr. Grove come up and give you more of an explanation of some of the issues?

Chairwoman WATERS. Certainly, if you would like. We can hear from him for a few minutes.

Would you state your name for the record for us, please.

STATEMENT OF EDWARD GROVE, PASTOR, TRINITY UNITED METHODIST CHURCH; AND MEMBER, MEN OF VALOR AND VISION

Mr. GROVE. My name is Dr. Edward Grove. I am the pastor of Trinity United Methodist Church here in Martinsburg, West Virginia and a part of the Men of Valor and Vision group and the Shalom Ministries Project out of which that program has developed.

David is absolutely right. This has been a grassroots group. They have, by their very tenacity, pulled together money out of their own pockets and everybody that they can grab on the street to give them a nickel or a dime. They have done everything that they knew how to do to provide resources in a variety of ways.

We are now developing for them a 501(c)3 nonprofit document so that they can become a part of that process and to open up some more channels in that regard for them to be able to access some of the dollars to which you allude.

They are a group that has done extraordinary work in the area of being perhaps more hands-on than organizational, and it is that organizational piece that now needs some more attention and some work.

Chairwoman WATERS. Well, thank you very much. That is very commendable. And I am very sure that there is a lot of help around. Establishing a 501(c)3 is extremely important to be able to receive money and to respond to requests for a proposal. So I certainly wish you well in doing that.

Thank you very much.

I will now yield to Mrs. Capito.

Mrs. CAPITO. Thank you, Madam Chairwoman.

I want to thank all the folks who have brought forth some great issues. I want to start with the mayor.

Thank you, Mayor, for your great words.

You kind of had a little underpinning message there with some of the issues that you are finding, and that is the cost of energy. Of course, we have been debating energy, mostly gasoline price type of energy. But you talk about heating, home heating, and we know West Virginia has some pretty cold winters.

What kind of help are we able to give now? I know we have LIHEAP and some other programs that we use to help people with their home heating issues if they can't afford it. How do you keep a handle on that, I guess is my question, or how are you getting that feeling? What kind of feedback are you getting?

Mr. KAROS. If I may, Madam, I would ask, again, Ms. McMillan to respond to that. I am sure if I do, I will miss something, and then I will be told about it later.

Mrs. CAPITO. Okay.

Mr. KAROS. With that being said, let me call Ms. McMillan back.

Ms. MCMILLAN. We do have the Federal energy assistance available through the Department of Health and Human Resources, and our United Way has taken a lead, along with a number of—our Health and Human Services collaborative throughout the Eastern Panhandle to raise private donations to supplement the LIHEAP money that is available. I believe that in the past year they were able to raise about $39,000 to supplement this.

But what you will hear from every helping organization in our collaborative is that they are out of funds by January to do utility supplements. And the national story is the story here. Fuel costs are up. That drives up the cost of food and just daily necessities, and we are just very concerned.

I had a call from a veterans shelter operation the other day, and they said that their bill was $3,000 a month last winter, and they don't know what they are going to do this winter, except maybe just close. And I don't have the answer. We do have a volunteer effort here in Berkeley County raising close to $40,000 a year to supplement the Federal money.

Mr. KAROS. I would like to add to that.

Thank you, Ms. McMillan.

Also, the City of Martinsburg has a policy in hand whereby, if someone cannot afford to pay a utility, such as water and sewer and garbage, some other things, I think our ordnance states, we will let that ride for "X" number of months. And we send notices and notices, and then we finally—by law, we have to cut that utility off. And that is another way the City has helped. But we don't like to advertise that a lot because some people may somewhat take advantage of it, be somewhat delinquent when they shouldn't be delinquent.

Mrs. CAPITO. Thank you, Mayor.

Another follow-up question.

Madam Chairwoman, you might be interested to know that Martinsburg is the number-one fastest-growing city, I believe, in the State.

Is that correct?

Mr. KAROS. That is correct.

Mrs. CAPITO. And with that comes some issues. But I am wondering, with the slowdown in the real estate market, and the rise in energy costs, are you seeing—I know you can't monitor that day to day. But do you anticipate that is going to be a slowdown? Or have you even contemplated that?

Mr. KAROS. We have talked about in the City Hall Finance Department, we have seen a decline in building permits which in turn means a decline in income for the City of Martinsburg. I cannot answer. Something that has really bothered me, the economy is so bad, everything goes up, but yet people are still building homes, regardless of whether it is in West Virginia, anywhere you go across this country. And I just don't know how they are doing it, why they are doing it if the market is so bad.

