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THE FUTURE OF HOUSING IN AMERICA: FEDERAL HOUSING REFORMS THAT CREATE HOUSING OPPORTUNITY

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND INSURANCE

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTEENTH CONGRESS

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WEDNESDAY, OCTOBER 21, 2015

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THE FUTURE OF HOUSING IN AMERICA: FEDERAL HOUSING REFORMS THAT CREATE HOUSING OPPORTUNITY

Wednesday, October 21, 2015

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

The subcommittee met, pursuant to notice, at 2:01 p.m., in room 2128, Rayburn House Office Building, Hon. Blaine Luetkemeyer [chairman of the subcommittee] presiding.

Members present: Representatives Luetkemeyer, Pearce, Ross, Barr, Rothfus, Williams; Cleaver, Capuano, Clay, Green, Ellison, Beatty, and Kildee.

Also present: Representatives Sherman and Carney.

Chairman LUETKEMEYER. The Subcommittee on Housing and Insurance will come to order. Without objection, the Chair is authorized to declare a recess of the subcommittee at any time. And unfortunately, they just called votes, so we may call a recess here in about 5 or 6 minutes. As a matter of fact, they have already called votes, and we are down to 12 minutes left in the vote.

I think what we are going to do is, myself and Mr. Cleaver, the ranking member of the subcommittee, will give our opening statements. We will then recess. We have 4 votes, which will probably take about 40, 45 minutes. Then, we will come back, and at that time we will begin the discussion, and we can begin the questions.

So with that, let me just continue on. Today's hearing is entitled, "The Future of Housing in America: Federal Housing Reforms That Create Housing Opportunity." Before we begin, I would like to thank the witnesses for appearing before the subcommittee today. We look forward to your insightful comments. I now recognize myself for 3 minutes to give an opening statement.

This panel represents a diverse cross section of the housing community. We have a REALTOR®, a home builder, a nonprofit executive, a public housing authority director, a witness who specializes in affordable housing development, and housing policy experts. There is a common bond that links these individuals: the mission to provide housing to Americans and to provide the foundation for better lives and build better communities. Many of these witnesses share another commonalty, the desire to see changes in Federal programs so they can more easily serve the families in need. That is why this committee solicits organizations like the ones rep-

resented today for ideas on how to cut red tape, and replace it with opportunity.

I am proud to have introduced H.R. 3700, the Housing Opportunity Through Modernization Act of 2015. I will be the first to point out that this legislation won't necessarily change the world. It won't end homelessness overnight, or meet the overwhelming need for affordable housing, but it is a first step in a long journey to reforming our housing system. We have to take a first step before we can get a second step. Right? This bill came to be because of the input provided by many of you, and I thank you for your participation.

My legislation doesn't include everything I want. I recognize that it doesn't include everything the minority wants, or that housing advocates want. But it does represent an opportunity to show that despite rhetoric and what goes on around here daily, Congress can work together, and in collaboration with a diverse group of stakeholders, to foster a positive change.

Also, I want to point out that Chairman Hensarling has asked for additional ideas in the fight against poverty and for a reformed housing system. I know the chairman wants to hear ideas from different points of view in different parts of the country. This is another opportunity to make your voice heard and participate in the process, and I encourage you to take advantage of it.

Tomorrow morning, the full Financial Services Committee will hold a hearing to examine 50 years of HUD, and the impact the Department has had on our Nation. Fifty years later, too many Americans are in need, with too few resources to be had. We are past the time to act. It is my hope that the spirit of bipartisanship will last long enough, after H.R. 3700 has been signed into law, that we can all work together to discuss additional reforms to HUD and the Rural Housing Service.

The status quo is no longer good enough. The majority of provisions in H.R. 3700 were agreed to years ago by advocacy and interested groups, and it is time Congress put these changes on the President's desk. I want to again thank the witnesses for appearing today, and we look forward to your discussion.

With that, I recognize the gentleman from Missouri, the ranking member of the subcommittee, Mr. Cleaver, for 5 minutes for an opening statement.

Mr. CLEAVER. Thank you, Mr. Chairman. I appreciate the panel giving us your time, and in the spirit of trying to get there in time to vote, I won't take the full 5 minutes.

I would like to associate myself with the comments of the chairman of the subcommittee. Political compromising means keeping your shirt on and still getting something off your chest, and I think that is what we have been able to do is to work through knotty problems, and we believe that we will reform, and HUD will perform.

The way in which we have dealt with this legislation, I think, is a style that we need to use to get a lot of things done. Congressman Luetkemeyer and I don't think concurrently, but we do think collaboratively, and I think that is one of the benefits of us working together on this bill. And I do have a few remaining questions on the bill, but I do think that we will be able to work those things

out, and I am grateful for this hearing and the opportunity to move forward on H.R. 3700.

Thank you, Mr. Chairman. I yield back the rest of my time.

Chairman LUETKEMEYER. I thank the gentleman.

It took two men from the "Show Me" State to show everybody that we can get things done and work together, and we are more than happy to do that.

Again, we apologize to the distinguished panel of witnesses today. They schedule votes whenever they feel it is necessary, and as a result we have a duty that we are supposed to take care of, which is to go vote and take care of some of the business of the country, and of our citizens.

So with that, we will recess until such time as the votes are concluded. Thank you.

[recess]

Chairman LUETKEMEYER. Okay. I appreciate your indulgence. Sorry for the interruption, but we are back, and we will try and expedite this as quickly as possible. To do so, we are going to forego the oral testimony of all of the witnesses. Your written testimony was all handed out. We have read it already, and we are going to go straight to the questions. So I have a few comments to make, and then introductions, and then Mr. Cleaver has an introduction, and we will go right to questions.

Today, we welcome the testimony of Ms. Laura Burns, board member of the National Leased Housing Association; Ms. Heather Bradley-Geary, lead developer for supportive housing, The Vecino Group; Ms. Evelyn Craig, president and CEO of reStart, Incorporated; Mr. Chris Polychron, 2015 president, National Association of REALTORS®; Mr. Stephen Merritt, Norwood Housing Authority, on behalf of the National Association of Housing and Redevelopment Officials; Mr. Kevin Kelly, 2014 chairman of the board, National Association of Home Builders; Mr. Will Fischer, senior policy analyst, Center on Budget and Policy Priorities; and Ms. Hilary Swab Gawrilow, director of Federal policy, Cooperation for Supportive Housing. I apologize if I mispronounced any of your names. With a name like "Luetkemeyer," that happens to me regularly, and so my apologies. It never seems to bother me, but if it does you, I certainly apologize.

Given the large number of witnesses, the ranking member and I have agreed to waive oral statements from the witnesses, meaning we are going to move directly into the questions.

And without objection, your full written statements will be made a part of the record.

Before turning to questions, I want to extend a special welcome to two Missourians on today's panel. Ms. Heather Bradley-Geary has long been an advocate for Missourians in need, and has dedicated her career to fighting homelessness, and ensuring that those in need, particularly children, have supporting housing options they need.

Heather, thank you for being here today, and we look forward to your testimony. And now I turn to Mr. Cleaver to introduce Ms. Evie Craig, our other witness from Missouri.

Mr. CLEAVER. Thank you, Mr. Chairman. I take great pleasure in introducing Evie Craig from the State's largest City, Kansas

City. Ms. Craig, as the chairman mentioned, is the executive director of reStart, Inc., which is an interfaith ministry serving homeless men, women, youth, and families in the urban center of Kansas City. She has been in this position for 13 years, and I am very pleased that she has been there for 13 years. We have been able to work together.

She has grown reStart's annual budget from $1.3 million in 2004, to $7.17 million in 2015, which also points out the severity of the issue of homelessness. And she serves on the Jackson County Mental Health Commission, the executive committee of the Greater Kansas City Regional Task Force on Homelessness, and is the local Chair of the 100,000 Homes Campaign to provide housing for vulnerable individuals and families, among her other distinguished accomplishments. Ms. Craig, we are pleased to have you here. Thank you, Mr. Chairman.

Chairman LUETKEMEYER. Thank you. And with that, I recognize myself for 5 minutes to begin the questioning.

Obviously, all of you seem to be supportive of H.R. 3700, and I thank you for that. We have worked diligently to try and work with all the parties to come to an agreement on something that we can all find some support for, and along the way, we thank each of you for your help in getting to where we have gotten with this piece of legislation.

I recognize there is more work to be done, and with that, I would like to ask what other things you would like to see in the bill, or any things you would like to, in particular, point out that are important to you? Let me start with Ms. Burns.

Ms. BURNS. Thank you, Chairman Luetkemeyer, Ranking Member Cleaver, and distinguished members of the subcommittee. My name is Laura Burns, and I am here on behalf of the National Leased Housing Association. I am also a national affordable housing developer with 14 properties in Missouri and 2,000 units, so I am proud to own properties in your great State.

Chairman LUETKEMEYER. And that is a great decision, I can tell you.

Ms. BURNS. Some of the things that we think are really important in this bill that are really helpful, the steps might seem small to some but they seem quite material to us. The inspection standards changes that is included in the bill is very important to us.

Our company provides housing through project-based contracts, through housing choice vouchers, through project voucher contracts, and through tenant vouchers. And some of the changes that are proposed in both the inspection standards, the recertification of fixed-income residents being allowed every 3 years, and the increased flexibility to the project-based voucher program will make a big difference.

We have a property, for instance, in St. Louis with a housing choice voucher contract, and some of the program changes that are included here would have really made a difference to how efficiently this property operated over the years. We are in year 12 of our contract and have experienced many of the things that this bill looks to address, including significant delays in occupancy as a result of inspections; 30 days is very normal. Sometimes, we see as long as 90 days before a new resident can move in.

Site-based waiting lists are really important when the list is so long, and the rent increase process of having certainty in how the program is going to work when you marry that with the low income housing tax credit program, those are really helpful to our industry and to doing future deals.

Chairman LUETKEMEYER. Thank you. Ms. Bradley-Geary?

Ms. BRADLEY-GEARY. Thank you. I agree with Ms. Burns. There are a lot of great things in H.R. 3700, but I want to focus specifically on the Family Unification Program (FUP) vouchers, which has a horrible acronym, so I apologize. These are vouchers for our young adults who are leaving foster care, and I stand before you with three hats. I am a supportive housing developer who does a lot of development for young people who are aging out of foster care.

I am also a foster care parent. Both of my kids are adopted from the foster care system in Missouri, and I am also a social worker. So, as you know, we have 23,000 kids, young adults who leave foster care every year. One in five of those are going to become homeless if we don't do something to stop that.

Chairman LUETKEMEYER. Is there anything that we can do or change, do something different to—

Ms. BRADLEY-GEARY. I believe—

Chairman LUETKEMEYER. —improve it or—we are taking a first step here. What is the next step we need to take?

Ms. BRADLEY-GEARY. Absolutely. I believe you have added the language in the bill that we are asking for, and that is to up the time from 18 to 36 months if the voucher is eligible for the youth, and then also to up the age from 21 to 24 for our youth who are aging out of foster care to be eligible for those vouchers.

Chairman LUETKEMEYER. What is the reason for jumping the age from 21 to 24?

Ms. BRADLEY-GEARY. A lot of our kids leave the foster care system, and they still need the support up to age 24—I will use myself as an example. I had a safety net as a child that my parents were there when I was making bad decisions. These youth do not have a safety net. If we up the age to 24, we are able to catch a lot of those youth in those 3 years who do not have a safety net, so that allows us to give them that.

Chairman LUETKEMEYER. How many kids are we talking about here who utilize this, that you anticipate utilizing it, how many kids do you anticipate utilizing these vouchers?

Ms. BRADLEY-GEARY. Using the vouchers? In Missouri alone, our estimates come in at about 1,800 kids who are aging out, about one-fifth of those, so that would be 374 youth who would be eligible for those, and that is just Missouri.

Chairman LUETKEMEYER. This is a very important issue to me because I think that this is an area where we can actually make a difference.

Ms. BRADLEY-GEARY. Absolutely.

Chairman LUETKEMEYER. I see I am about timed out. Let me stop here and I will—

Ms. BRADLEY-GEARY. Thank you.

Chairman LUETKEMEYER. —thank you for your testimony. I now recognize the gentleman from Missouri, Mr. Cleaver, the ranking member of the subcommittee, for 5 minutes.

Mr. CLEAVER. Thank you. I know many, if not almost everybody on the panel, and I appreciate all the work that you all have done over the years, but I want to send this question to Ms. Craig and Ms. Gawrilow.

I can see in your facial expression how much you wish you were still here and sitting up here. But your advocates for foster care youth and you championed for changes to help improve housing services for young adults, and Ms. Craig, you were saying in your statement that more than 800 young adults aged out of the foster care system in Jackson County. How has the family unification program in our proposed bill been helpful in addressing the needs of our foster youth?

Ms. CRAIG. I'm sorry, did you want me to answer first, Congressman?

Mr. CLEAVER. Yes.

Ms. CRAIG. I wanted to say, though, the Royals do play today.

Mr. CLEAVER. Yes. Oh, my goodness.

Ms. CRAIG. So we are up against some very—

Mr. CLEAVER. We need to get out of here.

Ms. CRAIG. —important—just saying. This happened to me 24 hours ago at the city council testifying before the mayor's legislative committee, so it brought good luck, so we can only hope, right. So sorry.

Presently, there are lots of barriers to young adults, and specifically young adults in foster care, getting access to these housing resources, and transition age is a very, very, important time because we are looking at young people who haven't had some normal developmental supports, and developmental growth is critical to successful adulthood.

So this opportunity to have stable housing, and I think one of the provisions that I understand is—this may seem like a technicality, but it is huge in the life of a young adult—the opportunity to get access to a housing voucher 90 days before you are out of the system. That means, ta-da, it is amazing that you can get services and housing simultaneously for a 90-day period while you wait on that cusp of being independent.

That is the kind of support that many people get from their families or extended families, and a lot of the young people that we work with don't have that. They do, as we see, fall not only into homelessness but don't graduate from high school, or 46 percent are unemployed by the age of 24, and what really we end up saying to them is, quite frankly, if you wait long enough and you are homeless long enough, we will get you housing just in time to die.

We need to be able to use our Federal housing resources to get young people into housing in order to live their life to its fullest potential, and that is where I really feel very strongly that this bill, it may seem regulatory in nature, I don't know, but I see it as having the capacity to have an amazing impact on the future of our country because these young people have that opportunity, but only if they can get some of these resources.

And I think what is for all of us, and we have been talking a little bit as we are here, we work in the world, some of us, of the red tape and the regulations, and there are things that no one—never by intent did anyone mean to put a barrier in front of a young child exiting foster care, but it is there nonetheless because of the inability of agencies to work together or us to be able to provide the resources. So I think the flexibility that has been added into the language around FUP has the possibility to be really simply transformational.

Mr. CLEAVER. Thank you. Ms. Gawrilow?

Ms. GAWRILOW. Yes, thank you. I would just like to kind of echo what Evelyn was saying, but I also think—I agree that aligning the transition plans that youth have when they are aging out of foster care, they are supposed to have a transition plan for 90 days prior to when they leave care, and this would align that, the resources with the plans that they have, and make sure that the voucher can be built into the plan so they are not having a lapse in housing.

The other thing that I think is really important is the guidance between HUD and HHS and having them work together to help housing authorities work with their local child welfare agencies to improve referral processes, to improve access to supportive services for the young adults who are receiving these vouchers.

So I do think the changes contemplated are really important, and I think that they will provide that housing stability and right away as opposed to what Evelyn was saying is when young adults fall into homelessness after leaving care and then they come back into stable housing situations.

Mr. CLEAVER. Thank you. I yield back, Mr. Chairman.

Chairman LUETKEMEYER. I thank the gentleman. We are looking to put that in the bill. We thank you for that suggestion, and we also are looking to add the—my sharp staff who keep talking in both ears at the same time, so unfortunately, I can only hear out of one at a time, but we are looking to do that as well. So we thank you for those suggestions, and keep them coming.

With that, we go to the gentleman from Texas, Mr. Williams, for 5 minutes.

Mr. WILLIAMS. Thank you, Mr. Chairman, and also thank you to the witnesses today for being here. I appreciate seeing you. The Section 8 housing voucher concept can be one of the most successful public/private initiatives, but as with many other government programs, it has started to sag under the weight of too many burdensome and duplicative requirements. The Housing Modernization Act will make important changes that will improve the program for all stakeholders.

My question will be to you, Mr. Merritt, what do you think are the most critical problems facing the assistive housing portfolio and how will the proposed legislation make improvements?

Mr. MERRITT. Thank you. I just want to speak to that. This is a great bill for us, and it is a start to fix some of those problems that you bring up, Mr. Congressman. A couple of things: increasing the percentage of the limitation on the voucher program for project-based vouching will be critically important to us to help populations who are underserved now, such as persons with intellectual disabilities, which I have done a project in my hometown on.

There is a whole population out there of young people aging up over 22 who are in need of housing with supportive services, and the project-based voucher extension would allow us to serve more of those individuals who will need help for a long time. It also, the idea of triannual rent redeterminations will take away some of the administrative burden that we would have having to renew rents every year for people who are on fixed incomes. The rent doesn't change. We are doing recertifications for rent that might change $2 or $3 either way, and that is really a waste of a lot of time and effort that could be used for other more productive issues.

The other is the fair market rent issue is becoming a problem, and by allowing us to raise the percentage of fair market rent that we are able to up to 120 percent would be very important, particularly in high-income areas, high-rental areas like where I am in the Boston area.

Mr. WILLIAMS. Thank you.

Mr. Kelly, steps have already been taken to eliminate duplicative inspections through the budget process for assisted housing funded with multiple subsidies, and H.R. 3700 further streamlines the effort by permitting immediate tenant occupancy if the unit has been inspected under the Federal housing program with the same stringent standards.

Would you help us understand the financing challenges associated with affordable housing, and does this mean that in order for affordable housing to exist and/or be developed, an owner must find multiple sources of capital to develop these properties?

Mr. KELLY. Thank you, Congressman. I am representing the National Association of Home Builders, but I am a builder/developer, I own and operate some 5,000-plus units of affordable housing, and I have developed over 11,000 units. Securing financing for affordable housing is an extraordinary challenge and becoming more so each and every day. I use both Section 8 project-based assistance. The vouchers are critically important in the development of new properties, primarily the low income housing tax credit where State housing finance agencies, their communities decide to target lower-income families below 50 percent of median income, so those vouchers make it critically important in order to secure the financing.

Those transactions also have a multiple number of financing sources besides the debt, the tax credits, often funds from the Federal Home Loan Banks, or home funding, but again, often, if the targeting is such to very-low-income families, the vouchers are critically important in order to make the transaction feasible.

Mr. WILLIAMS. Thank you. Mr. Chairman, I yield back my time.

Chairman LUETKEMEYER. The gentleman yields back his time. With that, we go to the gentleman from Texas, Mr. Green, for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman, and may I please take a moment of my time to thank you and the ranking member for working together on this piece of legislation. I think it is exceedingly important, Mr. Chairman, and it has bipartisan support.

This is one of those times when I think we can say that we are working together for the good of our country, and I appreciate you very much. And I thank you, also, Mr. Ranking Member. You have

been a real friend to those who are in need of housing in this country, and I appreciate both of you.

Mr. Chairman, if I may say this, I also would like to speak on behalf of 420 Members of Congress. That is the number who voted for the Homes for Heros Act in the 113th Congress, and I am proud that you have made Section 403 of this legislation, you have dedicated it to the Homes for Heroes legislation. The Homes for Heroes legislation would place a person in HUD whose job it is to look out for veterans. This person would help us to prevent persons from becoming homeless, veterans and their families, and also to provide some relief for those who may be homeless.

We believe that those who are willing to risk their lives for this country merit the very best that we can offer, and I think that we can do more. I think this legislation will help us to help our veterans who are in poverty, homeless, and those who may be falling into poverty and homelessness.

I would also mention to you, Mr. Chairman, that I am concerned about people who are waiting in line for housing. Most of the housing authorities across this country have persons who are standing in very long lines to get help, and as you know, we have, as of late, seen news stories about persons who are over income and still receiving a housing subsidy, as it were.

Perhaps they are paying the max that they can be required to pay, 80 percent of the AMI, but they are still over income. Some of them are over income by a wide margin. My concern is this: We have people who are standing in line who need this housing. Many have been in line for years literally, not figuratively, for years, and we have persons who are over income who are in public housing. The public perception is that as you move up, you move out. You move up, your income is better, and you move out. I am appreciative that you are attempting to address this issue in this piece of legislation.

We cannot allow the perception to be that this benefit is for the greedy as well as the needy. It is not for the greedy. It is for needy people. And those who are standing in line are of concern to me. I want to make sure that they have the opportunity to benefit from good decent housing just as the people who are there currently are. And there is much more that we can do. I am not a person who believes that we have done all we can do, but I am a person who believes that we have to give some thought to those who are in line, those who need this housing.

So I am appreciative that the legislation addresses this. There may be some tweaking to it. I am amenable to working with you, Mr. Chairman, and Mr. Ranking Member, but this is something that I think is of paramount importance. And finally, if I may say this as I close, across the length and breadth of our country, there are people who are working hard to help those who are homeless. People do a good job every day, and now I am talking about the housing authorities.

I find that too often they take heat for things that they are trying their best to do properly and to do correctly, and I just want to say to them, please, continue to do the good work that you are doing. The criticism that you get is something that sort of comes with the job, but there are just so many who are doing a good job,

public servants all, working hard for the persons who are in need of housing.

With that said, Mr. Chairman, I thank you again, and I will yield back the balance of my time.

Chairman LUETKEMEYER. The gentleman yields back the balance of his time. Next, the gentleman from New Mexico, Mr. Pearce, is recognized for 5 minutes.

Mr. PEARCE. Thank you, Mr. Chairman. I find myself agreeing with Democrats frequently on many things, but now I am in the awkward position of finding myself agreeing with a Texan on some things, so I would agree with the gentleman as he said thanks to our ranking member and to our chairman for the work that they have done.

We began this sort of reform work, I guess you would call it, with Native American housing about 3 years ago. One of the things that we found is that the reforms were fought by HUD more than anybody else. Is that something that you would sort of ring true, and just do a head shake because I have a couple of more questions. Head shakes up and down, or no, yes, no, yes. So yes, the agency is resistant to anything that makes the system work better, and we are not going to overcome that unless you all start calling your Members of Congress to go in and sit with them.

Through lengthy processes, HUD actually began to see what we are doing, as not a threat, but as a benefit, but I suspect we are going to have to do the same thing here. And so as you bump up against those physical stops, those emotional stops inside the agency, just consider it worthwhile to get one of us to sit down, you come in, and I think anybody on either side of the aisle, anybody on the committee would be happy to sit and reason through with HUD the reasons for doing these.

So again, I appreciate all your passions here working in your particular areas. My question for Mr. Kelly has to do with rural housing. Obviously, New Mexico is a very rural State; 50 percent of the housing in my district is in manufactured housing, so we are always struggling to improve the lot. What are the biggest challenges that are being faced for rural housing right now? Your testimony has things about that, so—

Mr. KELLY. Thank you, Congressman. I am a developer and owner of 515 rural housing developments. I own approximately 18 developments. I have acquired those under the RD demonstration program. This bill talks about making that permanent. I think that would be an extraordinary positive step forward.

It is an enormous challenge. There is an inventory of housing out there that the country and private owners have invested in that has the ability to be preserved and maintained for decades to come with utilizing the right programs. It is a challenge. The incomes in rural areas are often depressed, but nonetheless, there is, I think, that program has demonstrated that it can be done and it certainly should be done to meet those crying needs because you rarely find the private lending institutions, or for that matter, FHA providing assistance in those areas.

Mr. PEARCE. Does the 515 need to be expanded or can the agency do that by itself? Does this legislation need expansion or—

Mr. KELLY. I believe the program should be expanded because of the size of the portfolio.

Mr. PEARCE. Can it be done by the agency or does it need to be done in legislation, in your opinion? You have much more experience than most on us on the committee.

Mr. KELLY. I would say probably legislatively.

Mr. PEARCE. Okay. Ms. Craig, the—you have a passion there for helping people who need help, and then you have heard again the gentleman from Texas talk about moving up, moving out. How big a problem is this prioritization of need? In other words, do people languish in the housing who should be out and on their own?

Ms. CRAIG. I can't speak to it in general overall in terms of individuals who are in housing authorities, but I certainly will say that I think anything that clarifies and simplifies and provides more options for getting people off the waiting list to—housing authorities have preferences, but because there is such a backlog, that ends up not having an impact on the waiting list, which is frustrating to everybody.

And when we went through sequestration, we were finding that in Kansas City, an 8-year-old child previously might be waiting 4 years to get into public housing, and with sequestration, that same kid might be waiting 12 years until he would have his own family—

Mr. PEARCE. I have a couple more. I only have 23 seconds.

Ms. CRAIG. Sorry.

Mr. PEARCE. Ms. Gawrilow, would you happen to have an opinion, or Ms. Burns, either one of you all have an opinion about this moving up and moving out, how bad is the problem, how much could we improve it?

Ms. GAWRILOW. Yes. One thing that I think could help people who are in assisted housing or families and households who are in assisted housing is looking at the Family Self-Sufficiency Program, which is an asset building and financial capacity program that resides in HUD, and PHAs administer this program, and to better connect families to that program and families who are maybe higher in need. So maybe connecting the HUD–VASH recipients with it. You can connect families who are receiving the FUP voucher, in particular youth who are receiving the FUP voucher. This may be a great tool to help them as an additional service to increase their access to programs and services to lead to independence later on.

Mr. PEARCE. Thank you, Mr. Chairman. I yield back.

Chairman LUETKEMEYER. The gentleman yields back. Next in line, the gentleman from Minnesota, Mr. Ellison, is recognized for 5 minutes.

Mr. ELLISON. I would like to thank the chairman and the ranking member for putting together this bill to improve how we provide affordable housing, affordable rental housing to extremely-low-income families, to help home buyers purchase a condo. This is great. I appreciate it. The goal of today's hearing is to examine how the Federal Government can better provide housing assistance in the 21st Century. In light of the fact that incomes remain too low for many workers to afford market rate housing, we need to invest more Federal funds to address the rental housing crisis.

While I support many provisions in the bill considered today, the real answer is to—I am, in my opinion, quadruple our investments in rental housing for extremely-low-income families. I have asked for Chart 1 to be shown on screen.

Mr. Fischer, this chart is from the Center for Budget and Policy Priorities. Can you explain what it says about our rental housing crisis?

Mr. FISCHER. Sure. And I will say first, I think it is really important to move forward with the targeted changes in this bill, which I think are well-designed and would deliver real benefits to low-income people, but it is true that the challenges go well beyond what this bill can address.

This chart shows—the blue line there is the number of families with what HUD calls worst-case housing needs, which means they are very low-income families who pay more than half of their income for housing or live in severely substandard housing, and that has gone way up. It is up more than 30 percent since before the recession.

The red line is the number of families with rental assistance, which has pretty much been stagnant, so this shows that the number of families struggling to afford housing has gone way up, but the programs that are best positioned to address that need have very much been treading water.

Mr. ELLISON. Thanks a lot. I would like to point out that nationwide, we have more than 1.3 million homeless children. In my own district, in the City of Minneapolis, which is a pretty well-to-do town, we have about 4,000 kids every day going to school from a shelter.

Anyway, Mr. Fischer, let me show you Chart 2. We spend more than $270 billion a year on housing, $270 billion in housing in America. But this chart shows that the bulk of the investment, well, it is for better-off families. Can you explain the financial benefits families receive and who receives the most generous housing assistance? Because some people would have us believe that it is the very poor who get all the housing assistance. Is that correct?

Mr. FISCHER. When you include tax expenditures along with direct rental subsidies, the bulk, close to three-quarters of Federal housing expenditures go towards homeownership, and the biggest share of that is for deductions like the property tax deduction, and especially the mortgage interest deduction that go predominantly to higher-income families, and that is what this chart here shows. About three-quarters of the benefits from those deductions go to families with incomes above $100,000 and more than a third go to families with incomes above $200,000.

Mr. ELLISON. Okay. So yes, so this is three, and when we think of who receives housing benefits, we don't realize that high-income families receive 4 times more housing benefits than do low-income families. What should we do to right-size housing assistance, and I know you are familiar with my bill, the Common Sense Housing Investment Act, I would welcome your reflections on it, and your reflections on this chart.

Mr. FISCHER. I think what this chart shows is that it is cause for concern. Low-income people are much more likely than higher-income people to deal with problems like eviction and homeless-

ness, which are bad for everyone but especially bad for children, as you mentioned. And part of what drives that is that Federal housing resources are targeted heavily on higher-income families who could afford housing without help.

I think that the issues that your bill raises, like looking at reforms to the mortgage interest deduction that would keep a large mortgage interest benefit in place but reducing it some for higher-income households and expand it for middle-income folks and generate some savings that could be used for other things, I think, is a sensible approach.

Mr. ELLISON. Thanks a lot.

It looks like I am running out of time. Let me see if I can ask Mr. Polychron a question. Mr. Polychron, thank you for being here today. Allow me to ask you about marketing services agreements and control business arrangements. I read the REALTOR'S® recent report, "Definitive Analysis of Negative Game Changers Emerging in Real Estate." It is called the "Danger Report." It warns that many REALTORS® are most likely in violation of TILA–RESPA rules regarding illegal kickbacks. When the title insurance agency is referred business through an affiliated business arrangement, where does the cost of the referral get absorbed? Who pays for it?

Mr. POLYCHRON. The Danger Report, as you may—and thank you for the question, sir, but the Danger Report was something for us to look forward that might happen. It isn't something that is actually happening. It is something that we are trying to prevent from happening. And marketing service agreements are certainly something that not only the DOJ looks at a lot but we have to be careful on how those are initiated. I can tell you that our association is constantly monitoring that to make sure that when we do any type of marketing service, that it is done properly.

Mr. ELLISON. Thank you, and I yield back the time that I don't have.

Chairman LUETKEMEYER. The gentleman is correct. His time has expired. With that, we go to the gentleman from Pennsylvania, Mr. Rothfus. He is recognized for 5 minutes.

Mr. ROTHFUS. Thank you, Mr. Chairman. And I thank the panel for being with us this afternoon. I will address this first question to Mr. Kelly.

In your written testimony, you note that it currently costs an apartment owner more to rent to a voucher holder than it does to rent to an unsubsidized resident. One of the reasons for this cost discrepancy is the program's burdensome and often duplicative inspections standards.

Can you discuss some of the disincentives for renting to voucher holders?

Mr. KELLY. Sure. The inspection process itself is one, certainly, sir. The uncertainty for a landowner or an apartment owner, when a prospective tenant approaches him with a certificate, or a voucher, and explains that their property has to be inspected by a public housing agency, they have to wait for that. The owner can't enter into the agreement at that point in time. It is subject to the inspection process.

And, as I think has been indicated in some of the written testimony, those inspections can fail for such innocuous things as a torn screen. And those are the kinds of things that you don't keep secret in the private rental market. Owners know about it. They talk about it. So that is an example of the kinds of disincentives that are out there in the current administration of the program that dissuade private property owners from participating in the program.

Mr. ROTHFUS. By consolidating inspection standards, is there any risk for increased fraud and abuse which would potentially place residents in unsafe housing?

Mr. KELLY. I assume there may be, but I think, quite frankly, there is an expeditious process to follow up on the heels of that tenant being approved to live in that residence, and with an owner understanding that if in fact he has defrauded somebody, that will be caught relatively quickly, so I think it is extremely de minimis.

Mr. ROTHFUS. Mr. Merritt, my district is home to many seniors living on fixed incomes, and some of these individuals receive housing assistance. As you know, H.R. 3700 permits income recertification for people living on fixed incomes every 3 years as opposed to yearly.

Clearly, this reform reduces burdens on residents by avoiding what can be a stressful and difficult yearly process. Can you comment on how this might impact housing providers and administrators?

Mr. MERRITT. I'm sorry, how it will protect, sir?

Mr. ROTHFUS. How the moving from every 3 years on income certification to—I'm sorry, annual to every 3 years, can you comment on how this might impact housing providers and administrators?

Mr. MERRITT. Thank you for the question. The impact would be pretty immediate as to the decline—lower the workload for individuals and offices around the country. The caseload would go down, which would allow us to spend some time on other things that we have had to take time away from.

And I would agree with you that the process of rent certification can be very stressful, particularly for seniors on an annual basis. I would also say they are also some of the most prepared when they do come into our office and it can be very easy, so the timeframe to do a residence, a senior residence rent calculation can take anywhere from 5 to 10 minutes to an hour-and-a-half, depending on what their capabilities are and the medical deductions that are allowed and things.

So, it is a burdensome administrative activity that would be reduced to every 3 years, and it wouldn't be—I would assume not every resident would come in on the same year. We would stagger it so it would reduce the monthly workload which frees up time that is actually not there anymore.

Mr. ROTHFUS. Thank you. And I am wondering if maybe any panelists would want to comment on this: Section 109 of H.R. 3700 creates flexibility of capital and operating fund amounts by allowing housing authorities in good standing to blend up to 20 percent of their federally appropriated capital and operating funds. Does this create an incentive for public housing authorities to modernize their systems and operations so they can have greater flexibility and control moving forward?

Mr. MERRITT. I will answer that. Absolutely, affirmatively yes, it would help us to incentivize improving our systems. It allows us to have flexibility to spend that money either on a property issue that we are dealing with and may be short-funded, or administratively in helping our offices maintain computer systems and things like that which come up every so often.

So that would go both ways, that fungibility. It is an important tool to help complete capital projects that may need that little bit of extra cash that isn't available through the capital programs.

Mr. ROTHFUS. I thank the chairman. I yield back.

Chairman LUETKEMEYER. The gentleman's time has expired. Next up is another gentleman from Missouri, the distinguished Mr. Clay. He is recognized for 5 minutes.

Mr. CLAY. Thank you, Mr. Chairman, and thank you, Mr. Cleaver also for conducting this hearing.

Let me ask Mr. Polychron about HUD's 223f program. There has been a precipitous drop in the program, and it is because HUD changed the underwriting requirements 2 years ago. What has been the impact of HUD's underwriting changes to its multi-family program?

Mr. POLYCHRON. Congressman, with your permission, I am going to defer that to Ms. Burns. I don't do rentals. I am being honest with you.

Mr. CLAY. I see.

Mr. POLYCHRON. It is you either do rentals when you are a REALTOR® or you don't, and I am going to defer to Ms. Burns, with your permission.

Mr. CLAY. Ms. Burns, could you—

Ms. BURNS. Sure.

Mr. CLAY. —talk to me about what has been the impact on the program?

Ms. BURNS. It is hard to know specifically what could cause that drop, but we do know how complicated it is to put together a transaction and to make all the pieces work in an affordable housing transaction.

Every piece of the underwriting matters, and what we understand is that the movement to a longer-term view of replacement reserve needs has created a more difficult program to underwrite, and our understanding is that the change could be made back to a 10- or even a 12-year replacement reserve window, and that would make it more affordable for the developer to put that property together and to be successful in that transaction.

Mr. CLAY. So it is really then—the rule change has dampened the ability to develop those properties.

Ms. BURNS. It requires a much larger investment on the front end, which means that you don't have enough money to afford to do something else that may be more important.

Mr. CLAY. Thank you for that response.

Let me go to Mr. Kelly with the Home Builders. Are you familiar with the 223f program?

Mr. KELLY. I am, sir, and I have done a number of developments utilizing the program. But as Ms. Burns said—and I have done them typically in conjunction with repositioning a property, utilizing also the low income housing tax credits.

The challenge we face is when that kind—those reserves are required up front, additional capital reserves up front, it simply leaves often inadequate resources to rehabilitate the project to meet not only sort of my standards, because I know I am going to be holding on to it for a long time, the investor standards, and also, in many instances, to meet local code requirements that continue to raise the cost of housing, while well-intended, often outstrip the ability of particularly of affordable housing developments to meet and, therefore, render the development infeasible.

Mr. CLAY. Mr. Kelly, in the best of all worlds, what would be a reasonable modification of this rule? If you had it your way and could go into HUD and direct them to change this rule, what would be a reasonable modification of the rule?

Mr. KELLY. Again, a reasonable amount of reserve for replacement up-front, but also earned, over time, as was traditionally done. Put it into the reserves over time, because it is that large, up front cash investment that renders the project infeasible.

Obviously, every project is slightly different, and depending on its physical condition, its market, that amount may vary, but there ought to be greater flexibility, depending on the particular circumstances, and that doesn't exist at the moment.

Mr. CLAY. And it has really dampened the ability to provide affordable housing to larger amounts of the population. Is that right?

Mr. KELLY. It does, sir.

Mr. CLAY. Thank you so much for your responses.

Mr. Chairman, I have no other inquiries, so I yield back.

Chairman LUETKEMEYER. The gentleman yields back. Next, we go to the gentleman from Kentucky, Mr. Barr, who is recognized for 5 minutes.

Mr. BARR. Thank you, Mr. Chairman, and thanks for your leadership in introducing H.R. 3700.

And to our witnesses, I want to first address the issue of continuum-of-care grants in combatting homelessness, and I think I will direct my question to Ms. Bradley-Geary and Ms. Craig on this one and anybody else who might want to jump in on this.

As I understand it, the continuum-of-care program provides that if a grant is not fully expended in 24 months, the money is recaptured by HUD unless the Secretary re-allocates it to another entity serving in the same geographic area.

We have had a problem with this in Kentucky, my home State of Kentucky, where two metropolitan areas, Lexington in my congressional district, and Louisville, are receiving continuum-of-care dollars, but in Lexington in my congressional district, that money goes out the door pretty quickly and we exhaust that funding, but we have had a situation where Louisville has had a surplus of funds, and instead of allowing a reallocation of those dollars to Lexington, which has a significant homelessness need, the Department recaptures that.

H.R. 3700 does attempt to address that issue, fortunately, by clarifying geographic area, and my question to you all is, do you think facilitating the convertibility of unspent funds, unspent grant monies between qualifying grantees would increase access to fighting homelessness?

Ms. BRADLEY-GEARY. I can address that, and yes, I do. The short answer is yes. I think as long as we leave that up to the continuum of care in the areas that you are serving. So the continuum of care, right, is the plan to end homelessness, and those are your boots on the ground in those communities, and so as long as there is input from that community about how those funds should be spent, yes, I think that would be in the best interest of the people we are serving.

Mr. BARR. Our State office has said that even though you have unspent funds in one city, one hour away from another city in need, that Washington HUD wouldn't allow for the convertibility, and it just seems like a little bit of bureaucracy getting in the way of delivering the dollars where they need to go, so I appreciate your thoughts on that.

To Mr. Merritt, I want to talk about Moving to Work. The Lexington housing authority, my district, is a Moving to Work jurisdiction, and it has been very successful in terms of the fungibility of dollars, but I want to address work requirements and time limits. My colleague and friend from Texas, Mr. Green, on the other side of the aisle, talked about the need for us to focus on these waiting lists, and I couldn't agree more.

We need to not only focus on the beneficiaries of Section 8 vouchers and trying to help them achieve self-sufficiency, but the many people who are waiting in line, and this is an over-subscribed program, these Section 8 vouchers. I would want to see Section 8 modernized to the point where we could encourage work, encourage self-sufficiency, so that those who are deserving and waiting in line can get their opportunity at Section 8 housing.

So my question to you is, the President has proposed—in the past, President Obama has proposed expanding Move to Work. Move to Work has worked in my congressional district, that flexibility to encourage work requirements and time limits. My question to you is, do you think it would be a good idea to maybe apply time limits and work requirements to Section 8 nationwide?