Mrs. CAPITO. Well, I think that certainly you see that every day. I am a frequent visitor to the Eastern Panhandle, but even coming monthly, if I drive down a different street, it is like, whoa, there is another set of new homes. And perhaps that is catching up with the Eastern Panhandle. I was talking with some Realtors and home builders last night. There are more vacancies. There are more houses on the market than there had been historically through the last several years. And that is why you are seeing a slowdown in the prices and that.

I was just wondering kind—I don't even know that there is an answer to this—whether the population growth can continue when everything is sort of stagnating, although our property prices still are lower significantly than they are in other areas.

Mr. KAROS. For what it is worth, I talked to an investor just yesterday morning over breakfast. He acts as a bridge loan between the bank or whomever, and he said, "I have not had any business for at least 35 days." He is a very detailed individual; he marks down everything. And he said, "It has finally hit Berkeley County."

Mrs. CAPITO. I would like to ask Catherine a question, because you were in stark contrast to what Mr. Bernardi—and this is what I am going to take back to Mr. Bernardi. And we have had this discussion in Congress, you know, as a one-size-fits-all approach for a large public housing authority and smaller ones. I mean, economies of scale, obviously, I mean, good sense tells you there is no way that all the requirements of a large one should be foisted down on the smaller housing authority. And so I will carry your message back. And when he answered that question like that, we already knew that you disagreed with him. So I wanted to say, wait a minute.

But I wanted you to get your testimony in front of us to make sure that we knew that. I want to ask about the waiting list because we hear this quite a bit, that there are very, very long waiting lists. The properties I toured this morning, I toured two properties that were built by low-income tax credits. I asked, how do you get your new tenants? And it kind of surprised me that they didn't say they pick them right up off the waiting list, because they said the waiting list gets stale sometimes because people can't wait on a list to find some place to live. Hopefully, they found a place at some point.

How long do they remain on the waiting list? What kind of follow-through do you—and I know you are a small place, and you

can't keep recalling people. But do you find the waiting list is an accurate reflection of people who are waiting? Or are they waiting to move to better housing or more affordable housing? How do you see your waiting list in terms of a true reflection of people—how do you interpret it, I guess? I don't want to put words in your mouth.

Ms. DODSON. Our waiting lists are pretty accurate. They are required to call every 60 days to let us know they are still interested. For public housing, we tell them it could be 6 months or longer. Sometimes they are not interested once they move. There is a possibility that where they are staying, a lot of them are staying with other people, or they are staying where they can't really afford it.

So once you offer them something, they may still be wanting to move. Section 8 list, they wait however long it takes. They either want the assistance where they are at now, or they will find someplace else that will—

Mrs. CAPITO. That is a longer list, the Section 8?

Ms. DODSON. Yes. It takes longer because the public housing people move in and out of—you know, they find something else, they move out. So we get a vacancy rate. On a Section 8, they can use it wherever they want to move. If they want to relocate, they can take the assistance with them, so unless their income goes up or they violate the program, they don't come off the list as often. Therefore, they keep their assistance for years and years.

Mrs. CAPITO. Okay. Thanks.

Mr. Rathbun, some of the problems in the subprime market that we heard a lot about were loans that were given to people that had no documentation as to their income. They had no downpayment. They had no escrow for their taxes or insurance. And I guess, as you look at it from the long view, now that this—we are seeing what is happening, they had the adjustable rate mortgages, you kind of say to yourself, why wasn't anybody at least asking for documentation of their income?

You mentioned that all of the financing that you do requires documentation. Have you ever had any experience with any of these kind of provisions that have led us into a troubled area?

Mr. RATHBUN. We are very fortunate in the State that we have—the State as a whole, we talk about the list, that we are proud of being at the bottom of. We are actually at the very bottom or very close to the bottom of loans in the predatory lending category. I think we rank 45th or 47th in that category. We did not buy into, as a State, the predatory loans with the low-docs.

Ironically, the States right around us, Virginia housing, Maryland housing, to get their first-time home buyers affordable, they had to go to the interest-only type loans, the low-doc loans. It was a challenge that they took on very reluctantly. We were able to dodge that bullet.

So it is very difficult to assess how we get got there. I think I read an article several years ago that said there is everybody to blame, and there is nobody to blame. You have the large mortgage companies who started the low-doc, no-doc type loan, and it spread to the GSEs that had to keep suit. And they expanded their underwriting to expanded underwriting with ratios of 60 percent, which is a debt ratio that we analyze, got much more liberal than we

probably should have during those years. And now we see the results of that.