Mr. MERRITT. I think the Moving to Work program is a great program for public housing authorities, and I know the director in your home district office, Mr. Simms, has done a great job at his authority. To apply it nationwide is a little bit dangerous because the Moving to Work program allows the local housing authority to deal with those issues locally, and that is what is really more important, and it needs to be addressed and is a valuable tool, but it needs to be done on the local level because what may work in Kentucky may not work in Massachusetts.

Mr. BARR. If I can just jump in, I agree with you, and Austin has done a great job, and I agree with that local flexibility, but generally speaking, I think what we did in 1996 in this country with welfare reform is we recognized that work is a blessing. Work is not a punishment. Work is a blessing. Work is an opportunity for people to achieve self-esteem and a sense of value, and I think that it is not a local issue. I think it is a universal issue, work, work providing able-bodied people who receive taxpayer benefits in the form of a Section 8 voucher, to encourage work as an incentive of receiving this benefit is a way to get people the help that they need and then out of the system, and then open up those vacancies to

all those people who are in waiting lines, and again, achieve that self-sufficiency.

Mr. MERRITT. I agree with you, and the Family Self-Sufficiency Program is one that we run in my office as well, and it has helped many people on that track to work through educational opportunities. We had several young women become nurses or licensed practical nurses and be able to move off the program, and at the same time that they—even before they move off, the subsidy level for that voucher goes down because they are working more, they are paying more. So it is a valuable tool and there should be a way to incentivize that and help that system along. But the Family Self-Sufficiency Program is working out there in many jurisdictions. It is working very well.

Mr. BARR. Thank you. My time has expired. I yield back.

Chairman LUETKEMEYER. The gentleman's time has expired. Next we have the gentlelady from Ohio, Ms. Beatty, who is recognized for 5 minutes.

Mrs. BEATTY. Thank you, Mr. Chairman, and Mr. Ranking Member, and thank you to all of the witnesses here today.

First, let me start, Mr. Chairman, by echoing what some of my colleagues have already said, but I think, because of the tone of today's hearing, it is worth repeating, that it is a good day and a good feeling when we can have a bill that we can find so much good and bipartisan in and meet the standards of why we are here in creating housing opportunities.

As someone who has spent a lot of time working in the housing areas, working with public housing, I commend all of you for the roles that you play in helping to create and sustain these opportunities that gets us to that self-sufficiency.

With that, before I go to my questions, let me also say what we are doing for those young foster care individuals. Recently, I had a number of them who appeared to be somewhat atypical who ended up in my office. They were all college students who had been homeless but found a way through some advocacy group or individual to get all their paperwork done and get into college. Well, at the first face value, you think, how wonderful. Here is a person who is going to college and great, and as the one gentleman looked at me and said everything is fine for the first 45 days of school, and then we read the notice that said people are going home for the holiday, and I didn't have a home to go to.

And that just hit me right in the face, that I am thinking, here you are at one of the largest institutions in the country and you are matriculating and doing well. He said, but I ran out of couch surfing, and that was the first time I had heard that term, and so he said I am asking you as an advocate and a member of this committee to make sure that any opportunities you get, to help us have some of the same privileges that we do for veterans or pregnant teenagers because we are the future and we are doing well. So I thank everybody here for pushing with that.

With that said, since I am on a roll, I should also say to you, Mr. Chairman, that I think that this bill contains a lot of stuff that I like and that I would be willing to put my signature on, so I want us to note that today. But also, earlier this month I joined 51 of my colleagues in sending a bipartisan letter to HUD Secretary Cas-

tro asking for changes to the process of financing condominiums and to ease other requirements like owner occupancy and delinquent condo association dues because I have heard from a lot of my stakeholders that such requirements and restrictions have made the FHA certification process daunting at times and especially for some of the smaller properties and those that don't have the elite management, contracts, or people to operate them.

I think I read somewhere last week that the Federal Housing Administration is expected to issue rules by the end of the year that could make it easier for lenders to finance loans for condominiums, sales with government backing. So, Mr. Polychron, you stated in your testimony that FHA has a number of significant restrictions that prohibit many buyers from purchasing a condo despite the fact that condominiums often represent the most affordable options for first-time home buyers. This is important to me because I am seeing so many people in my district in condos.

Mr. POLYCHRON. Yes, Congresswoman, and thank you for the opportunity to speak on a subject that I do know something about.

Mrs. BEATTY. I thought you would like that question.

Mr. POLYCHRON. Seriously, I live in the small community of Hot Springs, Arkansas, and it says that we have, in the whole State of Arkansas, 54 condominium developments certified. I know in my own hometown, we have homeowners associations, or POAs, in excess of that number, but because of the certification process, which is 95 pages long and sometimes not only burdensome to finish or daunting, as you said, but expensive to hire—to get a certified financial statement done by a CPA, for instance, the 35 percent rule, and thank you, Mr. Chairman, for putting that in H.R. 3700, the 35 percent rule is a great start. We would like to see it at zero as far as occupancy. The last time we asked for a reduction, the HUD reduced it—or FHA from 51 to 50 percent. We hope we do better this time with your 35 percent suggestion.

Condominiums are the lowest of the seriously delinquent rates of any of the FHA-insured mortgages. They are 4.9 percent. The average is 6.96 percent, so we certainly think that they deserve merit in relaxing the requirements for condominium financing.

Mrs. BEATTY. Thank you. Thank you, Mr. Chairman.

Chairman LUETKEMEYER. I thank the gentlelady. With that, we go to the gentleman from Florida, Mr. Ross. He is recognized for 5 minutes.

Mr. ROSS. Thank you, Mr. Chairman, and I wish to add my name to the list of those who have thanked you and the ranking member for bringing this bill forward. I particularly like certain incentives in there, the incentive to give charitable organizations and nonprofits opportunities to invest in energy and water conservation and the remodification and building of housing. I think that is very, very important.

I particularly like what my colleague from Kentucky, Mr. Barr, discussed with the Move to Work programs. Those are great incentives. I think it is important that a lot of this is temporary, but it has become multi-generational and we need to do all we can to make sure that we provide incentives, not only for good housing but also for the opportunities to gain dignity through work.

Section 103 of this particular bill is of interest to me, and it has to do more with the modified means testing in terms of those who stay in the homes and whether they are overqualified financially to be in there. For example, my colleague from Florida, Representative Jolly and I have been focused on reducing waste and fraud within HUD and to ensure those who rightfully are in need of assistance are able to receive it.

A recent HUD independent inspector general's report revealed that over 25,000 families currently in taxpayer-supported housing exceeded the maximum allowable income threshold to qualify for federally-subsidized housing. In one instance, a New York family with an income of nearly $500,000 is paying $1,574 a month to live in taxpayer-subsidized public housing.

In another unfathomable incident, a family had personal assets of over $1 million while living off the backs of taxpayers. With an ever-growing waiting list for housing assistance for those truly in need, these incidences of waste, fraud, and abuse should be eliminated. Therefore, my first question is to Ms. Burns. What is your perspective regarding tenants who remain in public housing but have the financial means to afford nonsubsidized housing, thus opening up an opportunity for those who should be in line for that type of assistance?

Ms. BURNS. My expertise is in privately owned housing, not public housing, but I can respond this way. I think it is incredibly important to catch fraud and abuse. Just this morning, the National Leased Housing Association, myself and our executive director were meeting with HUD to talk about the EIV program.

Mr. ROSS. Right.

Ms. BURNS. And the way that program is working, we believe strongly that it is essential to catch fraud and to put teeth in when we catch residents who have misled us on their income and miscertified, that there be teeth rather than just a slap on the wrist and say please pay us back when you can.

Mr. ROSS. So would you support Section 103, that after 2 years, if their income is in excess of 120 percent of area median income, to charge the tenant the fair market value for the housing?

Ms. BURNS. It seems to make sense to me. As I said, I am not a public housing person.

Mr. ROSS. I agree with you. Moving on. I have a good friend of mine from Florida who now lives in Atlanta, Georgia, who is head of a nonprofit organization called IMPACT! I don't know if any of you all have heard of that, but the IMPACT! Group provides housing for homeless veterans, amongst others, but they have a tremendous program that incentivizes the private sector to invest, and then they will assist not only in temporary housing but finding employment, taking part of their wages to invest in a deposit that eventually they move on to work.

The company is in Gwinnett County, Georgia, and they are searching for more ways for private sector participation rather than depending on the Federal Government. And I will tell you, I think what has happened over the last few years in housing, being able to leverage private investment to create greater housing with certain guarantees of Section 8 housings and other vouchers has

been a great program in order to manage and maximize the amount of housing we have out there.

Since it was established in 1992, the IMPACT! Group has grown over—such that over 90 percent of the families who graduate their program remain independent of assistance a year later. My question, Mr. Merritt, to you and to anyone else is that given our type, that Federal budget environment, let's face it, we have competing interest for Federal dollars, how can local and State housing agencies leverage their assets better and find other financial tools to incentivize the private sector to invest in these types of programs?

Mr. MERRITT. Being an administrator of a public housing agency, we look at that sort of through the eyes of the HUD regulations and other rental assistance demonstration or something that is under way and is a way to bring in private money into the public housing system, but it also needs the public investment as well because it has been invested in for a long time and there is investment there that needs to be protected, so the capital fund program to keep things in repair is important to local public housing agencies.

Mr. ROSS. And furthering tax incentives for the private sector to invest should be good as well, shouldn't it?

Mr. MERRITT. It should. Through the low income housing tax credit system is also very important.

Mr. ROSS. Thank you. And I yield back.

Chairman LUETKEMEYER. The gentleman yields back. With that, we go to the gentleman from Delaware, Mr. Carney. He is not a member of the committee, but he has a lot of great questions today and we look forward to his insights and the information he is going to glean for us.

Mr. Carney, you are recognized for 5 minutes.

Mr. CARNEY. Thank you, Mr. Chairman, and Ranking Member Cleaver. And Mr. Chairman, thank you for your kind remarks.

Actually, I am here mainly to welcome to the Capitol one of my constituents, Kevin Kelly. Kevin and I have worked together over the years. He is a Delawarean, and he is the chairman of the NAHB and a real leader nationally. But he has been developing and working on housing projects for a long, long time. And a Delaware protege of one of the giants of affordable housing in our country, Leon Weiner. Welcome, Kevin. It is great to have you and your expertise here.

But since I have a couple of minutes, I might ask a few questions. I had to pinch myself for a minute because there was so much agreement across the aisle here. I guess it is not surprising, frankly, given who the chairman and the ranking member of this subcommittee are, two people who are always looking to work together; and the comity that you bring to this committee is extraordinary.

There has been a lot of discussion. What is interesting is we have common problems among our districts; and they all, many center around the lack of adequate resources and the scarce resources, and I wonder if, to start with you, Mr. Kelly, if you could tell us how we could more efficiently use Federal resources that are available? And I will ask Mr. Fischer and Mr. Merritt that question as well.

Mr. KELLY. Thank you, Mr. Carney, for the kind words, and it has been a pleasure working with you over the years. I certainly applaud the initiative of the committee in this particular bill. We are competing in a world of very scarce resources.

I think what H.R. 3700 does, is look at substance and results over process. Too many of our programs are burdened by process and not results. And I think this bill attempts to address many of those issues.

Mr. CARNEY. I know there is some controversy over the Moving to Work Program, but it is and folks have indicated it works differently in different places. It has worked well in Delaware. It is not the be-all and end-all, but it seems to me it ought to be a piece to the point, Mr. Kelly, you are mentioning in terms of effectiveness.

Mr. KELLY. I would agree. In looking at my privately owned Section 8 family portfolio, we run somewhere between 70 and 75 percent of the families in our developments are working at any one time. These families are often underemployed, and face challenges in employment. But on average, our developments run, again, they are Section 8. These are people at or below 50 percent of median income, but the vast majority of them are working. And that is a benefit, certainly.

Mr. CARNEY. But I have the same problem frankly that I have heard from my colleagues on both sides of the aisle with respect to Section 8 waiting lists. They are just way too long. I go to a training session for mostly young women who are on TANF and one of their big complaints is that they can't get any housing assistance because they can't get a Section 8 voucher because folks aren't moving off of it.

I guess part of it is we don't have enough of them. But it makes it extremely difficult for people who are moving up, we are trying to help. And give a hand up, to get that kind of assistance that they need.

Mr. KELLY. Excuse me, sir. I didn't mean to interrupt. But I will tell you with our project-based elderly developments, the waiting list is approximately 5 years.

From Chelton Apartments down at Wilton Route 40, to Main Towers in Newark, those waiting lists run about 5 years. They are closed at the moment. Our family developments are probably 2 to 3 years at a minimum. Obviously for families in dire need, that is an impossible—

Mr. CARNEY. Mr. Fischer, any solutions?

Mr. FISCHER. Yes, in terms of the points you just raised about helping people to move off of housing assistance and helping them move towards self-sufficiency, I think one way to do that, and it could be readily added to this bill that we are discussing today, would be improvements to the Family Self-Sufficiency Program.

Senators Reid and Blunt, in the Senate, have a good bill to do that, and it has bipartisan support in House bills as well in the past. You mentioned the Moving to Work demonstration. I think you are right that it is a highly controversial issue and one that has played out differently in different places. It has resulted in some useful innovation, but it has also had harmful effects like transfers of voucher funds that resulted in fewer families getting

assistance and big increases in rents for the lowest-income families. So I think if there is an expansion of that it would be really important to make really fundamental reforms that would address some of those concerns. I know Ms. Waters has a proposal that would take steps in that direction.

Mr. CARNEY. Thank you very much. Just with the 5 seconds, we are also experiencing an issue with continuum of care where the priority is being put into rapid rehousing, and it has very negatively affected transitional programs which are really, really important.

Mr. Chairman, thanks so much for allowing me some time today.

Chairman LUETKEMEYER. Always a pleasure. I thank the gentleman for his questions. Mr. Sherman, you were the last individual to go through round number one here. Are you ready to ask questions? If so, you will be recognized, or we can wait if you are not quite ready. You are used to popping stuff right off the top of your head, so I don't think it will be a problem for you, but I wanted to give you time in case you do need that.

Mr. SHERMAN. Thank you. Let me first ask the representative from the Home Builders, I believe that is Mr. Kelly.

Chairman LUETKEMEYER. Mr. Sherman is recognized for 5 minutes.

Mr. SHERMAN. Thank you. Mr. Kelly, I noticed in your testimony that you have discussed the flood plain management Executive Order and your concerns about how this would affect the cost and also the timeline of building new multi-family units. I particularly want to see multi-family units because the environmental footprint is so much less. The ability to then support rapid transit systems is there.

I happen to live in a single-family detached house in my district, but I am an advocate for multi-family housing. Can you explain how this Executive Order will affect the timeline and the cost?

Mr. KELLY. To be honest with you, we don't know. What we know is it creates enormous uncertainty. It has gone essentially from what has been the rule for decades of the 100-year flood plain to essentially what is a 500-year flood plain. In addition, various agencies are given various discretions in evaluating a project to meet the provisions of this Executive Order.

So I, as a developer, now have no idea whether or not a piece of land that I may be examining to use, whether it is urban and suburban or rural areas, would come under the restrictions of this Executive Order given its proximity to a body of water. Because at the moment, nobody does 500-year flood plains. Could I get an engineer to do it at some point in time? Yes. Then I would take that information to HUD. There are no standards by which the HUD field office can evaluate my request to build in that area.

And so as a developer, the question is, first, why would I want to pursue it in the first place? And second, if I was crazy enough to do so, the question then becomes when, if ever, I will get an approval out of a HUD field office to make that determination. Uncertainty, uncertainty, uncertainty.

Mr. SHERMAN. That certainly has to discourage the construction. I would point out that while I usually fight for my district, that was a nonparochial question because I represent a city built in a

desert during a drought. So that one was for the rest of the country.

But, Mr. Polychron, continuing my focus on multi-family housing, we have condos. It is a good way for people to get their first home. First-time home buyers, H.R. 3700 has some provisions designed to facilitate condo sales, and those include allowing mixed-use space, streamlining the recertification of condo projects, and changing the owner occupancy requirements.

How is that going to let people buy multi-family housing, and how is it going to affect people who have never owned a home and want to own one?

Mr. POLYCHRON. Congressman Sherman, thank you for the question. I kind of answered the first two right before you got here, so if you would let me, I would like to go into the 25 percent commercial rule which certainly is in H.R. 3700. And thank you for that, sir.

Because if you think about, especially in urban areas where you have a beautiful, let's just call it a 200-unit building, and all of a sudden you want to have commercial space on the ground floor and maybe office space on the next two or three floors, if you have the 25 percent cap, you cannot do that building. So we certainly think this is a tremendous opportunity to expand housing for condominiums in that manner.

The private transfer fees are something else that have prohibited additional opportunities in condominium financing. First, you should know that NAR is opposed to any equity stripping type private transfer that might exist. We have always opposed that.

Mr. SHERMAN. And I have joined you in that often.

Mr. POLYCHRON. Certainly.

Mr. SHERMAN. As have several here.

Mr. POLYCHRON. But if that transfer fee benefits or improves that development or that project, we certainly think it ought to be, as if FHFA, be allowed to be part of the process. So thank you for that opportunity.

Mr. SHERMAN. We have seen a number of these "live, work, shop" developments, mixed-use. They make a lot of sense. It is the only chance somebody will have to cut their commuting time and their commuting environmental footprint. You could sometimes, if you are lucky, commute to work on the elevator.

So I think it makes sense for us to modernize these rules and allow the mixed-use buildings. Do you have one last comment?

Mr. POLYCHRON. If you will allow me sir, the towncenter concept is what HUD has been promoting, and yet we restrict it by making the 25 percent rule, so hopefully we will get this passed, and certainly you will have our help.

Mr. SHERMAN. I want to commend the author of H.R. 3700. I know there are some provisions on Section 8 that will still have to be worked out, and I look forward to working to get this bill on the Floor of the House. I yield back.

Chairman LUETKEMEYER. I thank the gentleman for his comments, and his time has expired.

I am going to do a quick second round of questions here, and I will begin with myself. I will follow up with you, Mr. Polychron, with regards to condos and home ownership. I just had a conversa-

tion last week with a housing authority owner in England, and he had a little bit of a different problem there. They have almost—he used the figure of 15 to 17 percent, public housing. And they are trying to over the last number of years shift a lot of that public housing to the private sector, in other words, allow people who are in their homes to find a way to own the home.

I think in your testimony, Mr. Polychron, you indicate that the average condo cost, national average is 27 percent less than what a home is. So it seems to me it would follow that it would be a logical way for people to get into that first home and be able to get them to perhaps be able to rent it and then be able to get into some sort of a lease/purchase arrangement to be able to own property to allow some inflation in it to then be able to move on to another one. It seemed like a natural progression. I know that the English have figured out a way to get this done.

I am wondering if you have any comments on something like that. I would like to work with you to come up with some ideas. This isn't in this bill, but I think it is something we need to take a look at it somewhere down the road. I know we have tried to enhance FHA's ability to expand and to begin to loan more money and look more favorably on condos, and I would like your thoughts on it.

Mr. POLYCHRON. They moved it from 234 to 203B years ago in order to expand financing in condominiums. Yet we haven't had any relaxation of the rule since just a little bit in 2012. If you look at it from another perspective, it is 27 percent cheaper in condominium pricing as far as single-family homes. But also, that a downpayment, which people sometimes have to save for 3 or 4 years to make, becomes less of a burden when you do condominium financing versus single-family home. So that, too, would add to it.

We know that not only first-time home buyers, but seniors who are downsizing and going into condo financing, their permanent home so they can use FHA, but only 4.2 percent of the portfolio is being used for condominiums at this time. It is certainly a market that we would love to work with to expand that number.

Chairman LUETKEMEYER. I appreciate your comments. I know you also had a comment in your testimony with regards to electronic filing system being improved for the certification process?