So to answer your question, I think there are a lot of factors and a lot of partnerships that can take blame in what has happened.

Mrs. CAPITO. Well, I would like to say, in West Virginia, and we have quite a few lenders in the room, and folks who deal in this area every single day, and that is the beauty of a place like West Virginia. We are community bankers. We are community Realtors. We are community brokers, and a lot of times, if we don't know you, we know somebody who knows you or somebody who went to school with your child or whatever. And so we have that, and we want to keep that, and I think that is probably what has kept us at the lower end of this scale in terms of the predatory lender or the subprime lending.

So I am proud of the fact that we are—and that, I think, is why we are so low on the foreclosure list. So I think that is kind of a contributing factor as well. And we want to keep that. We want to keep that going.

Mr. Ross, thank you for your testimony and for what you are doing. We have heard through some of the testimony, I think Mr. Bernardi talked about—I can't remember which one it was—the VASH, the Veterans Homeless Assistance. I think that when your organization grows and you get your certifications, this is something that we have tried to address as a Congress, homelessness for our veterans. Actually, one of our colleagues from Texas had a bill before Congress—oh, gosh—2 weeks ago to ask for a coordinator between HUD and the VA, because what happens a lot—and I think everybody can identify with this—you get caught between the cross-hairs of two different Federal agencies, and sometimes you get lost.

And so I know you are helping a lot of lost people, but I think as this moves on, what you are doing is really going to play into where some of these programs are going to go. And I am glad you are there. And anything we can do to help you, you know, keep your organization going and moving in the right direction, we want to do that.

So I appreciate your testimony today.

Mr. ROSS. Thank you very much.

Mrs. CAPITO. I wanted to ask another question.

I think maybe Mr. Rathbun might answer this. As part of the housing bill that we passed last week—I don't know about you, but when I first came to Congress, I heard about Fannie Mae and Freddie Mac, and I thought, who are they? Do I know them? It is a very complicated financing system, and I think that a lot of people feel sort of removed from whether the stability of Fannie Mae and Freddie Mac is really going to influence their lives? Is that really going to help them? And if you could kind of bring it down to the street level to say why the financial stability of these two organizations is extremely important and what we did to shore them up is going to help everybody's mortgage and everybody getting the next mortgage and their kids being able to get the next mortgage and all that.

Mr. RATHBUN. That is a very good question, because you can't ignore somebody that owns one out of every two loans in the Nation.

And if you allow that conduit, who has financed all those loans, go under, the whole financial situation could collapse very rapidly. So it is very, very important what the bill did. And through our State Housing Agencies Association, I am glad we put our input into that and that you did pass it. It is very important that these two entities stay very healthy.

And to bring it down to the grassroots, what you saw with the GSEs is the tightening of credit. It is just like any other private company; when foreclosures or losses start to mount, you tighten the new business. So what they did was tighten the new business coming through, raise credit score criteria, raise downpayment criteria back to where it was before, and what that caused is a snowballing effect between people being able to get new credit while maintaining. So the bill that shores up the stop gap for the GSEs is very, very important for the stability of every new buyer in the Nation.

And your question is very well taken because a lot of people don't realize that.

Mr. DONALD HOKE. A suggestion on that, Fannie Mae and Freddie Mac, they ought to go after those bonuses they paid themselves. That would build a lot of free, low-income housing.

Chairwoman WATERS. If I may just add to this, because I know a lot of people are concerned. There is a lot of reform that is also built into this legislation. We are going to have a new agency that is going to oversee the GSEs, Fannie and Freddie.

And we also do a number of other things. We will be lending money if we have to or investing from the Treasury, but we will be first in line to be repaid, and we won't allow them to pay any dividends until we are taken care of. And we also go after the big salaries and the bonuses. So I think you are going to be happy with this.

Mr. DONALD HOKE. Amen, sister.

Chairwoman WATERS. Thank you.

Mrs. CAPITO. Thank you.

I yield back.

Chairwoman WATERS. Thank you very much.

I would like to thank the Berkeley County Commission and Mr. Steve Teufel for allowing us to be here today.

I would also like to thank Mrs. Capito for inviting me here. One of the good things about being subcommittee Chair or Chair of a committee is you get to move around and see America.

This is the first time I have been to West Virginia, and I am just delighted to be here.

And Mr. Mayor, you talk about your needs. Mr. Ross said that this is a friendly place, so people are going to keep coming. And you can be proud of that, even though it means that you have got to have more resources to deal with it.

But I am very pleased that you invited me here today.

And to Mrs. Capito, I hope that this hearing has helped to give you additional insight into areas that you perhaps will be even more active in.

And having said that, there may be additional questions that we may have for this panel and for the first panel. If so, we will submit them in writing. So, without objection, the hearing record will

remain open for 30 days for either of us to submit written questions to any of these witnesses and to place their responses in the record.

Let me just say that if there are any written statements that you may have in addition that need to be submitted, without objection, we will do that at this time.

And if you would like to make a closing statement, please do.

Mrs. CAPITO. I would like to thank the president of the commission, Steve Teufel. I have written myself four notes to thank him.

He brought to my attention the Eastern Panhandle Home Consortium and I think the mayor mentioned, and I think the one thing that becomes clearer every time I visit, but today for Chairwoman Waters, is that we live in a community that helps one another. And if you listen to the thread that goes through everybody's testimony, and as I look at the faces of the folks in the audience, we work together quite a bit. And this is through the whole spectrum of housing in the Eastern Panhandle. We have unique challenges here, separate and apart from what is going on in the rest of the State.

And I didn't get a chance to correct Mr. Bernardi. I feel like I am picking on him. But I saw all the eyebrows go up when he said the largest housing authority that handles everything in the Panhandle is from Charleston. That is like saying, everything in your district is handled in San Francisco. That is like death. So we will correct him for the record.

But I want to thank you, again, Chairwoman Waters.

I thank all of you all for being here, and I just appreciate it. Thank you.

Chairwoman WATERS. Thank you.

We are on our way back. We have votes this evening, and a lot of work to do. But it has been a delight and a pleasure to be here, and this hearing is now adjourned.

Thank you.

[Whereupon, at 12:56 p.m., the hearing was adjourned.]

A P P E N D I X

July 29, 2008

Written Statement of Deputy Secretary Roy A. Bernardi
Field Hearing in Martinsburg, WV before the
Subcommittee on Housing and Community Opportunity
"Affordable Housing in West Virginia; Challenges in the Eastern Panhandle"
July 29, 2008

Thank you, Chairwoman Waters. I would like to thank Ranking Member Capito for inviting me to testify today here in West Virginia.

While West Virginia enjoys one of the lowest housing foreclosure rates in the country, there are still many challenges facing the state when it comes to affordable housing. My testimony will discuss some of the programs at HUD and how those programs affect affordable housing here in West Virginia. Specifically, I will discuss the status of public housing and voucher programs, programs that serve our veterans, homelessness, as well as elderly housing.

The Housing Choice Voucher (HCV) program is the federal government's largest program for assisting very low-income families, the elderly, and the disabled so they can afford decent, safe, and sanitary housing in the private market. Because housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses and apartments. Housing Choice Vouchers are administered locally by public housing agencies (PHAs), who receive federal funds from HUD to administer the voucher program. There are 24 Housing Authorities in West Virginia, with the Charleston Housing Authority serving most of the panhandle area. Over 14,000 vouchers were leased during the period of April 2007 to March 2008. Approximately $54 million in funding was used for the units leased during that period in the state.

The Housing and Urban Development-Veterans Affairs Supportive Housing (HUD-VASH) program is a supportive service program for homeless veterans that combines HUD Housing Choice Voucher program rental assistance with case management and clinical services provided by the Department of Veterans Affairs at its medical centers and in the community.

The 2008 Consolidated Appropriations Act provided $75 million for the HUD-VASH voucher program. A total of $433,633 was awarded to three PHAs in West Virginia to fund 105 HUD-VASH vouchers. The three PHAs – the Huntington, Martinsburg and Clarksburg housing authorities – each received funding for 35 HUD-VASH vouchers. Veterans are referred to the PHAs by their partnering VA medical centers. As of July 24, 2008, 7 veterans had been referred to the PHAs by their partnering VA medical centers (4 to Clarksburg and 3 to Martinsburg). Vouchers were issued to all 7 of the referred veterans. One veteran has been brought under lease/contract by the Clarksburg HA. Two of the veterans in Martinsburg have found units and the PHA will bring the units under Housing Assistance Payments contract as soon as the units are inspected. Huntington HA expects to receive its first 3 referrals from the VA medical center in the next week or two.