Mr. POLYCHRON. Yes. It just doesn't make sense, especially in a smaller community where you don't have a manager running that development, to where you have to submit totally from scratch again every 2 years. And it is really an 18-month process because it takes 6 months to get it approved. So basically, we would like to see the 2-year extended to perhaps 3 or 4 years—that doesn't sound right—whatever we could get.

Chairman LUETKEMEYER. You have a wish list. That is fine.

Mr. POLYCHRON. But seriously, it is such a burden and cost as well to get that done. And what happens is that it is so time-consuming that the small HOA or POA just says, oh, to heck with it, there is a 60 percent decline rate anyway. I won't take the time to do it.

Chairman LUETKEMEYER. One of the problems is it is mainly done, and HUD for their FHA program is looking for some more money for the electronic across-the-board, electronic opportunities,

and that hasn't been forthcoming, so it is a problem. I recognize it. But I appreciated the comment that you made.

I am going to stop right there. The gentleman from Delaware, do you have any follow-up? I will recognize you for 5 minutes.

Mr. CARNEY. Thank you, Mr. Chairman. I actually do have a quick follow-up question. I mentioned at the very end the Continuum of Care grant and the priority or bias if you will towards what they call rapid permanent rehousing. Is there anybody on the panel who could—apparently there is a priority given in States for permanent housing, and the effect on my little State of Delaware has been to end up defunding very important transitional housing programs, where somebody who is homeless, has some of the issues that homeless folks do with drug addiction and substance abuse and family issues, comes into transitional housing, kind of gets things sorted out, and then kind of moves to the next step.

The bias now is to the development of get somebody in a home permanently and then work on those—or allow them to work on those problems. The effect is a funding one, right, ultimately; but I would just be interested in anybody who has a perspective on that?

Ms. CRAIG. I am a past Chair of the Continuum of Care in Jackson County and have reallocated transitional programs to rapid rehousing and also operate transitional housing programs. I am not familiar with Delaware's operation, so when you said "defunded," I am not sure if that meant the continuum did not put that program in either Tier 1, where they would be funded, or if there was a reallocation process whereby voluntarily the program, as I had in one of my transitional programs, opted to reallocate from a transitional program into a rapid rehousing program.

Mr. CARNEY. The effect of the scoring process meant that the transitional program lost $300,000 of support that they were getting, Ministry of Caring—Kevin knows our folks very well—to a program. It was doing great work.

Again, we are talking about a world of scarce resources, and they have to go somewhere, and they went to a place where there was more permanent housing. It didn't have any of the transitional substance abuse programs that go along with it.

So some of that happens at the local level where they have the committee, but they argue that priority is coming down from the Fed on that. And I see somebody—I can't read your name.

Ms. BRADLEY-GEARY. It is Heather Bradley-Geary. Sorry. I feel very passionate about this subject.

Mr. CARNEY. So do I.

Ms. BRADLEY-GEARY. Yes. And we have different feelings on the passion of it. Transitional housing, although I am not saying the program isn't great because it probably is, but the data does not support transitional housing.

So a long time ago, HUD had transitional housing as one of their funding priorities, that somebody could be in housing for 24 months, but then they move on, as you are saying. The data does not support it. It does not work.

Mr. CARNEY. This goes back to the question that we had before about Moving to Work. Maybe it doesn't work everywhere, but there are places where things work differently.

We like to think we are different in Delaware. We are. We are a small State. We are a manageable State, and in that sense we can count the people, okay, and where they have gone and whatever. We are that small. We are one district. I am it. I am the one guy we get down here or the one person that we get down here. And so, the effect has been some significant problems for some of the most effective programs that we have in dealing with homeless populations.

Ms. GAWRILOW. Sir, if I may?

Mr. CARNEY. Sure. Jump in, particularly if you are on my side of the question.

Ms. GAWRILOW. I might have a different view as well. But HUD has been pushing COCs, Continuum of Cares, to do increased rapid rehousing, for multiple populations, because there simply aren't enough resources, there are not enough beds in emergency shelters, there is not enough supported housing for higher-need populations.

And what has happened is then a conversion to rapid rehousing programs, and as Heather said, HUD right now has done a study on the differences of comparing transitional housing outcomes, rapid rehousing outcomes, and permanent subsidies for homeless families, and the outcomes between transitional housing and permanent subsidies for families, it is incredible. The difference in the outcomes, the well-being outcomes for the families, is so much better in permanent housing than in the transitional housing and it is cheaper.

And that kind of—HUD has been rethinking this, but that is not to say that there aren't—different markets are going to need different, have different housing needs. And permanent supportive housing doesn't mean a person has to stay there permanently. Ideally, they would not. They would address their underlying issues and then eventually be able to move on to an independent living situation. But the housing—

Mr. CARNEY. My time is way up.

Ms. GAWRILOW. Sorry.

Chairman LUETKEMEYER. Go ahead and finish.

Ms. GAWRILOW. Oh, I was just going to say, the housing is supposed to be made permanent so people who are in crisis come in and get the supportive services they need, and that system is going to be so much cheaper, to the emergency health systems, to the criminal justice, the jail system, and to detox centers.

Ms. CRAIG. May I just say one more thing? I am so sorry. Continuum of Care has been brought up a lot lately, and this is a time of major changes, and you have probably read that Continuum of Care was unheard of before in many times in many places that programs were being defunded.

So I think everybody over the past 3 years is really trying to figure out how this is going to work nationwide as well as within our communities. So we all are trying to do a much better job of prioritizing, communicating within our communities, doing it well in advance of the NOFA, which you should not when the funding comes down.

So I will say there certainly have been probably any number of cases where that hasn't been handled appropriately. It is correct that per capita there almost is nothing more expensive short of

group homes than transitional housing. It is very appropriate for certain populations, very appropriate in many ways.

We would have sat here 10 years ago and what you would have heard is that HUD's preference was for transitional housing over permanent housing. I happened to raise $4 million to renovate 24 units of family transitional housing 8 years ago because I thought that was a good idea. Luckily, now I am able to use them for vets. So my point is, it goes back to that larger question about prioritization.

And so let me just share with you very quickly, in one year in the two traditional HUD transitional family programs I operated, I had 88 families enter. Of those 88 families, 56 were not street or shelter homeless. They came from living with their families. Well, doubled up is not comfortable—I understand that—but it isn't the same. And I also would say when I have folks who are trying to get vouchers from the Housing Authority come to my program and want homeless letters, they are living with their family. And I understand that is uncomfortable, but I can't give you a homeless letter.

But I asked my staff, of those 56 families who came from living with family or friends, did we ask them if they had other resources that we could exercise with them so they didn't have to come into shelter, and we could make sure that we were prioritizing those spaces for families who were in fact street and shelter homeless because there aren't enough resources. We all are—

Mr. CARNEY. Mr. Chairman, thank you so much. I am way over, and I am not even on the committee. God bless you.

Ms. CRAIG. Sorry.

Chairman LUETKEMEYER. That is okay. That was a great question and was a great answer, and I appreciate your passion.

With that, Mr. Cleaver has waived a second round of questioning, so with that we would like to thank our witnesses for their testimony today. We certainly appreciate your expertise, your advice, your counsel, and your passion for all of these issues and for all the help that you have given us in developing the bill, for your ideas of improving the bill today.

And we want to continue to work with each of you and your groups that you represent to try and continue to make this the best bill and the best opportunity we have to pass something. It is going to make a difference in the lives of a lot of people.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

[Whereupon, at 4:18 p.m., the hearing was adjourned.]

A P P E N D I X

October 21, 2015

Subcommittee on Housing and Insurance
"The Future of Housing in America: Federal Housing Reforms that Create Housing Opportunity"
October 21, 2015 at 2:00 PM
Rayburn House Office Building, Room 2128
Testimony submitted by Heather Bradley-Geary

I am testifying before you as a Social Worker, Supportive Housing Developer, and most importantly a Mom of two children adopted through the Missouri Foster Care system. My testimony is specific to H.R. 3700, "Housing Opportunity through Modernization Act of 2015". H.R. 3700 makes many important changes to the Department of Housing and Urban Development's core rental assistance programs. The proposed changes increase efficiency, effectiveness, and accountability of critical rental assistance programs that serve our most vulnerable citizens. According to the National Alliance to End Homelessness, 578,424 persons are homeless on any given night in the United States, H.R. 3700 will assist us in making another step towards ending homelessness in the United States.

I would like to testify specifically, regarding the proposed legislation in H.R. 3700 regarding the Family Unification Program (FUP). The proposed legislation will allow is to make FUP a more effective housing resource available to young adults who have been involved with the foster care system. Current statute imposes limitations on the vouchers that make it very difficult for young adults to acquire affordable housing, and further, difficult for Public Housing Authorities (PHAs) to administer the voucher. These limitations do not allow young adults to find adequate housing and do not allow enough time for young adults to engage in services that will ultimately assist young adults in living an independent life, away from homelessness.

According to Corporation for Supportive Housing, 23,000 young adults age of Foster Care each year. More than one in five, or 4,600, youth that age out of foster care will experience homelessness within a year of leaving care. One in four youth, or 5,750, that age out of foster care will be involved with the justice system within the first two years of leaving foster care.

On the local level in Missouri, 18,290 kids were in Department of Social Services (DSS) custody in 2014, 5,930 kids' exited foster care in 2014 and 1,871 of youth aged out of foster care in 2014. Meaning that in Missouri, 374 young adults in Missouri will experience homelessness in 2015 and 468 young adults will be involved with the justice system in 2015 and 2016 in Missouri. We have to do better than this, we must implement policy that provides safety nets for our young adults, as they do not have the luxury of having parents as a safety net.

H.R. 3700 implements policy changes that allow us to better serve our young adults, specifically:

- Extending the age eligibility for FUP vouchers that serve young adults leaving care from 21 to 24
  States differ on the amount of time that a young adult can remain in foster care. Additionally, if young adults leave the foster care system, this policy change allows them to still be served.
- Extending the rental assistance for youth receiving FUP vouchers from 18 to 36 months
  This policy change allows young adults a longer period to find affordable housing and to be provided services.
- Allowing FUP voucher assistance to begin 90 days prior to a young adult leaving foster care

This allows the housing search to begin, as finding affordable housing in one of the largest obstacles, and further forces HUD and HHS to work together.

- Including language requiring HUD and HHS to issue joint guidance to both PHAs and Public Child Welfare Agencies on how to improve the referral process, identify eligible recipients, and align program goals.
  In order to end youth homelessness, we must have federal agencies working together and to exit their silos.
- Allowing PHA's to project-based FUP vouchers
  As a developer, I support this initiative, as this allows us to develop housing at a reasonable price and provide affordable housing with services to our young adults.
- Targeting young adults under the McKinney-Vento Continuum of Care.
  This allows providers to target our most vulnerable youth, who are homeless.

As a social worker, I support H.R. 3700, as it begins the conversation of providing social justice to the young adults in our country to be provided services and housing. As a Supportive Housing Developer, I support H.R. 3700, as it provides the necessary tools to develop decent, affordable housing for the young adults in our country. As a Mom of two amazing kiddos (ages 11 and 13), that were a part of the Missouri Foster Care system, I thank you for supporting H.R. 3700 that allows their foster care brothers and sisters, a place to call home, be provided a safety net, and most importantly a way out of the "system".

TESTIMONY OF LAURA BURNS

THE EAGLE POINT COMPANIES

ON BEHALF OF THE

NATIONAL LEASED HOUSING ASSOCIATION

BEFORE THE

HOUSE COMMITTEE ON FINANCIAL SERVICES

SUBCOMMITTEE ON INSURANCE, HOUSING AND COMMUNITY OPPORTUNITY

October 21, 2015

Chairman Leutkemeyer, Ranking Member Cleaver and distinguished members of the Subcommittee, my name is Laura Burns. I am President of the Eagle Point Companies. I am here today on behalf of the National Leased Housing Association (NLHA) as a long term member of its board of directors.

The National Leased Housing Association has represented the interests of housing agencies, developers, owners, lenders, housing managers and others involved in providing federally assisted rental housing for 40 years. NLHA's nearly 450 member organizations are primarily involved in the Section 8 housing programs—both project-based and tenant-based— along with the housing tax credit program and provide or administer housing for over three million households.

We commend you, Chairman Leutkemeyer and Ranking Member Cleaver, for your leadership, and we thank the Members of the Subcommittee for your valuable work addressing the nation's need for affordable rental housing. We appreciate the dedication of the Subcommittee on this issue and the opportunity to present our views on the H.R. 3700, the Housing Opportunity Through Modernization Act of 2015.

Our testimony today will focus on reforms proposed for the voucher and other rental housing programs. We believe the rental housing programs have been highly successful in achieving the goal of assuring decent, safe and affordable housing for low-income families and the elderly. However, as with most government programs, the longer they are in existence, the more rules and regulations are imposed that are often illogical and result in added costs to operate. Duplicative and unnecessary administrative burdens are particularly problematic for housing agencies that have recently been faced with dramatic cuts in their fees for operating the program.

Rent and Income Provisions

We are very encouraged by bill's provisions that would streamline the process for calculating income and rent. Such provisions will reduce the administrative burdens on PHAs and participating property owners while not increasing the rent burden of residents. We are particularly pleased that H.R. 3700 proposes a three-year (versus an annual) re-certification of income for residents with fixed incomes (e.g. elderly and disabled). While it does not seem like much, the time it takes to recertify tenants every year cannot be overstated. We appreciate that the subcommittee recognizes that a seemingly small change can make a big difference.

We also appreciate the flexibility regarding the calculation of income. This process of determining income with the myriad of exclusions and deductions is quite burdensome. The bill attempts to provide some relief in this regard by clarifying what income is excluded; providing an inflation factor, reducing the amount of interim re-certifications, the amount of assets that are permitted to be owned by applicants and residents and the imputed income calculation, etc.

NLHA is particularly pleased that the PHAs will be able to apply a payment standard of 120 percent of FMR without HUD approval in order to provide a reasonable accommodation for persons with disabilities. This fix has been long requested.

Inspection Standards

NLHA has long advocated the increased participation of professionally managed rental housing in the Housing Choice Voucher program. Over the years, changes to the program have helped advance that goal but one of the remaining obstacles is addressed in the bill. Currently, it costs an apartment owner more to rent to a voucher holder than it does to rent to an unsubsidized resident. One of the reasons for this cost discrepancy is the program's burdensome and often duplicative inspection standards.

Before a Section 8 voucher holder can rent an apartment, the administering public housing agency (PHA) must first inspect the unit to confirm that it complies with HUD-prescribed Housing Quality Standards (HQS). Unfortunately, these unit-by-unit inspections cause significant leasing delays and do not necessarily satisfy HUD's objective of protecting residents since many of these properties are already inspected under other federal programs.

Even if the PHA conducts its inspection within the required time frame, many apartment owners still report that it can take 30 days or more to be approved due to the extensive workload of most housing agencies. While this approval is pending, the apartment unit remains empty, when the owner could otherwise be collecting rent on it. The financial implications of such delays are enough to deter many owners from participating in the voucher program.

NLHA strongly supports provisions that make important reforms to the property inspection process, including addressing a redundancy that exists in federal inspection requirements. Currently, units that receive Low-Income Housing Tax Credits or are FHA-insured are already inspected as a condition of participation in those programs. We are encouraged that the bill permits voucher holders to move in to units that have already passed inspections for other federal programs. Under H.R. 3700, the PHA could perform the inspection after move-in where there was a previous inspection conducted/passed under an alternate program. We understand that HUD is working to align the PHA HQS inspections with the current methodology employed by multifamily (FHA and project-based rental assistance) inspections. Such alignment could also provide relief from duplicative inspections.

In an effort to streamline the inspection process, the bill provides PHAs the discretion to lease a unit that has minor defects (i.e., non-life threatening problems like a small slit in a window screen, a chipped switch plate, etc) instead of forcing the apartment owner to make the repairs before the lease can be signed. Under the bills the repairs would be required to be completed within 30 days.

Project-based Vouchers

NLHA is pleased that the bill includes a change to the Section 8 project-based voucher program to increase flexibility and maximize consistency by permitting HAP contracts to be up to 20 years subject to annual appropriations. This change will ensure conformity of the project-based voucher HAP to other programs and facilitate financing of such properties. The bill also allows the Secretary to modify unit inspection rules to permit a sampling of units where the assistance is project-based. We also support the following additional changes included in the bill:

- Increasing the percent of voucher funds that PHAs can use for project-based properties from 20 percent of voucher funding to 20 percent of its authorized units
- Allowing PHAs to project-base up to an additional 10 percent to address homeless populations, provide housing for persons with disabilities or otherwise use this tool in difficult to develop areas;
- Amend the current provision that limits project-based vouchers in family properties to 25 percent of the units to 40 percent in difficult development areas or where the poverty rate is at or below 20 percent; also provides that 100 percent of the dwelling units can be project-based when the project has 25 units or less;
- Facilitate PHAs ability to use PBVs (subject to the PHA Plan) in units that they own;
- Permit site-based waiting lists (subject to PHA oversight).
- Clarify that special voucher purposes can be project-based (e.g. VASH and Family Unification vouchers);

- Permits owners and PHAs to agree to adjust rents using an operating cost adjustment factor (OCAF) while retaining the current rent adjustment rules that continue to be subject to the rent reasonableness test.

Other Provisions

We strongly support Section 502 which provides changes to the Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA) that were included in H.R. 2482 which passed the House earlier this summer. These technical changes provide much needed program flexibility which we believe will result in increased recapitalization of LIHPRHA properties at no cost to the Federal Government.

We also support Section 503 which provides for an energy demonstration program known as "Pay for Success" that was also passed the House in July.

We appreciate the subcommittee providing that HUD should collect and publish data on utility consumption and costs in local areas to help establish utility allowances in the voucher program. This provision is important because the current methods for establishing utility allowances is often quite inconsistent, requires owners and PHAs to access information that is not readily available and often results in higher costs than is necessary.

Conclusion

The Section 8 program has long served as America's primary rental subsidy program. We support the goals of The Housing Opportunity Through Modernization Act of 2015 and are pleased to provide the benefit of our members experience to encourage changes to the rental assistance programs to better meet the needs of America's hard working families who cannot find decent, affordable housing. The subcommittee's acknowledgement that regulatory burdens can be eased without compromising the integrity of the rental housing programs is much appreciated. HUD has taken some steps to streamline processing, but we believe more can be done and we will work with the subcommittee in this regard.
We appreciate the opportunity to express our views, and we stand ready to work with the Subcommittee on the Section 8 program and other critical housing issues.

Subcommittee on Housing and Insurance
"The Future of Housing in America: Federal Housing Reforms that Create Housing Opportunity"
October 21, 2015 at 2:00 PM
Rayburn House Office Building, Room 2128
Testimony submitted by Evelyn E. Craig

Good afternoon. I am President and CEO of reStart, Inc., a housing and service provider in Kansas City, Missouri, that served 24,504 unduplicated persons in 2014, including 9,243 children and youth. reStart, Inc. is committed to evidence-based practices to end homelessness. In recent years, this has meant decisively and rapidly shifting towards a preference for permanent housing, dropping barriers to serve those that are chronically homeless, and prioritizing attention to those most in need. I also serve as President of the Board of reStart Housing Services, the owner-operator of 14 units of permanent supportive housing for youth that have aged out of foster care in Jackson County and have a mental health disability. I am a Past Chair of the Jackson County, Missouri, HUD Continuum of Care, currently serve on its Executive Committee and am Co-Chair of both the Continuum's Point in Time and Permanent Housing Committees. Implementation of H.R. 3700 would make many long overdue changes to the Department of Housing and Urban Development's core rental assistance programs, including creating more flexible options to encourage Public Housing Authorities to expand access to housing for homeless youth and young adults, families and Veterans. Perhaps the most transformational impact of those changes will be to break down the silos that currently exist in too many communities between homeless service providers, the people they serve, and local housing authorities. In some communities, exceptional collaborations are in place between these partners, but those are the exception and that means that too many of our nation's homeless households – including unaccompanied youth and young adults – are on waiting lists that are at least a decade long for the resource that is fundamental to individual and community development: stable permanent housing.