The Continuum of Care (CoC) is a set of three competitively-awarded programs created to address the problems of homelessness in a comprehensive manner with other federal agencies

and our state and local partners. In the 2007 CoC National Homeless Competition, all four of West Virginia's CoCs received funding and 80 percent of their projects were awarded a total of $2.28 million to reduce the incidence of homelessness in the CoC communities. HUD funded 342 beds and will serve over 1,300 people in 20 Supportive Housing and Shelter Plus Care projects. In the Continuum competition, homeless veterans were represented by (16) organizations in West Virginia. CoCs are required to involve organizations serving veterans with specific experience in serving homeless veterans. The Emergency Shelter Grants program provided West Virginia a total of $1.08 million to provide homeless persons with basic shelter and essential supportive services

HUD defines elderly households as those with either a head or spouse at least 62 years of age. The Census shows that West Virginia has the fifth highest proportion of elderly population (14 to 16 percent) in the country – behind only Florida, Pennsylvania, Iowa and Rhode Island. There are 264,848 elderly people who live in West Virginia, as measured by the American Community Survey. The need for affordable housing for the elderly is great in West Virginia, and is increasing, like in the rest of the country.

There are currently 185 Project-based Section 8 developments in West Virginia with almost 12,000 total units. Of those units, almost 11,000 are under project-based Section 8 Housing Assistance Payments contracts today. The number of contracts expiring through December 2008 is 18. Those 18 contracts involve just over 1,500 units and we expect those contracts to be renewed. For the past three years, all owners with expiring contracts chose to renew and there were no opt-outs.

I want to conclude by thanking Congresswoman Capito and Chairwoman Waters for their early and steadfast support of FHA Modernization and for the landmark housing bill that just passed the House and Senate. You've both made a tremendous difference in providing greater opportunities for homeownership and affordable housing, and for that we are all grateful.

Thank you again for the opportunity to testify today. I look forward to your questions.

Testimony of Russell T. Davis,
Administrator, USDA Rural Development

Before the Housing Subcommittee, House Financial Services Committee
Martinsburg, West Virginia
July 29, 2008

Madame Chairwoman and Madame Ranking Member, I'd like to thank you for inviting USDA Rural Development to your hearing this morning. We are pleased to discuss our work in housing the people of West Virginia, as well as commenting on larger housing issues in rural America. We appreciate your committee's strong support for rural housing.

I will summarize USDA's current experiences in single family mortgage lending and multifamily rental housing. In this year's stressed mortgage markets, Rural Development is pleased to report strong results. Our delinquency rate on direct single family loans is down 17% from 2000 and 26% from 1998, and stands near its all-time low. In fact, USDA's direct loans now enjoy a delinquency rate 35% lower than the private sector, and significantly below that of FHA. In a time of rapidly increasing gas prices, insurance costs, and local taxes, we are keeping more of our "stressed" borrowers in their homes.

Why has USDA's mortgage portfolio performed well in a difficult financial environment? I would suggest four factors are at play. First, most of rural America never experienced a housing price 'bubble'. USDA Rural Development is limited to lending in rural areas and towns under 20,000 in population.

Secondly, USDA required solid documentation of income and appraised value. Even though we

will lend up to 102% of the value of a house for a loan in the Single Family Housing Guaranteed Loan Program, the emphasis we place on solid underwriting has covered any perceived increase in risk. Third, we don't make adjustable rate loans; any change in subsidies on our direct loans is means tested; adjustments in payments occur only if income has increased enough to cover it.

And finally, we don't hastily seize the homes of borrowers in trouble. Rural Development's 600-person servicing office in St. Louis works closely with direct loan borrowers to adjust their payments when necessary. Flexible forbearance and communications with delinquent borrowers has led to a 62% cure rate on our foreclosure list. That is, more than half of the borrowers we set up a payment plan with stay in their homes and bring their loans current. The result is less risk for the taxpayers with a 98+% success rate in our overall portfolio.

We support FHA's efforts to support borrowers facing difficulty through its FHA Secure and general refinancing programs. USDA Rural Development is only permitted by the Housing Act to refinance loans to existing USDA borrowers, but we are supporting the markets by bringing in new home purchasers, who can provide strength to housing prices.

USDA's volume for new home purchase mortgages has almost doubled since 2007. Where we originated 38,000 loan guarantees in fiscal year 2007, we expect to issue approximately 60,000 for fiscal year 2008.

This is clear evidence that USDA Rural Development is doing its job: providing loans in rural areas when the private sector is temporarily unable to meet the demand. I would note that this is a cyclical role for government. In the years that private lenders are active, the government lending agencies recede, cycling up again when the private sector is down.

An example of how the government exposure to the mortgage markets can downsize is seen in our success with our Direct Single Family Loan program. In 2001, we began actively encouraging our subsidized borrowers to refinance into the unsubsidized markets to take advantage of low interest rates. Over 250,000 low and very low income borrowers were guided through the process of refinancing into a private sector loan. This gave them higher credit ratings, more stable payments, full ownership of the equity in their homes, and removed the liability from the US taxpayer. This demonstrates that the federal credit agencies can be responsible, counter-balancing stabilizers for the mortgage markets.

So this year, USDA will originate 60,000 loan guarantees and 9,800 direct loans. The guarantee program has not only grown to be seven times the size of the direct program, but it has also matured to where it is picking up more of the hard-to-place cases. Take, for example, very-low-income borrowers or "VLI loans". The guarantee program this year will make approximately 2,520 VLI loans, almost the same as the 4,000 non-self-help VLI loans in the whole Direct program. Yet guarantees cost only 1/10 of the budget authority. That is a powerful indicator: the same number of VLI loans at 1/10 the cost to the taxpayer.

Another indicator of how well guarantees are helping the low end of the market is in how many borrowers with poor credit we can help without losing money. In the guarantee program, 23% of our loans went to people with Fair, Isaac and Company (FICO) scores below 619 (classed as fair or poor), or no credit score at all. Yet our delinquency rates are lower than FHA's, while FHA has broader geographic coverage with differing market conditions. This ability to take into account special conditions with non-standard borrowers provides low income families with a loan they would be very unlikely to get in the private sector.

In West Virginia this year, we expect to make 700 home purchase guarantees, and 150 direct home loans. Overall the volume is up. Furthermore, the net foreclosure rate on our loans in West Virginia is .81%, ranking West Virginia as the 14th highest performing state in the country. While any foreclosures at all represent a human tragedy and should be avoided wherever possible, West Virginia should be proud of its relative strength in housing markets at a time of difficulty nationwide.

West Virginia can also be proud of the fact that it has the highest homeownership rate in the country. Approximately 78% of all occupied homes are owner occupied, adding stability to communities and their owners. But West Virginia, being a predominantly rural state, does have certain housing problems that are common in rural America in general. To begin with, the state has a history of outmigration. Homeowners remaining in those areas typically experienced a loss of equity value in their homes. The result is widespread deterioration of the physical housing stock, which has eroded equity. Without excess equity value in the housing stock, maintenance is routinely deferred as the costs of repairs cannot be recovered on sale of a home, and there is little ability to finance repairs from home equity borrowing.

Out-migration is not a rare occurrence or something limited to certain areas. Fully half of the 2,000 non-metro counties in the US have stagnant or declining populations. The decline-of-jobs/decline-of-housing stock dynamic is also seen in urban areas that experience outmigration and loss of high-paying jobs. The difference in rural areas is simply that the effects occur in isolated areas far from general view.

So what is the answer to this loss of equity value and physical deterioration? Fundamentally, the answer is economic growth and diversification of the local economy. That requires hard work and sacrifice by local leaders, education of the workforce, and support for necessary infrastructure in the

area.

A very weak local economy also requires adjustments in housing policy. Subsidized new construction, for example, in an area with a vacancy rate over 10% serves mostly to create another vacancy in the area and depress all homeowner's equity values even further. Money for new construction in such markets is far better spent on rehabilitation and income supplements.

To this end, USDA Rural Development weighs its funding formulas to direct more rehabilitation grant funding to weak economic areas and to the elderly and handicapped. Furthermore, we make available low-cost loans on generous underwriting terms to make up for the lack of home-equity financed rehabilitation. In our Section 504 Home Rehabilitation program, West Virginia utilizes over 100% of their state allocation each year.

I thank the committee for their time and interest in America's rural housing issues and I look forward to taking your questions.

The Housing Authority of the City of Martinsburg, WV
703 S. Porter Avenue Martinsburg, WV 25401
Phone (304) 263-8891 FAX (304) 267-2255

Catherine E. Dodson – Executive Director

Martinsburg Housing Authority established in 1938.