The proposed legislation will expand the Family Unification Program (FUP) to make it a more effective housing resource available to young adults who have been involved with the foster care system. Why is there a need for a housing solution just for these young people? Young adults are a vulnerable population and those that are aging out of foster care face additional challenges as they move into adulthood. More than 800 young adults aged out of the foster care system just in Jackson County in 2013, the last full year for when statistics are available, but there are only 300 approved foster homes. Nationally, more than 20 percent of those who age out become homeless; only 58 percent graduate from high school by age 19; by age 20, one in four is involved in the criminal justice system; and by age 24, half are unemployed. If we can provide secure housing and support to transition-aged youth in our nation, we can change the course of their lives and of our nation's future.

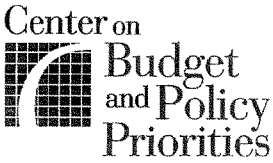
The following policy changes that would be implemented by H.R. 3700 increase significantly the ability for young adults, especially those aging out of foster care, to get access to permanent housing: extending the age eligibility for FUP vouchers that serve young adults leaving care from 21 to 24; extending the rental assistance for youth receiving FUP vouchers from 18 to 36 months; allowing FUP voucher assistance to begin 90 days prior to a young adult leaving foster care; including language requiring HUD and HHS to issue joint guidance to both PHAs and Public Child Welfare Agencies on how to improve the referral process, identify eligible recipients, and align program goals; and allowing PHA's to issue project-based FUP vouchers Targeting young adults under the McKinney-Vento Continuum of Care. States exercise local control over critical benchmarks for children and youth in foster care, including whether they age out at 18 or 21 and whether or not a discharge plan must include the most appropriate housing option. The changes proposed in H.R. 3700 provide specific housing supports for a highly vulnerable

population and also encourages more effective collaboration between federal agencies that are entrusted with their care.

H. R. 3700 would also implement much-needed revisions in tenant protection guidelines in voucher programs particularly for families. Kansas City ranks among the top 10 major U.S. metropolitan areas for family evictions. According to research conducted by Dr. Matthew Desmond, Associate Professor of Sociology and Social Studies at Harvard University, 19 families a day are formally evicted in Kansas City. The consequences of eviction are dire. In addition to losing your home, finding a new one is extremely difficult with an eviction on your record. With more time and communications among community service and housing providers, families facing evictions can be quickly offered resources to either meet their obligations or find a more suitable home. H.R. 3700 would significantly expand affordable and accessible permanent housing opportunities for families by allowing public housing agencies to use up to an additional 10 percent of authorized units for project-based assistance for households that meet the McKinney-Vento definition of homelessness. This would create a direct route for homeless families to public housing assistance that does not now exist and could dramatically reduce the amount of time a family experiences homelessness.

Over the past several years, silos have been eliminated between homeless service providers, homeless Veterans, and the Department of Veterans Affairs; as a result, communities across our country are reporting that they will achieve the federal goal of bringing Veteran homelessness to functional zero by the end of this year. By breaking down the silos between our federal affordable housing providers and local homeless service providers, we will have taken a huge step towards ending homelessness among youth, young adults and families – possibly before the 2020 deadline set forth in Opening Doors, the federal strategic plan to end homelessness.

The message to too many of our youth is that if they stay homeless long enough, they may get housing just in time to die. We can do better, but we cannot do so in a consistent and sustainable national system without many of the tools that H.R. 3700 provides. Thank you for the opportunity to express my support for legislation that can change the future of our nation.



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October 21, 2015

Streamlining Federal Rental Assistance

Testimony of Will Fischer, Senior Policy Analyst, Before the House Financial Services Subcommittee on Housing and Insurance

Thank you for the opportunity to testify. I am Will Fischer, Senior Policy Analyst at the Center on Budget and Policy Priorities. The Center is an independent, nonprofit policy institute that conducts research and analysis on a range of federal and state policy issues affecting low- and moderate-income families. The Center's housing work focuses on improving the effectiveness of federal low-income housing programs, particularly the Section 8 Housing Choice Voucher program.

It is commendable that the subcommittee is holding a hearing on streamlining and strengthening federal housing programs. This testimony focuses on the portions of the proposed Housing Opportunities through Modernization Act (HOTMA) affecting the Housing Choice Voucher, project-based rental assistance, and public housing programs.

The reforms in the bill would substantially reduce administrative burdens for state and local housing agencies and private owners while giving them added flexibility to further key goals such as reducing homelessness, improving access to higher-opportunity neighborhoods, and addressing repair needs in public housing. At the same time, the reforms would leave in place the core characteristics that have helped make federal rental assistance effective.

The bill would make particularly important improvements in three areas:

- **Simplifying rules for setting tenant rent payments,** while continuing to maintain key affordability protections.
- **Streamlining housing quality inspections in the voucher program** to encourage private owners to participate and enable families to occupy their homes more quickly.
- **Providing added flexibility to "project-base" vouchers** to support affordable housing development and preservation and enable more homeless families or individuals with disabilities to live in appropriate housing.

Congress has considered most of these provisions for much of the last decade as part of the Section 8 Voucher Reform Act (SEVRA) and the Affordable Housing and Self-Sufficiency Improvement Act (AHSSIA), which have received broad support from both parties and a wide

range of stakeholders. Congress should move promptly to advance HOTMA and refrain from adding controversial provisions that could delay or block the bill's enactment. In addition, Congress could extend the bill's positive impact by adding provisions in two other areas that SEVRA, AHSSIA, and other bipartisan bills have addressed:

- **Strengthening the Family Self-Sufficiency program**, which offers housing assistance recipients job counseling and incentives to work and save.
- **Making the rental assistance admissions process fairer** by limiting screening to criteria related to suitability as a tenant.

Reforms Would Build On Strengths of Rental Assistance Programs

The nation's rental assistance programs help more than 5 million low-income households afford decent housing. The great majority are senior citizens, people with disabilities, and working-poor families with children.

Rigorous research has shown that rental assistance can sharply and cost-effectively reduce the incidence of homelessness, housing instability, and overcrowding — problems that have been linked to harmful effects on children's health and development.[1] In addition, rental assistance reduces the number of families who pay very high shares of their income for housing and thus have less for food, clothing, health care, and transportation.[2] Children in low-income households that pay around 30 percent of their income for rent (as voucher holders typically do) score better on cognitive development tests than children in households with higher rent burdens; researchers suggest that this is partly because parents with affordable rent burdens can invest more in activities and materials that support their children's development.[3]

Housing assistance produces other positive effects. Vouchers provided to homeless families with children have been found to cut foster care placements (which are often triggered by parents' inability to afford suitable housing) by more than half, sharply reduce moves from one school to another, and cut rates of alcohol dependence, psychological distress, and domestic violence victimization among adults.[4] Affordable housing combined with supportive services can help the elderly and people with disabilities remain independent and avoid or delay entering more costly institutional care facilities. Also, particularly compelling evidence shows that providing affordable

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[1] Michelle Wood, Jennifer Turnham, and Gregory Mills, "Housing Affordability and Well-Being: Results from the Housing Voucher Evaluation," *Housing Policy Debate* 19:367-412 (2008); Gubits *et al.*, *Family Options Study: Short-Term Impacts of Housing and Services Interventions for Homeless Families*, prepared for Department of Housing and Urban Development, July 2015, http://www.huduser.org/portal/sites/default/files/pdf/FamilyOptionsStudy_final.pdf; Will Fischer, "Research Shows Housing Vouchers Reduce Hardship and Provide Platform for Long-Term Gains Among Children," Center on Budget and Policy Priorities, October 7, 2015, http://www.cbpp.org/sites/default/files/atoms/files/3-10-14hous.pdf.

[2] Joint Center for Housing Studies of Harvard University, "America's Rental Housing: Evolving Markets and Needs," December 2013, p. 32, http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs_americas_rental_housing_2013_1_0.pdf.

[3] Sandra Newman and Scott Holupka, "Housing Affordability and Child Well-Being," *Housing Policy Debate*, Vol. 25, No. 1, pp. 116-151, 2015; Sandra J. Newman and C. Scott Holupka, "Housing Affordability and Investments in Children," *Journal of Housing Economics*, December 2013.

[4] Gubits *et al.*, 2015.

housing and services to homeless individuals with chronic health problems generates savings in health care and other areas.[5]

Research has found additional benefits when housing assistance enables low-income families to live in lower-poverty neighborhoods. Children whose families move to low-poverty neighborhoods when they are young earn significantly more as adults and are far more likely to attend college and less likely to become single parents.[6] Also, where housing policies have allowed low-income children to attend high-performing, economically integrated schools over the long term, their math and reading test scores are significantly better than comparable children who attended higher-poverty schools.[7] In addition, adults who used a housing voucher to move to a less poor neighborhood are less likely to suffer from depression, psychological distress, extreme obesity, and diabetes — results that could reflect reduced stress due to lower crime as well as better access to public exercise space.[8]

These strong benefits of rental assistance suggest that policymakers considering changes to these programs should exercise caution to avoid undermining the programs' effectiveness. As with any set of policies, however, adjustments are needed over time to reflect changed circumstances and lessons learned. Seventeen years have passed since the Quality Housing and Work Responsibility Act (QHWRA) of 1998, the last major authorizing legislation affecting the voucher and public housing programs. The reforms in HOTMA would prudently update and streamline federal rental assistance while retaining the key characteristics that have underpinned its success.

Simplifying Rules for Determining Tenants' Rent Payments

Tenants in HUD's housing assistance programs generally must pay 30 percent of their income for rent and utilities, after certain deductions are applied. HOTMA's rent-streamlining provisions maintain this basic principle while streamlining determination of tenants' incomes and deductions. As a result, the bill would reduce burdens on housing agencies, property owners, and tenants. The changes would also reduce the likelihood of errors in rent determinations.

Most significantly, the bill would:

- **Reduce the frequency of required income reviews.** Currently, agencies and owners must generally review tenants' income annually. HOTMA would allow them to limit reviews to once every three years for households that receive most or all of their income from fixed sources such as Social Security or Supplemental Security Income (SSI) and consequently are

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[5] Fischer, 2015.

[6] Raj Chetty, Nathaniel Hendren, and Lawrence F. Katz, "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," May 2015, http://scholar.harvard.edu/files/lkatz/files/mto_manuscript_may2015.pdf.

[7] Heather Schwartz, "Housing Policy is School Policy," The Century Foundation, 2010, http://tcf.org/publications/pdfs/housing-policy-is-school-policy-pdf/Schwartz.pdf.

[8] Lisa Sanbonmatsu *et al.*, "Moving to Opportunity for Fair Housing Final Demonstration Program: Final Impacts Evaluation," prepared for U.S. Department of Housing and Urban Development, Office of Policy Development and Research, 2011, http://www.huduser.org/portal/publications/pubasst/MTOFHD.html.

unlikely to experience much income variation.[9]

Today agencies and owners also must adjust rents between annual reviews at the request of any tenant whose income drops. HOTMA would require adjustments only when a family's annual income drops by 10 percent or more, making such "interim" reviews less common but still providing adjustments when tenants would otherwise face serious hardship. The bills also would require interim adjustments for income increases exceeding 10 percent, except that adjustments for *earnings* increases would be delayed until the next annual review to strengthen work incentives.

Together, these changes would sharply reduce the number of income reviews that agencies and owners must conduct. This would substantially lower administrative costs, since income reviews are among the most labor-intensive aspects of housing assistance administration.

- **Simplify deductions for the elderly and people with disabilities.** Currently, if the household head (or spouse) is elderly or has a disability, housing agencies and owners must deduct medical expenses and certain disability assistance expenses above 3 percent of the household's income in determining the household's rent. Agencies and owners report that this deduction is difficult to administer, since they must collect and verify receipts for all medical expenses. It also imposes significant burdens on elderly people and people with disabilities, who must compile and submit receipts that may contain highly personal information. Largely for these reasons, many households eligible for the deduction do not receive it. By contrast, a second deduction targeted to the same groups — a $400 annual standard deduction for each household where the head or spouse is elderly or has a disability — is quite simple to administer.

  HOTMA would increase the threshold for the medical and disability assistance deduction from 3 percent of annual income to 10 percent. This would reduce the number of people eligible for the deduction — and therefore the number of itemized deductions that would need to be determined and verified — while still providing some relief for tenants with extremely high medical or disability assistance expenses. At the same time, the bill would increase the easy-to-administer standard deduction for the elderly and people with disabilities to $525 annually and index it for inflation.

  In addition to reducing processing burdens for agencies, owners, elderly people, and people with disabilities, this change would likely reduce payment errors substantially. HUD studies have found that the medical and disability expense deduction is one of the most error-prone components of the rent determination process, while errors in the standard deduction are rare.

  Some individual households would see higher or lower monthly rents, but the changes would generally be modest. HOTMA would require HUD to establish a hardship exemption policy, which would provide some protection for tenants who are adversely affected. Congress could provide added protection by delaying the effective date of the change to allow tenants to find other ways to cover out-of-pocket medical expenses, and by capping at 10 percent the amount of any annual rent increase due to the policy change.

  The most recent draft of SEVRA (from December 2010) contained similar provisions but set

[9] Many fixed-income benefits, such as Social Security and SSI, typically increase annually due to cost-of-living adjustments. To avoid a loss of revenue from this streamlined option, agencies would be required to assume that in the intervening two years these tenants' incomes rose by a rate of inflation specified by HUD.

the standard deduction at $675 instead of $525. CBO estimates from 2012 suggest that raising the deduction to $675 would come closer to offsetting the rent increases from scaling back medical expenses, on average across all tenants. A higher standard deduction would also reduce the largest rent increases for individual households. If data continue to indicate that the total rent increases from raising the medical and disability expense deduction threshold to 10 percent of income substantially exceed the rent reductions from raising the standard deduction to $525, Congress should consider raising the standard deduction further.

- **Simplify deductions for families with children.** HOTMA would scale back an existing deduction for child care expenses — which evidence suggests is claimed inconsistently — by allowing deductions only of expenses above 5 percent of income (rather than all reasonable expenses). At the same time, it would increase from $480 to $525 a simple annual deduction that families receive for each child or other dependent, and index it for inflation. The dependent deduction recognizes the fact that larger families must devote a larger share of their income to non-shelter expenses.
- **Allow housing agencies to use income data gathered by other programs.** HOTMA would allow state and local housing agencies and owners to rely on income determinations carried out under SNAP (formerly food stamps) and other federal means-tested programs, without separate verification. Currently, they must determine and verify income independently, even though this duplicates work by other agencies. Allowing housing agencies to rely on income determinations made by SNAP agencies would ease their administrative burdens considerably, since a large portion of housing assistance recipients also receive SNAP.

  HOTMA, however, does not include a provision from the December 2010 version of SEVRA requiring state SNAP agencies to make available to housing agencies income data for families participating in both programs. It is important that Congress include this requirement, since without it many SNAP agencies may not provide the needed data.
- **Base rents on a tenant's actual income in the previous year.** HUD's current regulations base rents on a tenant's anticipated income in the period that the rent will cover, usually the coming 12 months. HUD has taken administrative action to temporarily allow agencies and owners to base rents on actual income in the previous year, and has proposed regulations making this option permanent. HOTMA would require that rents be based on prior-year income except when a family first receives assistance. This would simplify administration by enabling all agencies and owners to use the same approach, allowing the use of tax forms and other year-end documentation to verify income, and reducing the need for mid-year rent adjustments for tenants whose earnings change during the year. It would also give tenants an incentive to increase their earnings, since such an increase would not affect their rent for up to a year.

Streamlining Inspections to Encourage Voucher Participation by Private Owners

The Housing Choice Voucher (HCV) program requires that vouchers be used only in houses or apartments that meet federal quality standards. HOTMA would make important improvements to that requirement.

Most significantly, it would allow agencies to make initial subsidy payments to owners even if the unit does not pass the initial inspection, as long as the failure resulted from non-life-threatening

conditions. Defects would have to be corrected within 30 days of initial occupancy for payments to continue. This would encourage owners to participate in the program by minimizing any financial loss due to inspection delays. It also would enable voucher holders, who in some cases are homeless or experience other severe hardship, to move into the unit more quickly than under current rules.

Today, when an inspection of a unit occupied by a voucher holder finds a violation, the housing agency can "abate" — that is, suspend — subsidy payments if the owner fails to address the violation in a timely manner and ultimately terminate the subsidy if the defects are not adequately repaired. HOTMA would retain this authority. It would also establish requirements regarding the rights of tenants and other aspects of subsidy abatement and termination in order to protect tenants from becoming homeless or permanently losing a housing subsidy through no fault of their own.

The bill would also allow housing agencies to use abated subsidy payments to provide assistance to help tenants find a new unit and relocate if the subsidy to their unit is terminated because of an inspection violation. It would be preferable to make this assistance mandatory, as under SEVRA.

Facilitating Use of Project-Based Vouchers

HOTMA would make it easier for a housing agency to enter into agreements with owners to use a share of its vouchers at a particular housing development. Through such "project-basing," agencies can, for example, partner with social service agencies to provide supportive housing to formerly homeless people or facilitate development of mixed-income housing in low-poverty neighborhoods with strong educational or employment opportunities.

Residents of units with project-based voucher assistance have the right to move with a voucher after one year, using the next voucher that becomes available when another family leaves the program. (When this occurs, a voucher remains attached to the housing development; the family moving out of the development receives a separate voucher.) This "resident choice" feature and other policies make the project-based voucher option significantly different from earlier programs that provided project-based assistance.

HOTMA increases the percentage of an agency's voucher assistance that it can project-base from 20 percent to 30 percent, if the added 10 percent is used in areas where vouchers are difficult to use, to house homeless people or veterans, or to provide supportive housing to people with disabilities and the elderly.

In addition, the bill would permit housing agencies to commit to project-based voucher contracts with a term of 20 years (the term HUD permits for contracts under the separate Section 8 project-based rental assistance program), rather than today's 15-year maximum. The bill would also permit owners to establish and maintain "site-based" waiting lists for particular buildings or projects, subject to civil rights and other requirements. In addition, it would modify the cap limiting the share of project-based vouchers in most types of projects to 25 percent of the units: under HOTMA, agencies could provide project-based vouchers in up to 25 percent of a project's units or 25 *units* in a project, whichever is greater, and could provide project-based vouchers in up to 40 percent of the units in a project in areas where vouchers are difficult to use or the poverty rate is 20 percent or less. These policy changes would make the voucher program more effective in rural and suburban areas, where rentals are frequently scarce and properties tend to be small, and in low-poverty areas in all types of locations.

Flexible Use of Public Housing Funds

HOTMA contains two beneficial provisions that would give housing agencies greater flexibility to use their operating and capital funds more efficiently to repair and revitalize public housing. First, it would allow them to shift up to 20 percent of operating funds appropriated for 2016 or later years into their capital funds. Currently, large- and mid-sized agencies may shift up to 20 percent of their *capital* funds to the *operating* fund, but may not shift operating funds to the capital fund except under certain special circumstances. (Agencies already have unlimited flexibility to shift funds between the two accounts if they have fewer than 250 units and HUD has not placed them in "troubled" status due to severely deficient performance.)

Second, the bill would allow housing agencies to establish replacement reserves that would be exempt from capital fund obligation and expenditure deadlines. Such reserves, standard practice in unsubsidized housing and privately owned subsidized housing, would give agencies more flexibility to accumulate funds to meet repair and replacement needs that require multiple years of funding. Agencies could deposit capital funds in the reserves, including annual transfers of up to 20 percent of operating funds.[10]

Limiting Assistance for Highest-Income Public Housing Tenants

HOTMA would establish new rules covering public housing tenants who have incomes above 120 percent of the local area median income for two consecutive years. Housing agencies would be required to evict such tenants within six months or raise their rents to the sum of the applicable Fair Market Rent and the total public housing operating and capital subsidies used for their units.

Today, families must have income below 80 percent of median income when they enter public housing. If a family's income later rises above this level, agencies are permitted but not required to evict them. Ongoing income limits involve tradeoffs. On the one hand, allowing families with somewhat higher incomes to remain in public housing reduces the number of units available to needier families. On the other hand, abruptly terminating assistance to families whose income rises could discourage families from increasing their earnings, displace families whose incomes rise temporarily and could still need assistance to afford housing, and increase concentrations of the poorest families in public housing developments. Moreover, displacing families with somewhat higher incomes will usually increase subsidy needs, since the lower-income families who replace them will require a higher subsidy to enable them to afford housing.

The HOTMA income limitation would only affect the highest-income tenants and only after they have raised their income on a sustained basis; it also would give agencies the option to let these families remain in their homes if they pay the required rents. As a result, the provision's impact on

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[10] These provisions should be tightened to avoid any risk that they could be used to shift voucher funding into public housing replacement reserves. It would be beneficial to give housing agencies added flexibility to manage funds appropriated for public housing, but voucher funds must normally be used for direct rental assistance to needy families; allowing their transfer to other purposes could result in fewer total families receiving assistance. HOTMA includes a broadly worded provision allowing HUD to permit agencies to place "funds originating from additional sources" into replacement reserves. Recurring language in annual appropriations laws would prevent agencies from shifting voucher funds in this manner, but in case that language is omitted in a future appropriations law, Congress should specify that the authority in HOTMA does not cover voucher funds.

work incentives, housing stability, poverty concentration, and program costs would be limited. Just 3 percent of public housing tenants have incomes above 80 percent of median income, and only a small fraction of those households likely are above 120 percent of median income for two consecutive years, according to HUD data.

As currently drafted, the rent requirement could have very different results from one development to another. Fair Market Rents are usually set at the same level for entire metropolitan areas and the amount of subsidies used may be much lower in newer developments than in older ones with greater repair needs. The required rents could consequently be far above market rents in some developments but close to or even below market at newer developments in relatively high-rent neighborhoods. For the reasons discussed above, the number of families affected by these discrepancies would be small. Nonetheless, Congress could improve the requirement — while still ensuring that no net subsidies go to units occupied by over-income families — by giving HUD authority to adjust the rent requirement based on rents in smaller areas (as Congress recently allowed HUD to do with public housing "flat rents") and setting the rent at the higher of (rather than the sum of) the Fair Market Rent and the operating and capital subsidies for the unit.

Bill's Utility Allowance Provision Is Flawed

HOTMA contains a flawed provision limiting utility allowances for voucher holders and public housing residents. It is somewhat ambiguous but appears intended to prevent housing agencies from calculating tenant rents using utility allowances that exceed an individual family's actual utility costs. Such a change may appear reasonable at first glance, but it would sharply raise administrative burdens and weaken incentives for families to conserve utilities.

Some rental assistance recipients (like some rental tenants generally) pay utilities as part of their rent, while others pay some or all utilities directly to utility companies. In both cases, tenants are required to pay a total of 30 percent of their income for rent *and* utilities. When tenants pay utilities directly, housing agencies calculate their rental payment by subtracting their estimated utility payments — referred to as a "utility allowance" — from 30 percent of their income. Current regulations direct housing agencies to calculate voucher utility allowances based on the "typical cost of utilities and services paid by energy-conservative households that occupy housing of similar size and type in the same locality." All families that live in units that are in the same locality and of a similar size and type receive the same allowance, regardless of their actual utility costs.

This approach has two major advantages. First, it provides very strong incentives for families to conserve utilities, since if their utility bills exceed their utility allowance they bear the full cost (and they receive the full benefit if their bills fall below the allowance). Second, it spares agencies the burdensome and error-prone task of collecting and verifying each family's expenses every month (and spares families the burden of submitting that information). Congress should retain the current policy rather than taking the unnecessary and disruptive step of prohibiting families from receiving credit for a utility allowance in excess of their expenses.

Congress Could Add Other Important Reforms to HOTMA

HOTMA would make important improvements to the rental assistance programs, and Congress should move promptly to enact them (with the modest changes recommended above). Congress could strengthen HOTMA further by adding other provisions with a history of bipartisan support.

- **Strengthening the Family Self-Sufficiency (FSS) Program.** FSS encourages work and saving among voucher holders and public housing residents through employment counseling and financial incentives. Senators Jack Reed (D-RI) and Roy Blunt (R-MO) introduced the Family Self-Sufficiency Act in 2013 making improvements to FSS, and AHSSIA and SEVRA included similar (though not identical) provisions.

  Most importantly, Congress should establish a stable formula to allocate funds to cover administrative costs of FSS programs. This formula would replace a competitive process that has made funding unpredictable and disrupted administration of local FSS programs. Congress should also make project-based Section 8 residents permanently eligible for FSS (which would build on a provision in the 2015 HUD Appropriations Act making them eligible on a temporary, one-year basis) and adopt other reforms included in previous bipartisan bills.

- **Protecting against arbitrary screening of housing assistance recipients.** Housing agencies and owners must screen housing assistance applicants based on several federally required criteria, and can opt to establish additional criteria. HOTMA omits provisions in AHSSIA and SEVRA making several improvements to the screening process for the HCV program, including limiting optional screening criteria to those directly related to the family's ability to meet the obligations of the lease and requiring housing agencies to consider mitigating factors before denying assistance. These important improvements would prevent, for example, denial of assistance to a family with a record of paying rent on time but (like many poor families) a weak credit history for other reasons. They also would make it easier to provide housing vouchers to homeless people and others with an urgent need for assistance who today might be denied help for arbitrary reasons.

  HOTMA also leaves out a provision from both AHSSIA and SEVRA that adds an important protection for families shifted to vouchers from public housing or HUD multifamily programs due to the elimination of assistance through those programs for the property where they live. AHSSIA and SEVRA recognized that such families are not new to HUD assistance and should be considered continuing participants rather than new applicants subject to initial screening. This change would protect families and reduce agencies' administrative burdens.

Conclusion

HOTMA would build on the many strengths of federal rental assistance through measured, targeted improvements that, taken together, would deliver important benefits to housing agencies, private owners, and low-income families. A number of its provisions have received broad support for nearly a decade. The nation needs its housing assistance programs to be as efficient and effective as possible, and HOTMA would take major steps toward that goal. Congress should enact these reforms promptly.

Testimony of Hilary Swab Gawrilow
CSH
House Financial Services Committee, Subcommittee on Housing and Insurance
"The Future of Housing in America: Federal Housing Reforms that Create Housing Opportunities"
October 21, 2015

Thank you Chairman Luetkemeyer and Ranking Member Cleaver for giving me the opportunity to testify on behalf of the Corporation for Supportive Housing (CSH). I have worked on affordable housing policy for ten years, focusing on improving existing programs to better serve extremely low-income households.

CSH is supportive of H.R. 3700, the Housing Opportunity Through Modernization Act. The bill encompasses many changes to HUD programs that CSH has supported in previous bills. I will focus my testimony on the changes that Section 106 makes the PHA Project-Based Voucher assistance and the changes Section 110 makes to the Family Unification voucher program.

CSH is a national nonprofit organization that helps communities develop supportive housing and reorient systems to improve resource allocation to create and sustain evidenced-based solutions that assist extremely low-income households achieve stability through housing and services. Through CSH's technical assistance and training and our Community Development Financial Institution (CDFI) has helped communities create and develop supportive housing for populations with substance use addiction, mental health illness, homeless veterans, families involved with child welfare, individuals exiting the criminal justice system and homeless young adults. Supportive housing is affordable housing combined with stabilizing services to help families and individuals address their disabling conditions while living in safe apartments.

Section 106, PHA Project-Based Voucher Assistance:

The Project-Based Voucher (PBV) program is a valuable tool to create housing for higher-need populations who need supportive services in order to remain stably housed. PBVs help owners leverage outside financing to create and maintain affordable housing in their community, it promotes income-mixing and provides tenants mobility options as their housing and service needs change.

The project-base voucher program is not only a critical supportive housing development tool, but it creates housing opportunities for individuals and families that have high barriers to accessing stable, affordable housing. But PHAs like the Columbus Metropolitan Housing Authority, are using the project-based vouchers to create supportive housing units for individuals with high barriers to housing, including homeless families and individuals and those with chronic mental health conditions. The St. Paul Public Housing Agency in Minnesota has 259 project-based voucher units under contract that served households that have experienced homelessness, including homeless young adults who have exited foster care and homeless individuals recovering from chemical dependency.

H.R. 3700 allows PHAs to serve additional high-need households, including homeless households, persons with disabilities and seniors by modifying the percentage limitation of authorized vouchers a PHA can project-base. The bill enable PHAs to provide an additional 10 percent of its authorized vouchers as project-based assistance to serve homeless individuals and families, veterans, households with persons with disabilities or to create affordable housing in high-cost, low-vacancy areas. This change will facilitate increased development of supportive housing units for higher-need populations and also promote community partnerships between the PHA, local Continuum of Care (CoC) and service providers.

Additionally, H.R. 3700 would explicitly allow PHAs to project-base HUD-Veterans Affairs Supportive Housing (HUD-VASH) and Family Unification program (FUP) vouchers. CSH supports this change and believes that it will enable PHAs to create dedicated affordable units within their community to serve homeless veterans and families with child welfare involvement or youth that have left foster care. PHAs that administer these two special purpose voucher programs should be able to respond to the affordable housing needs of these targeted populations, as they are able to do with regular Housing Choice Vouchers.

Finally, the project-base voucher provisions modify the income mixing requirements to better reflect the rental housing needs in a given housing market. For example, most multifamily rental housing properties located in rural communities are small properties. Under the current income mixing requirements, a small rural property that has eight units would only be allowed to have two project-based vouchers serving extremely low-income households. This restriction would be the same for housing in low-poverty areas. The bill makes important changes that would create additional affordable housing opportunities in low-poverty areas and also make it easier to develop affordable rental housing in rural communities with project-based vouchers.

Section 110, Expanding the Family Unification Program (FUP)

The Family Unification Program (FUP) is an important tool that serves families that have involvement with the child welfare system and young adults that have left foster care. In 2014, nearly 23,000 young adults age out of foster care. One in five youth that age out of foster care will experience homelessness within a year after leaving care and one in four become involved in the justice system within two years of leaving care.[1] The vouchers for youth that have left care can provide a stable housing solution as they transition to independence. However, the current limitations on the vouchers targeting youth that have left care can make it difficult for a young adult to find housing, for a PHA to administer the voucher and may not provide adequate time for young adults to engage in meaningful service programming that will result in independent living and future housing stability.

We greatly appreciate your consideration of modifications to the Family Unification program in order for it to be a more effective tool for transition age youth and support the proposed changes to Section 110 of H.R. 3700:

- Extending the age eligibility for FUP vouchers that serve young adults leaving care from 21 to 24;
- Extend housing assistance for youth receiving the FUP voucher from 18 to 36 months;

[1] *Statistics on Foster Care*, Foster Club, accessed on October 20, 2015, https://www.fosterclub.com/article/statistics-foster-care

- Allow FUP voucher assistance to begin 90 days prior to a young adult leaving foster care (either through emancipation process or aging out), and incorporate the assistance into young adults' transition plan to reduce lapses in housing;
- Including language requiring HUD and HHS to issue joint guidance to both PHAs and PWCAs (public child welfare agencies) on how to improve the referral process for the FUP voucher and identify eligible recipients of FUP, align program goals and reduce lapses in housing for young persons that have been involved in foster care; and

The underlying bill would extend eligibility for 16 and 17 year olds that have left foster care. CSH has expressed concern about this provision and greatly appreciates Chairman Luetkemeyer's consideration of alternative language that would further the goals of reducing lapses in housing for young adults leaving state care and improving FUP voucher utilization for transition age youth.

Finally, the Family Unification program has great potential to significantly reduce the placement of children into the foster care system and reduce the number of days that children are separated from their families. By addressing the housing and service needs of homeless families that are involved with child welfare, there is the potential of preventing future adult homelessness and saving millions of dollars to the child welfare system. Many studies have illustrated the relationship between being in out-of-home care as children or youth and being homeless later in life.[2] In the current, *Supportive Housing for Child Welfare Involved Families Demonstration* funded by the Administration on Families and Children, 22 percent of the families in the supportive housing treatment group had foster care involvement as children and later became homeless adults with children. We also know that the cost of homelessness far exceeds the cost of supportive housing as an intervention. In CSH's *Keeping Families Together,* a supportive housing intervention for 29 families that had continued involvement with child welfare, the avoided costs of foster care and shelter utilization offset 97% of the costs associated with the supportive housing.[3] Another evaluation of a family supportive housing program in Sacramento, California found that county child welfare costs were reduced by over $1 million because of the reduction in out-of-home care.[4] This is a perfect example of where a small investment in a housing program can produce large increases in savings to other crisis systems.

Conclusion

H.R. 3700 incorporates many provisions that have enjoyed broad supported by a vast group of housing stakeholders. The bill makes important changes to existing programs that will make it easier for housing providers to serve higher-need households and increase housing opportunities for extremely low-income individuals and families. CSH looks forward to working with the Chairman and Ranking Member, as well, as the rest of the House Financial Services Committee to pass this important piece of legislation.

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[2] *Supportive Housing for Homeless Families: Foster Care Outcomes and Best Practices,* Sierra Health Foundation and Cottage Housing Incorporated (May 2013).

[3] *Is Supportive Housing a Cost Effective Means of Preserving Families and Increasing Child Safety?* Cost Analysis of CSH's *Keeping Families Together Pilot* (November 2010), http://www.csh.org/resources/keeping-families-together-cost-analysis

[4] Sierra Health Foundation and Cottage Housing Incorporated (2013), page 2.

Testimony of Kevin Kelly

President, Leon N. Weiner & Associates, Inc.

On Behalf of the

National Association of Home Builders

Before the

House Financial Services Committee

Subcommittee on Housing and Insurance

Hearing on

"The Future of Housing in America: Federal Housing Reforms that Create Housing Opportunity"

October 21, 2015

Introduction

Chairman Luetkemeyer, Ranking Member Cleaver and members of the Subcommittee, I am pleased to appear before you today on behalf of the National Association of Home Builders (NAHB) to share our support of H.R. 3700, the *Housing Opportunity Through Modernization Act of 2015*, which provides common sense bipartisan fixes to important affordable housing programs. My name is Kevin Kelly, and I am a multifamily builder/developer from Wilmington, Delaware, and NAHB's Immediate Past Chairman.

NAHB represents over 140,000 members who are involved in building single-family and multifamily housing, remodeling, and other aspects of residential and light commercial construction. NAHB's members construct approximately 80 percent of all new housing in America each year, and many of our builders rely on the programs of the Department of Housing and Urban Development (HUD), (primarily those involving the Federal Housing Administration, FHA) and the U.S. Department of Agriculture's Rural Housing Service (RHS) to help provide decent, safe, and affordable single-family and multifamily housing to many of our fellow citizens.

Background

All families deserve a decent, safe and affordable place to call home. We strongly support sensible policies to facilitate homeownership, increase the supply of quality rental housing and provide rental assistance to low-income households. This bill makes reasonable changes to HUD and RHS programs to advance those goals.

Even though most families still aspire to buy a home of their own, this dream is more difficult to achieve today than in the past. Most newly formed households are just beginning their careers and do not have large downpayments or high credit scores. Restrictive underwriting standards have placed mortgages even further out of reach for such families. Student debt responsibilities and lower starting salaries and wages compound the challenges facing younger individuals making it even more difficult for them to transition to homeownership without access to affordable opportunities.

In addition to normal underlying housing demand, NAHB estimates that two million households did not form during the recession, and they represent additional pent up demand that will come to the housing market as the economy improves and hiring returns to more normal levels. Many of these individuals either did not form an independent household or they returned to live with their parents, relatives or friends after losing their job or experiencing a significant reduction in income. NAHB expects these individuals to be in the market to rent an apartment or buy a home as the economy expands.

In the multifamily housing business, affordability is a serious problem for families hoping to rent a quality apartment. An estimated one in four working renter households spends more than half of their income on housing. Similarly, NAHB's own research shows that rents are rising faster than the rate of inflation and wage growth. And even though the need for rental assistance is

high, only about one in four families who qualify for federal rental assistance actually receive such assistance.

This legislation, as well as the request by Rep. Hensarling, Chairman of the House Financial Services Committee, for public input into HUD and RHS programs, comes at a time when both demand for housing and affordability concerns are increasing. NAHB will address many of the broader HUD and RHS issues and concerns in our response to Chairman Hensarling, however, this bill is the first step in addressing many of the vital program changes that NAHB has long supported.

While much work remains to be done on the larger issues of affordability and housing finance reform, NAHB commends this effort to move bipartisan, consensus proposals to improve affordable housing programs administered by HUD and RHS. In fact, a number of the provisions I will highlight in my testimony have been included in various NAHB-supported housing bills from previous Congresses. NAHB looks forward to working with the Subcommittee to advance H.R. 3700.

Title I- Section 8 Rental Assistance and Public Housing

NAHB has long-supported the Section 8 Housing Choice Voucher (HCV) and Project-Based Rental Assistance (PBRA) Programs. Over the years, these programs have been saddled with too many inefficient and duplicative regulations and requirements. NAHB supports the common sense approach in Title I to reduce the overlapping and redundant procedures that have made the Section 8 programs unnecessarily burdensome for tenants, private owners and public housing agencies.

The HCV program is the federal government's major program for assisting very low-income families, the elderly and persons with disabilities to afford decent, safe, and sanitary housing in the private market. The HCV program currently provides rental assistance to about 2.2 million households. The program serves the most economically vulnerable families in the country; many families assisted by the program formerly experienced worst-case housing needs and, without the benefit of this program, would be at immediate risk of homelessness. Of the families currently receiving HCV assistance, 76 percent are extremely low-income, with incomes at or below 30 percent of the area median income, 36 percent have a disabled head of household, and 24 percent are elderly. The average gross income of voucher families is $13,138.

The HCV program is administered locally by approximately 2,300 Public Housing Agencies (PHAs). A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice, including single-family homes, townhouses, and apartments, provided that the owner agrees to rent under the program (provided the rental unit passes a Housing Quality Standards (HQS) inspection performed by the PHA).

Participating families may subsequently choose to move to another unit, neighborhood or community without losing their rental assistance. HCVs can also be leveraged to build or rehabilitate additional affordable housing, which is a necessity in today's tight rental markets.

We applaud Section 101, which streamlines inspection requirements in the HCV Program. Two very important provisions will assist voucher holders in tight rental markets by allowing them to move into their units more quickly. The general requirement that units must be inspected prior to initial payment is modified in two ways to facilitate speedier occupancy.

First, H.R. 3700 gives PHAs discretion to make initial subsidy payments to owners when a unit does not pass the initial inspection, so long as the failure was due to a "non-life threatening condition." All such defects must be corrected within 30 days of initial occupancy.

Second, a PHA may allow a family to occupy a unit prior to inspection if the property has met housing quality and safety standards during the previous 24 months under a federal housing program inspection standard that is at least as stringent as the voucher program's HQS. These provisions will also remove some of the disincentives to participate in the HCV Program for owners who would have to leave their units vacant and lose rental income while waiting for the PHAs to complete inspections.

Section 102 would allow income recertification for families on fixed incomes to occur every three years rather than annually, as current law requires. This relief would apply to public housing, Section 8 PBRA and HCV residents whose income does not vary much from year-to-year. Eligible families must have at least 90 percent of their income as fixed income, which includes Supplemental Security Income, Social Security, pension payments or other periodic payments that are the substantially the same amount from year to year. If the resident self-certifies that the sources of income have not changed since the previous year, the owner or PHA will adjust the previous year's income by an inflation factor. This will reduce the administrative burdens of housing providers and tenants alike, particularly for elderly or disabled residents.

Additionally, we support Section 106, which helps facilitate the use of project-based vouchers in Low Income Housing Tax Credit projects by allowing public housing agencies to extend the contract term for Project-Based Vouchers from 15 to 20 years.