5 apartment complexes: 327 apartments - 63 - efficiency; 189 - 1 BR;
55 - 2 BR; 19 - 3 BR; 4 - 4BR

Adam Stephen Homes - Wilson Street - 1941 (Family)
14 – 1 BR; 20 – 2 BR; 13 – 3 BR

Horatio Gates Village - Porter Avenue - 1941 (Family)
22 – 1 BR; 24 – 2 BR; 5 – 3 BR

Leeland Apartments - Martin Street - 1963 (Family)
4 – 1 BR; 8 – 2 BR; 4 – 3 BR; 4 – 4 BR

Ambrose Towers - 703 Porter Avenue - 1974 (elderly – disabled)
63 – efficiency; 41 – 1 BR

Stonewall Haven - 300 Silver Lane - 1981 (elderly)
104 - 1 BR

Section 8

HCV - 285 vouchers for Berkeley, Jefferson, and Morgan counties
approx 220 leased under current money allowance $86,500. mth

VASH - Veteran Affairs Supportive Housing -- Homeless veterans
35 vouchers - $152,000 which will probably support 25

Enhanced Vouchers - September, 2008 - 19 vouchers
Berkeley Gardens renovations.

Employees:

Office: Executive Director – 3 office staff

Maintenance: Maintenance Supervisor – 7 staff

Section 8 : Public Housing employees
Director and 2 office staff
Inspectors are maintenance employees

Catherine E. Dodson – Executive Director

Public Housing:

Concerns -- Keeping apartments occupied (waiting lists 3 – 6 months, can be as long as a year). Elderly averaging 3 months – more or less depending on vacancies.
Keeping complexes safe and in good repair.

HUD inspections: Annual or bi-annual depending on PHAS (Public Housing Assessment) scores. Inspections are set up with mostly just Pass or fail – no levels for damaged as compared to destroyed. If a commode / sink / tub is clogged at inspection, unit can fail even if tenant has not reported problem to office. No chance to make corrections, make explanations, or change that one instant of time.

Asset Management / Project Based Accounting : All of our complexes are within 1 mile radius, but we must change from central office, central maintenance shop, inventory, etc to project based. MHA is a gainer as far as subsidy but will cost much more time and money for: accounting, reports, record keeping, inventory, maintenance, staff changes and training.

Housing Authorities in WV – mostly small to medium are run well. We are constantly having to change procedures and practices because of being compared to large agencies – Baltimore, New York, etc. The checks and balances needed for big agencies are not necessary or feasible for WV.

Section 8:

Concerns: Finding rental units eligible under Fair Market Rents. Our payment standard is currently 110% of FMR.

Monthly rent in our area for new complexes and single homes if extremely high. Many units were purchased when the housing sales were up. If they try to rent because they are not able to sell, the rents needed to cover mortgage rates are too high for our program/area. We are located in a fast growing area and have so many people moving in from Balt/Washington. Most new units built are out of the reach of local people, they were built for people coming from other areas where this location is more desirable and still less expensive for them. New complexes are charging higher rents affordable to people working high paying jobs, but with the loss of these jobs the families can't afford the higher rents and they are out of our Section 8 FMR ranges.

Keeping vouchers issued and under lease, but not over budget is a constant concern. The turnover rate is high. We used to be graded on the certain number of vouchers leased, now it is the amount of money your budget will accommodate and with the job turnovers and income changes that is constantly changing.

Rising costs of utilities could cause increases in rents (where utilities are provided) and lower payments to landlords (where tenant pays utilities).

Testimony before the
Subcommittee on Housing and Community Opportunity
July 29, 2008 – Martinsburg, West Virginia

The Honorable George Karos, Mayor
The City of Martinsburg, West Virginia

Madam Chairwoman and Congresswoman Capito:

Thank you for the opportunity to address the Subcommittee today regarding affordable housing challenges facing the City of Martinsburg.

We face several considerable challenges here in the City and throughout the Eastern Panhandle.

- Housing costs have risen dramatically. Even in a declining market, costs remain too high for many families earning local wages. This is true for homebuyers and renters.

- Homebuyers need assistance with downpayment and closing costs to enable them to obtain affordable mortgages.

- Many of our homeowners are elderly people living on fixed incomes that do not keep up with the increased cost of living.

- Heating costs are a tremendous burden for many and housing maintenance is deferred because of other demands on their small incomes.

- Our low income homeowners need assistance to repair their homes and to make them more energy efficient.

- Rental housing costs are very high resulting in 40% of renters paying more than 30 percent of their income for rent. Nearly 25% pay more than half of their monthly income for housing.

  This housing cost burden places families at risk of eviction, of unstable housing situations, and homelessness.