Section 107 includes important language that will protect HCV residents from displacement due to fluctuations in the Fair Market Rent (FMRs). The subsidies PHAs pay to housing providers who rent to HCV residents are determined by the payment standard. PHAs set their payment standards at 90 percent to 110 percent of FMRs for that area. When an FMR increases, the allowable range for the payment standard also increases.

Likewise, when the FMR falls, the allowable range of the payment standard is reduced. The bill includes an important "hold harmless provision" for families that might otherwise lose their housing as a result of a decrease in the FMRs and payment standards. This section provides that a public housing agency will not be required to reduce any payment standard for a unit based on the fair market rent determination if the family occupying the unit before the analysis continues to reside in the unit.

Title II- Rural Housing

NAHB also supports the vital changes Title II brings to Rural Housing programs.

The Rural Housing Service (RHS) Section 502 Single Family Housing Loan Guarantee Program provides well underwritten loans to low-and moderate-income individuals and families without having to make a downpayment because they may borrow up to 100 percent of the appraised value of the home. Since a common barrier to owning a home for many is the lack of funds to make a downpayment, this program makes the possibility of owning a home a reality for many Americans in rural communities.

Section 201 provides direct endorsement authority for the RHS Section 502 Single Family Guaranteed Loan Program. This change brings RHS's program current with other government loan programs, while providing efficiencies for home buyers, lenders and RHS. These efficiencies are particularly important to attract participants to lend in rural markets.

NAHB also believes it is essential to have a reliable platform to finance preservation of existing multifamily units. Therefore, we welcome Section 202, which would authorize a Multifamily Housing Revitalization Program for properties financed under RHS Section 515 and farm labor housing programs. To ensure that these properties have sufficient resources to provide safe and affordable housing for low-income residents and farm laborers, H.R. 3700 allows the agency to reduce or eliminate interest on the loans, defer loan payments, subordinate, reduce or re-amortize loan debt and provide other financial assistance such as advances, payments and incentives (including the ability of owners to obtain reasonable returns on investment). Moreover, funding for the revitalization program may be used for the Section 542 Rural Housing Voucher Program. When a property leaves the RHS portfolio and coverts to market-rate, the lower rents and Rural Rental Assistance subsidies are no longer available to the tenants. The Rural Housing Voucher Program protects low-income households from displacement when a Section 515 mortgage loan is prepaid.

There continues to be an overwhelming need for affordable housing in rural areas throughout the country. Neither the private nor the public sector can produce affordable rural housing independently of the other. NAHB urges the Subcommittee to consider changes to the Rural Housing Voucher Program that would allow vouchers to be available for residents when a Section 515 mortgage expires. Under current law, when a Section 515 mortgage expires, Section 521 Rental Assistance (RA) also expires. The voucher program is available to residents of projects where the mortgage is prepaid, but eligibility needs to be expanded to cover residents in those properties that will be impacted by expiring mortgages. NAHB supports RHS' efforts to extend or defer the pay-off date for expiring Section 514 and 515 mortgages for owners agreeing to the extensions. NAHB would also strongly support a decoupling of RA contracts, which would allow the RA contract to continue after payment in full.

Title III- FHA Mortgage Insurance for Condominiums

Title III Section 301 would lessen the current FHA mortgage requirements for condominiums by streamlining project certification requirements, altering commercial space requirements to better align with public policy, aligning FHA standards that apply to transfer fees to industry standards and reducing owner-occupancy requirements.

NAHB supports the Title III Section 301 changes. Condominiums are often the most affordable homeownership option for first-time home buyers. In many urban environments, condominiums can be the only viable option available for purchasing a home. When the interest rate environment changes to the upside, affordability will become even more of an issue. Reducing these restrictions will assist first-time home buyers and condominium owners who want to sell their condo and move up to a single-family detached home. Condominiums are critical to the natural progression of homeownership and provide affordable solutions. The Section 301 changes better reflect home buyer and market needs for access to safe and affordable mortgage credit while responsibly managing risk to FHA's Mutual Mortgage Insurance Fund.

Title V- Miscellaneous

Title V provides necessary changes to the Low Income Housing Preservation and Resident Homeownership Act of 1990 (LIHPRHA) in Section 502. These changes would release the limitation on an owner's access to equity while continuing the preservation of the property.

Section 504 includes language ensuring that homes funded through the Self-Help Homeownership Opportunity Program (SHOP) remain energy efficient, without imposing new burdensome energy efficiency regulations that would negatively impact affordability. Energy efficiency standards have been used to improve the performance of homes, however, they have historically focused on consumers – helping them reduce their utility bills with affordable home improvements. More recently, these standards have become overly expensive and restrictive. Any new regulations affecting housing programs, including those promoting energy efficiency, must always be balanced with affordability.

Impact of Executive Order 13690 on Housing Affordability

NAHB supports H.R. 3700 and commends the Subcommittee as it pursues necessary and common sense changes to key housing programs upon which so many Americans rely. However, I would be remiss if I did not express concerns regarding decreased housing affordability that will result along the nation's rivers and coasts once HUD begins to implement Executive Order 13690 and the new Federal Flood Risk Management Standard (FFRMS).

The FFRMS expands floodplain management requirements, including floodplain avoidance, mitigation, and increased elevation and resilience standards, far beyond the long-established 100-year floodplain limits for all federally-funded projects. While protecting federal investments and tax payer dollars makes sense, HUD has indicated it will apply the new flood risk management standard to multifamily projects using FHA-backed loans for new construction and substantial rehabilitation as well as Community Development Block Grants (CDBG) and HOME grants. However, HUD has not mapped the geographic limits of the floodplains or analyzed the costs and benefits of implementing the new standard. Without maps of the regulatory floodplain, builders and developers using HUD products and programs will face unnecessary uncertainty as they plan multifamily projects. Moreover, if a project triggers the expanded flood risk management requirements, project time requirements and costs will undoubtedly increase. These delays and increased construction costs pose a serious threat to housing affordability in communities anywhere near the water.

To avoid undermining the many positive outcomes H.R. 3700 will have on housing affordability, NAHB believes that HUD must first take a number of important steps before implementing the FFRMS. At a minimum, HUD should develop and release for public comment a cost/benefit analysis associated with the new standard and identify the floodplain area for which future HUD actions must comply. Provided HUD takes these necessary first steps, future rulemaking should only proceed through tailored application of the Executive Order to HUD programs as permitted by the order itself and the recently finalized Implementation Guidelines. We strongly urge HUD to use any and all flexibility afforded by the final Implementation Guidelines when implementing the order to ensure that its regulations do not make construction or substantial rehabilitation of HUD-financed or HUD-assisted multifamily housing cost-prohibitive. In particular, HUD-financed housing, both single- and multifamily, should be exempt from the expanded FFRMS requirements as these projects are not "federally-funded."

Conclusion

NAHB thanks the Subcommittee for the opportunity to testify in support of H.R. 3700. NAHB appreciates that this bill seeks to facilitate greater private-sector participation within affordable housing programs.

Whether they rent or own, Americans want to choose where they live and the type of home that best meets their needs. NAHB thanks the Chairman and this Subcommittee for their leadership on this important issue, and stands ready to work with you to achieve necessary reforms and expand the availability of affordable housing.

"The Future of Housing in America: Federal Housing Reforms that Create Housing Opportunity"
Wednesday, Oct. 21, 2015

Testimony of Stephen W. Merritt
Executive Director, Norwood Housing Authority (Norwood, Mass.)
President, National Association of Housing and Redevelopment Officials

Chairman Luetkemeyer, Ranking Member Cleaver, and Members of the Housing Subcommittee, thank you for the opportunity to appear before you this afternoon. My name is Steve Merritt and I am the Executive Director of the Norwood Housing Authority in Norwood, Massachusetts.

The Norwood Housing Authority provides decent, safe and affordable housing to over 800 low- and very low-income families and senior citizens assisted under the Section 8 voucher program, the Public Housing program and similar programs funded by the Commonwealth of Massachusetts. Norwood is like many towns and small cities around the country. With a population of about 27,000 people, it struggles with an ever-decreasing supply of affordable housing for families, seniors and persons with disabilities. While the NHA strives to provide such housing, there are people on our wait lists that we will never be able to assist.

It is also my honor to serve as the President of the National Association of Housing and Redevelopment Authorities (NAHRO). We represent housing authorities and redevelopment agencies across the country whose mission it is to provide quality, affordable housing for our nation's most vulnerable citizens.

Chairman Luetkemeyer, I want to thank you for moving forward aggressively with the Housing Opportunity Through Modernization Act of 2015 (HR 3700). The legislation contains responsible and pragmatic recommendations that I believe will enable housing authorities across this country to work more efficiently to maximize the impact of limited federal dollars. This bill is an important step forward on issues we have debated for years, discussions that have resulted in many well-intended pieces of legislation that unfortunately have never been enacted.

In my testimony, I will explain the budget constraints that make this bill so critical, highlight the portions of the legislation that are particularly helpful to myself and colleagues, and make any recommendations I think are necessary to strengthen the intent of the bill.

The Housing Opportunity Through Modernization Act is needed now more than ever. Recent budget cuts and sequestration have had a significant impact on the Norwood Housing Authority and my ability to serve my residents. My NAHRO colleagues from across the country have had similar experiences.

HUD's Public Housing program is a critical resource for low-income families, the elderly, and persons with disabilities. Public Housing has seen drastic cuts in both the Operating and Capital Fund. In 2015, PHAs received only 86 cents per dollar needed to meet funding eligibility. The Public Housing Capital Fund has only provided enough funding to cover 50 percent of annual

modernization and maintenance costs. As a result of this budget reality, PHAs have been required to attempt to do more with less, just to maintain a modicum of proper management principles. The Housing Opportunity Through Modernization Act would provide much-needed administrative relief that would help ensure PHAs can continue to meet the needs of their local community.

HUD's Section 8 rental assistance programs are also essential to the nation's commitment to providing low-income American families with access to affordable housing options. The largest of these programs, the Section 8 Housing Choice Voucher (HCV) program, provides assistance that allows nearly 2.2 million low-income families to rent privately-owned units in the location of their choosing. The flexibility of the program is a key element to its success in helping vulnerable and low-income populations – families, seniors, persons with disabilities, households displaced by disasters, homeless veterans, and children aging out of the foster care system – to live stable and independent lives.

Funding for the HCV program is appropriated through two accounts. In addition to the pass-through grants that PHAs send to landlords on behalf of program participants, Congress also funds an account for administrative fees to support the operations of the program, intended to reimburse PHAs for the costs of administering the program for each family under lease. While Congress has provided largely adequate funding for the vouchers themselves in recent years (with notable exception of the FY 2013 sequestration), funding to support administration of the program has fallen to dangerously inadequate levels. Between 2003 and 2014, the proration for administrative fees has fallen to 67 percent, while the regulatory and administrative demands of PHAs have continued to rise.

These cuts have forced PHAs to lay off staff, enact hiring freezes and impose furloughs, resulting in increased caseload sizes and straining PHAs' ability to remain in compliance with HUD's myriad regulations. These cuts also have consequences for the low-income families the voucher program serves, including a reduction in the level of services provided to participants. In worst-case scenarios, these cuts have forced many agencies to end their participation in the voucher program.

In response to the uncertainty around the HCV program, at my authority we adjusted our allowable rent levels from 110 percent down to 100 percent of HUD-issued Fair Market Rents (FMRs) to avoid the potential need to terminate families from the program. While this was effective then, what is happening today is that families that are now receiving the opportunity to receive a voucher are not able to find apartments that meet the FMR levels in our area. This results in a great administrative hardship, since approximately one of every three families that we prepare for lease up are able to do so.

The situation is dire for many housing authorities, but the Housing Opportunity Through Modernization Act provides much-needed administrative relief. Specifically, these provisions of the bill will be particularly helpful to my colleagues and me as we try to do more with less and continue to meet the needs of our residents:

- Section 102 provides some relief from burdensome and costly administrative requirements relating to income reviews. This language mirrors the Tenant Income Verification Act of 2015 (HR 233) introduced by Congressman Ed Perlmutter of Colorado and Congressman Steve Stivers of Ohio that would permit recertification of fixed-income households every three years. The importance of this provision is particularly evident now, as the Social Security Administration announced last week that there would be no Cost of Living Allowance adjustment to the Social Security payments to our nation's seniors. Reducing the number of administratively intensive income recertifications PHAs are required to perform will free up time and resources that can be directed towards other more meaningful tasks. The provision eliminating verification and recordkeeping requirements for excluded income will also reduce the administrative burdens associated with income calculations. I also believe that setting reasonable thresholds for interim recertifications will streamline program administration while protecting resident interests. Similarly, allowing PHAs to offer payment standards up to 120 percent of FMR as a reasonable accommodation for a person with a disability without having to seek a waiver will allow PHAs to serve these households in a more timely fashion. Finally, I am grateful for the inclusion of a provision that would allow PHAs to rely on approved income verifications from other federal means-tested programs. Together, these reforms will substantially reduce the workload associated with income verifications. The House has already approved these provisions in the Tenant Income Verification Act. Unfortunately, the Senate has not yet acted on companion legislation, but the Housing Opportunity Through Modernization Act gives us another important opportunity to move forward.

- Because of time constraints related to the use of Public Housing Capital Funds, housing authorities are prohibited from managing their limited dollars in accordance with the repair needs of their properties and has also affected our ability to responsibly plan for future requirements. Other federal programs, and certainly the private sector, know the importance of creating a replacement reserve, but public housing has not had that same opportunity. It makes good sense to allow PHAs to plan and save for the future, particularly given the backlog in deferred capital needs that currently exists in the Public Housing program. At the Norwood Housing Authority we have struggled with this issue several times, as we have found it necessary to use Capital Fund program funds from up to three different grant years to modernize critical building systems such as the heating systems. Contracts for this work cannot be signed until the financing is in place. This puts housing authorities in a difficult position, given the "obligation" time to which we are now required to adhere. Your colleagues in the Senate on the Appropriations Subcommittee for Transportation, Housing and Urban Development have included language to create a replacement reserve in their FY 2016 bill, and I strongly support that effort. However, this is a matter for the authorization committees of Congress to address as well. That is why my colleagues and I are so pleased to see similar language in HR 3700. Additionally, I am encouraged by the language increasing the flexibility for PHAs to transfer funds from one funding stream to another, allowing PHAs to better target their available resources to their communities' most pressing needs. This would absolutely improve the ability of local housing authorities to better manage their building operations.

- Enabling more families and young people to be assisted under the Family Unification Program (FUP) certainly makes sense. FUP vouchers provide important support for youth aging out of foster care and for families who would face separation if not for the availability of the voucher. Lengthening the timeframe for emancipated youth to benefit from these vouchers affords these participants increased opportunities to stabilize their lives and transition to self-sufficiency.

- Increasing the percentage limitation on the use of project-based vouchers (PBVs) to enable housing authorities to create more affordable housing is a very positive development in the legislation. Project-basing vouchers will allow PHAs to develop new hard units of housing to serve special populations and create housing opportunities in areas where vouchers may not otherwise be usable. The bill also provides PHAs more flexibility to use PBVs to preserve existing housing and protect residents from dislocation. I'd like to thank the full Committee Ranking Member Maxine Waters of California for taking the initiative on this and for crafting legislation that is now found in this bill. These changes will help a lot; it is a bipartisan solution that will enable us to serve more families in need.

- Language governing the parameters for the continued occupancy of over-income families gives us a starting point to work on together. I share the Congress's interest in ensuring that resources are directed towards housing those most in need, and I appreciate the bill's recognition that a responsible policy must provide residents with a smooth transition to self-sufficiency. I am concerned, however, that the proposed policy would require PHAs to take on substantial new administrative burdens. NAHRO would like the opportunity to provide you with our insights on some of the more technical aspects found in the bill on these issues. These include revising policies relating to continued occupancy by over-income households in public housing by:

  1) Setting a threshold for over-income households that is reasonable but does not create additional and costly administrative burden for PHAs;
  2) Allowing PHAs to exercise discretion to either terminate tenancy of impacted households, or charge the greater of either 30 percent of the household's adjusted income or the subsidy for the unit, whichever is greater;
  3) Providing the Secretary with authority to approve waivers in communities where an insufficient stock of appropriate and affordable housing is available in the private market, and;
  4) Maintaining provisions allowing small PHAs to preserve public housing by renting to over-income households where no eligible households are on the waiting list as specified in Section 3(b)(4) of the Housing Act of 1937.

  These revisions to the language governing the parameters for continued occupancy of over-income families would limit administrative burden on PHAs while still ensuring that resources are directed toward housing those most in need. We look forward to working with you on these suggestions.

- The bill also makes great strides towards the elimination of unnecessary statutory barriers that prevent qualified PHAs and local redevelopment authorities (LRAs) from accessing federal funds that provide assistance to homeless individuals. Since PHAs and LRAs are often at the forefront in addressing the needs of those that are (or may become) homeless, many Emergency Solutions Grant (ESG) entitlement communities would like to see PHAs and LRAs act as ESG subrecipients. Section 402 of the bill provides PHAs and LRAs with such an ability. We applaud you for including this long-overdue provision.

- Finally, the Housing Opportunity Through Modernization Act takes steps to improve program integrity by streamlining and simplifying other elements. Section 101 of the bill provides PHAs with additional flexibility to bring new units into the tenant-based voucher program, increasing the housing options available to program participants. Language in Section 102 would decrease the administrative burdens placed on PHAs as part of the income calculation process without shifting undue cost burdens on to program participants. Language in Section 108 instructing HUD to gather and disseminate nationwide data on utility costs would reduce the burdens placed on PHAs and improve the accuracy of utility allowances provided to residents.

Mr. Chairman, I appreciate and support many aspects of the Housing Opportunity Through Modernization Act as written. I also hope that you will consider the above recommendations on changes and technical fixes that could strengthen the underlying intent of several sections of this otherwise strong legislation.

Over the past 10 years, leaders and members of NAHRO alike have implored congressional leaders to find common ground on many of the provisions contained in the Housing Opportunity Through Modernization Act. I would like to echo those sentiments as NAHRO's newest President and as a practitioner with more than 32 years of experience in the housing industry. NAHRO and I stand ready to assist you as best we can, and we thank you for your work to help us serve our residents better.

Chairman Luetkemeyer, Ranking Member Cleaver, let's do what we can together to move forward. I am happy to answer any questions you may have.

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CHRIS POLYCHRON
2015 PRESIDENT
NATIONAL ASSOCIATION OF REALTORS®

BEFORE THE

HOUSE FINANCIAL SERVICES COMMITTEE
SUBCOMMITTEE ON HOUSING AND INSURANCE

HEARING TITLED

THE FUTURE OF HOUSING IN AMERICA: FEDERAL HOUSING REFORMS THAT CREATE HOUSING OPPORTUNITY

OCTOBER 21, 2015

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INTRODUCTION

Thank you for the opportunity to testify today. My name is Chris Polychron. I am the 2015 President of the National Association of REALTORS®. A REALTOR® for 27 years, I am an executive broker with 1st Choice Realty in Hot Springs, specializing in residential and commercial brokerage.

NAR is pleased to support H.R. 3700, the "Housing Opportunity Through Modernization Act of 2015." This bill contains a number of provisions that NAR supports and will help expand housing opportunities at all levels. I would like to share NAR's views of condominiums, rural housing, and Section 8 housing.

Specifically, NAR strongly supports Title III, on FHA condominiums. Condominiums often represent the most affordable options for first-time homebuyers. Yet, FHA has a number of significant restrictions that prohibit many buyers from purchasing a condo, despite their strong performance in the FHA Mutual Mortgage Insurance Fund (MMIF). H.R. 3700 includes changes to FHA policies that will give current owners and potential buyers of condos access to more flexible and affordable financing opportunities and a wider choice of approved condo developments.