  As heating costs nearly double this winter, even more families will face eviction or the threat of having utilities turned off.

  Eviction prevention is critical to preventing homelessness in our community.

- Homelessness among veterans in Martinsburg creates great demands on the local men's shelter and on our limited mental health and substance abuse services.

We have made a number of efforts with our limited local and federal resources to address these affordable housing problems in our City and the Eastern Panhandle.

- First, we appreciate that for the past four years we have received Community Development Block Grant funds from HUD.

- Beginning last year, we implemented a HOME Consortium for the City of Martinsburg and the three Eastern Panhandle Counties - Berkeley, Jefferson and Morgan.

- Using these funds, plus funding from local governments, we have tried to address affordable housing problems by :

    - providing no-interest loans for downpayment and closing costs for low income homebuyers with HOME and CDBG funds

    - using HOME funds to support affordable housing development in Jefferson County

    - providing security deposit assistance to low income renters in Morgan County

    - providing small grants for housing repairs matched with West Virginia Housing Fund loans

    - supplementing emergency rental assistance to prevent eviction

These efforts are not enough by themselves. Local governments and our citizens need more help to make housing affordable for homeowners and renters.

We are starting to work together as a region to address affordable housing needs and the housing needs of our working families. But we have a long way to go to make sure every household has decent affordable housing. We need your help as housing costs remain high and energy and food costs increase faster than wages.

The Federal government can help in the following ways:

- Our federal funding for CDBG and HOME has decreased every year. We now receive 25% less CDBG funding than we did four years ago. The federal government should not make it harder to help ourselves. There is a year long waiting list for weatherization services in Berkeley County.

- We need more Section 8 rental assistance in the Eastern Panhandle. We have less than 300 housing vouchers for 12,500 low income households. Families are on long waiting lists for rental assistance or the list is closed for months at a time.

- More fuel assistance is needed so families can remain in their homes.

- When our veterans leave the local VA center, they need more comprehensive support services and better housing opportunities.

Again, thank you for the opportunity to address the Subcommittee. I appreciate your interest in understanding our affordable housing needs and challenges.

Men Of Valor And Vision
M.O.V.V.
732 W. King Street
Martinsburg WV. 25401
304-260-0899

Brief History of the Organization (Mr. David Ross).

Problem the organization face: The problem facing M.O.V.V. since it was formed in May 2006 has been the politics for funding. We have received information upon information on what is available to us. We have been invited to Washington DC. a number of times to attend various meetings, only to leave with the same we came with. Those we have spoken to be it Local/City/State or the Federal Government all seem to have the same interest in what we are doing. In time we have come to understand most have a political agenda of their own. When we try to contact them, they cannot be reached, nor do they return our calls. We have come to except this as politics as usual.

To answer you questions:

1. What is needed in this area is a location that can be built on to house veterans looking to build a new foundation and a new life for them selves. Property is needed which can be brought of built on. A location that does not present an eye sore to the community and at the same time enhances the area in which it has been established.
2. Programs that will help them adjust to the community in which they are now a part of.
3. Coordination of facilities available to them and the information they need in order to have a smooth transition when applying for what ever benefits they are in need of.

Some Of The Problems:

1. Affordable housing – Which if a facility was made available under a structured program would eliminate the problem.
2. A facility run by veterans for veterans – This is a trust issue among veterans.
3. When discharged from the VA Hospital, where do they go other than the mission if it is full.
4. Housing while finding work in the area.
5. Mailing address.
6. Those on partial disability finding affordable housing, with an income that is less than a thousand dollars a month.

2. Please describe any programs your organization has developed or implemented to address these challenges.

1. For more information contact Men Of Valor and Vision , 732 W. King Street. Martinsburg WV. 25401 / Phone 304260-0899. We would be more than gland to sit down and discuss this with any one that is interested in what we have created and have

been working on for the last 2 years using our own funds and the assistance of one pastor in this area. These are our programs and ideas.

3. Please describe any other solutions (including federal Legislation) that you believe may be necessary to further address these challenges.

1. When veterans need help they are already in a crises status. They need immediate help, not words of promise. There should be a point of contact for the area they are in once released from any NVA Hospital, where arrangements can be made for temp housing, transportation if needed and location of all social networks that are available to them if needed.

2. Veterans on disabilities of various types need a program that will subsidize their income, when applying for a place to live that will help pay the deposit on the rent electric etc for one month, so they don't start out in the hole when trying to get established.

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