NAR is also pleased to support Title II, Rural Housing. The programs of the Rural Housing Service (RHS) of the Department of Agriculture are critical for millions of Americans who live in rural communities. Nearly 20 percent of the U.S. population lives in rural areas or small towns. Finding safe affordable housing remains a challenge in these areas, where rental housing is often lacking and access to mortgage financing is challenging. The Association supports the legislation which will streamline the processes of Section 502 single family guaranteed loans, providing easier access to mortgage credit for rural families. NAR also supports H.R. 3700's provisions related to rural rental housing. Preserving affordable multifamily units is rural communities is of vital importance. This legislation creates additional tools for RHS to retain these units.

Lastly, NAR supports Title I of the bill related to Section 8 Housing, as well as Section 502 of the bill. Federally assisted rental housing programs are struggling to meet the high number of America's low income families in need. Without more flexibility in the programs, families are often unable to find any housing at all. H.R. 3077 provides reforms to programs that will provide greater housing opportunity for residents, by allowing housing authorities to respond to market demands in their area; and will streamline burdensome requirements on property owners and managers. Without such flexibility, vouchers go unused, and families are forced to remain in sub-standard housing.

I would like to provide more details on the Association's views related to these issues.

FHA CONDOMINIUM POLICY

Condominiums are often the most affordable homeownership option for first time buyers, small families, single people, urban residents, and older Americans. Unfortunately, current FHA regulations prevent buyers from purchasing condominiums, harm homeowners who need to sell their condominiums, and limit the ability of condominium projects to attract resident buyers. Rules

were tightened in 2009 due to the belief that condominiums are more risky than single family structures; however, current data shows this simply isn't true.

Condominium unit mortgages are the strongest performing loans in FHA's portfolio. The seriously delinquent rate for all FHA loans is 6.96 percent whereas condominiums have a 4.9% percent rate. This is the lowest seriously delinquent rate in the FHA portfolio, as seen in Figure 1.

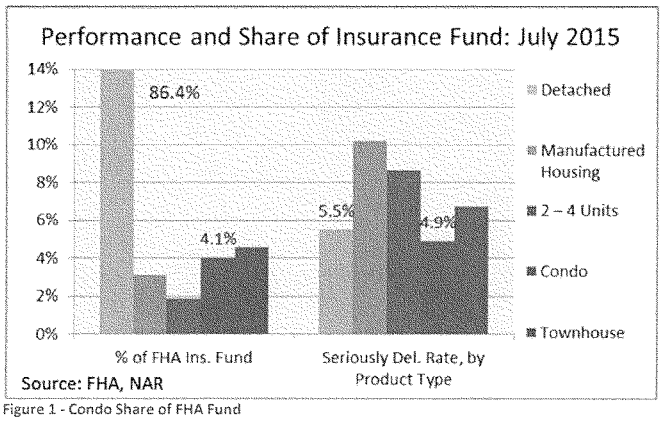

Figure 1 - Condo Share of FHA Fund

Yet despite their strong performance, FHA insures very few. There are over 10 million condo homes in the United States, up over a million units since 2009, but their share of the FHA portfolio is only 4.1 percent. FHA endorsed 81,336 condo mortgages in 2001, but only 22,804 in 2014, as seen in Figure 2.

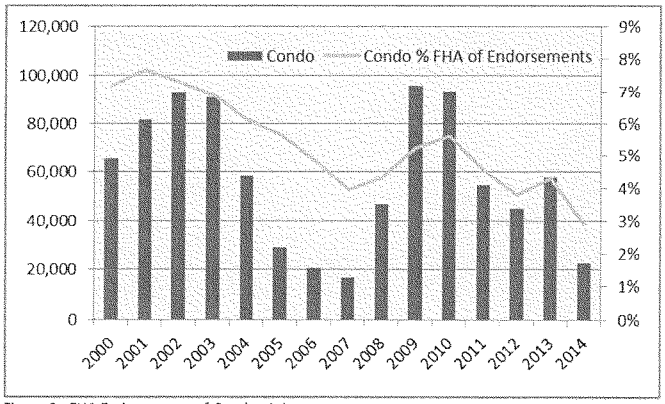

Figure 2 - FHA Endorsement of Condominiums

Nationwide, FHA's approval rate for condominium buildings is very low. The chart in Appendix 1 shows the number of condominiums that have applied for FHA certification across the U.S. Approximately 20 percent of condos that have ever applied are currently approved. And that number does not even take into consideration the number of new condominiums and other buildings that have never applied for certification. The Community Associations Institute (CAI) estimates that there are closer to 111,344 condominium properties nationwide, bringing the percent of condo projects approved by FHA to less than 9 percent.

The gap between the number of insured FHA single family loans and condo loans is growing. As depicted below in Figure 3, prior to the change in FHA's condo policy, the FHA's market share of condos and single family moved closely together, even as the FHA receded from the market at the height of the bubble. Since the policy change, the two market shares have diverged steadily over time with the exception of 2013.

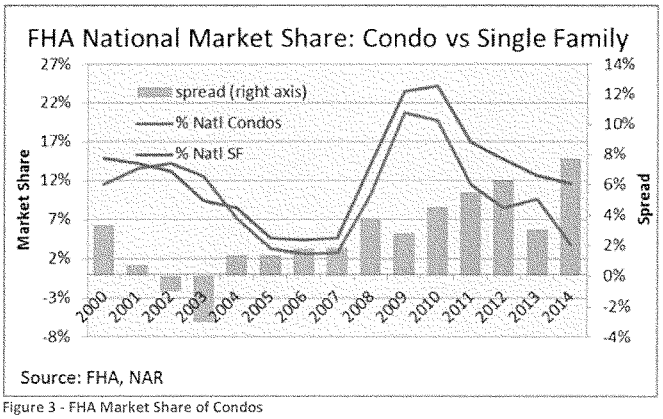

Figure 3 - FHA Market Share of Condos

Condominiums are often the most affordable homeownership option for first time buyers, small families, single people, urban residents, and older Americans. The time needed to save for a down payment can be significantly higher for a single-family home, if FHA condominium financing is not available. These examples in Figures 4-7 illustrate the price difference between single family homes and condominiums.

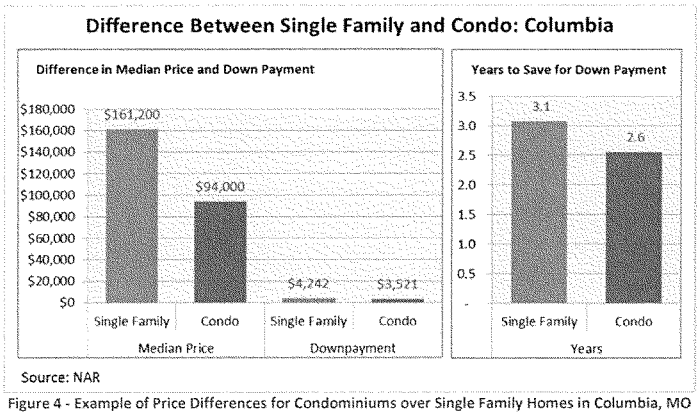

Figure 4 - Example of Price Differences for Condominiums over Single Family Homes in Columbia, MO

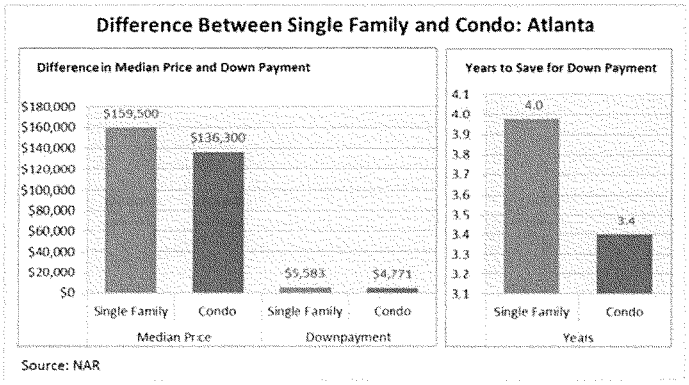

Figure 5 - Example of Price Differences for Condominiums over Single Family Homes in Atlanta, GA

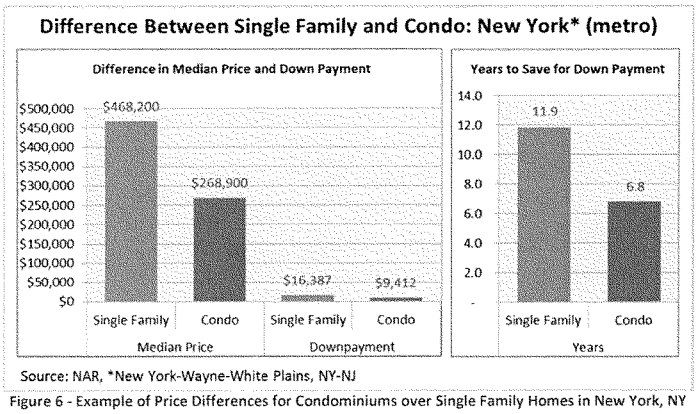

Figure 6 - Example of Price Differences for Condominiums over Single Family Homes in New York, NY

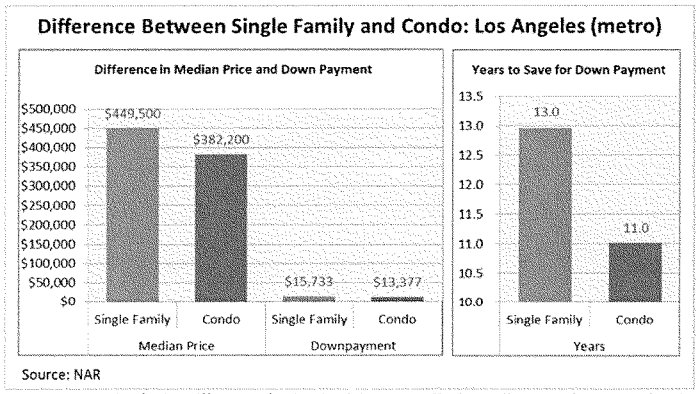

Figure 7 - Example of Price Differences for Condominiums over Single Family Homes in Los Angeles, CA

Appendix 2 further demonstrates this point. This chart shows the median home prices for single family homes and condominiums in major metropolitan areas across the US. As you can see, on average, condos are 27 percent less expensive than single family homes. By dramatically restricting

the number of condos available to homebuyers, FHA is limiting the often most affordable, appropriate choice for some families.

NAR has worked with FHA for a number of years to insure that people who wish to purchase a condominium have access to safe affordable mortgage credit. In 2008, NAR worked with HUD and Congress to move the FHA condominium program out of HUD's 234 multifamily program and into the 203b program, where it more rightly belongs. NAR was assured that this change would allow FHA to ease many of the restrictions on condos that were in place because the loans were treated more like multifamily loans instead of more appropriately as single-family loans. That easing has not happened, and in fact, condominium loans have become more challenging.

FHA last published temporary guidance in November of 2009. The guidance was originally set to expire in December of 2010. Instead, HUD has extended this language for more than 5 years, with only small modifications in 2012. For years NAR has urged HUD to complete the final condominium guidance and case restrictions on condominiums, with no success. REALTORS® are grateful that H.R. 3700 includes a number of these fixes.

Specifically, this bill addresses 4 problem areas:

1) **Certification**

The current FHA "Condominium Project Approval and Processing Guide" is nearly 100 pages. This is overwhelming, especially for smaller properties with volunteer boards. Even for properties with professional management, the process is daunting. The average cost of obtaining the appropriate documents and legal opinions related to the certification process can range between $1,500 and $3,000. Once all documents are successfully submitted, and the requirements are met, a condominium is approved for only two years. In practice, the two year recertification is more often an 18 month certification as many project consultants advise their association clients to begin the recertification process at least six months prior to approval expiration.

This timeframe is often necessary for the condominium to avoid a lapse in certification due to new guideline interpretations or unforeseen circumstances that require substantial action on the part of associations (i.e. amending governing documents). In addition to costs involved, the recertification process requires the condominium to submit a new application with full documentation, an labor intensive process that provides FHA with the same documentation that was submitted to the agency just two years earlier.

H.R. 3700 requires the HUD Secretary to streamline the recertification process for condominiums so that it is "substantially less burdensome" than the original certification process. The bill also urges HUD to consider lengthening the time between re-certifications.

NAR also urges FHA to use an electronic filing system to maintain project documents so that condominium associations only submit documents that have undergone amendment or changes since the project's initial certification. HUD already uses such an electronic filing system in its multifamily assisted housing 2530 approval process. Putting condominiums on this same type of system will increase efficiencies within FHA and improve data accuracy, while eliminating costs for all parties.

Simplification of the certification and recertification processes will increase the number of condominium associations seeking FHA approval. While many condominium association boards believe it is important to have FHA approval, many fail to submit a certification application due to the onerous compliance burdens. Complicated paperwork collection requirements, consultant and attorney fees, the volume of program requirements, and seemingly arbitrary interpretations of program rules create an environment where boards simply do not believe FHA approval is likely.

A condominium association is governed by its residents, which means members of the board of directors are volunteer homeowners. When the approval and recertification process is viewed as burdensome, expensive and complicated, these volunteer community leaders must make the choice of how resources and their time are best spent. When association boards know that 60 percent of condominium associations that seek FHA approval are denied, the decision not to submit an approval package seems prudent. Changes to this process, along with an education program that real estate professionals can provide, will encourage more boards to seek approval, and provide greater housing opportunities to open to homebuyers.

2) Owner-Occupancy Requirement

FHA requires that condominium properties retain an owner-occupancy ratio of 50 percent in order to qualify for certification. However, the agency has provided no measurable rationale for this requirement. In fact, both Freddie Mac and Fannie Mae have no such requirement when the property is being purchased as a primary residence. All FHA borrowers are purchasing a primary residence; their purchasewill only help to boost the association's owner occupancy ratio. In this instance, an owner/occupancy requirement is counterproductive when a property meets all other certification requirements related to financial safety and soundness.

It can be argued this requirement actually hurts the potential viability of condominium properties. If a building cannot be certified by FHA, it is more difficult for sellers of condominium units to find eligible borrowers. Often the seller's only alternative it to turn the unit into a rental, thus further lowering the ratio.

H.R. 3700 does not eliminate the requirement but does reduce the required ratio to 35 percent. This will greatly increase the number of condominium units currently available to FHA buyers.

3) Commercial Space

While HUD continues to espouse the benefits of density and town-center communities, FHA condo guidelines make it very difficult to purchase a condominium in a building with commercial space. Properties with more than 25 percent of commercial space are ineligible for FHA condo certification, unless an exception is provided. This stipulation limits the number of condominium buildings available to credit-worthy borrowers who might want to live in a building closer to retail shops, work or public transportation options. The current policy hinders efforts to build neighborhoods that have a mix of residential housing and businesses with access to public transit that HUD has championed.

H.R. 3700 will streamline the process for exceptions to the 25 percent limit, by allowing the Direct Endorsement Lender to assess and approve exceptions. It also requires this decision to take into

account information about the local economy and building environment. This change will expedite approval of these properties, and conform to the development of many new multi-use communities.

4) Transfer Fees

FHA has a policy that prohibits FHA mortgage insurance on any property that has a private transfer fee covenant. Fees that increase the costs of housing without any added benefit can disenfranchise those who wish to obtain the American dream. NAR opposes such fees. However, the blanket policy used by FHA can greatly disadvantage the millions of homeowners living in community associations, making it much harder for them to sell their homes.

The Federal Housing Finance Agency (FHFA) has previously dealt with this issue, following a thoughtful and lengthy rule-making. FHFA's final rule on private transfer fee covenants establishes a clear, national standard to protect homeowners from equity-stripping private transfer fees while preserving the preeminence of State and local governments over land use standards. FHA should accept a mortgagee's compliance with FHFA's transfer fee covenant regulation as compliance with relevant FHA mortgage insurance program rules, guidelines and requirements. Any additional and potentially conflicting federal standard on transfer fee covenants by FHA will cause confusion in the housing market and require community associations to amend governing documents. NAR believes that those fees that provide a direct benefit to the homeowner and improve the property are legitimate and should be permitted.

H.R. 3700 requires HUD to adopt the policy that was previously debated and resolved by FHFA, and will prohibit only those transfer fees that don't benefit the homeowner and association where they live.

NAR believes that the provisions of H.R. 3700 will give current homeowners and potential buyers of condos access to more flexible and affordable financing opportunities as well as a wider choice of approved condo developments. The Association strongly believes that qualified homebuyers should not be prevented from purchasing a condominium, simply due to unnecessary mortgage restrictions. I will also note that 54 Members of Congress, led by Reps. Fitzpatrick (R-PA) and Ranking Member Cleaver (D-MO) sent a letter this week to HUD Secretary Castro, urging him to make many of these same changes.

RURAL HOUSING

Despite the nation's continuing economic recovery, prospective homebuyers nationwide have found significant barriers to obtaining mortgage financing. Credit standards remain very tight, and those wishing to purchase a home – especially first-time buyers – face many obstacles to finding a safe, affordable home loan. The situation is especially difficult in rural areas, where rental housing is often lacking and access to mortgage finance is challenging.

Housing conditions in rural areas can be inferior to homes in urban or suburban neighborhoods. Housing choices can be limited due to differences in infrastructure requirements, lack of public transit, and access to other amenities. The availability of rental housing is often scarce. The

approximately 7.1 million renter-occupied units in rural communities comprise only 28.4 percent of the rural and small town housing stock[1].

The lack of rental housing means homeownership is frequently the only viable option for rural families. Although homeownership rates are higher in rural areas than the national average, many rural families face significant obstacles to finding safe, affordable, decent housing. According to a report by NeighborWorks, in rural areas, "the housing stock itself varies as greatly as the character of rural areas, but two common trends are that (1) it is overwhelmingly comprised of single-family homes; and (2) a higher percentage of the stock is in substandard condition compared to metropolitan areas."[2] These findings make it even more important to help rural families find quality housing.

The Rural Housing Service (RHS) 502 loan program provides opportunities for homeownership for these families. In 2014, the RHS helped 145,787 rural American families become homeowners, over 95 percent of who were first- time homebuyers. The program includes guaranteed and direct loans. Section 502 loans can be used to build, repair, renovate or relocate a home, or to purchase and prepare sites, including providing water and sewage facilities. The guaranteed loans are funded by private lenders and insured by the RHS.

Today, every 502 guaranteed loan must be approved by staff of the Rural Housing Service. In recent years, RHS staffing has been dramatically reduced, and borrowers are now experiencing significant delays in loan approval. Both the Veterans Affairs loan guaranty and the FHA mortgage insurance program utilize private lenders for direct endorsement. Adding RHS to this approach would create great efficiencies for the Service and for homebuyers. RHS, in turn, would have additional staff time to focus on a strengthened lender monitoring process and risk management.

NAR strongly supports the provision of H.R. 3700 that will provide RHS with direct endorsement authority to ease burdens on the agency and accelerate processing times for borrowers.

Rental housing is also an important need in our rural communities. As already stated, rental housing can be scarce in rural communities, and many of the approximately 2.4 million rural renters have housing problems; the majority of whom are spending more than 30 percent of their incomes for housing. The section 515 Rural Rental Housing Loans are direct, competitive mortgage loans made to provide affordable multifamily rental housing for very low-, low-, and moderate-income families, elderly persons, and persons with disabilities. REALTORS® own or manage many of these units which are critical to many rural housing markets. However, many of these long-term contracts are at or near expiration. RHS needs tools to ensure these housing units are available for needy families.

H.R. 3700 includes provisions to preserve affordable rental housing in rural communities. It provides the Department with flexibility to provide options to borrowers to keep these programs affordable and available to low-income families. NAR supports these provisions.

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[1] Housing Assistance Council, Taking Stock: Rural People, Poverty And Housing In The 21st Century, December 2012

[2] Landscapes of Foreclosure: The Foreclosure Crisis in Rural America, Adam Wodka, The Edward M. Gramlich Fellowship in Community Development, November 2009

Rural families face unique challenges in finding safe, affordable housing. NAR supports the provisions of H.R. 3700 that will make it easier for these families to obtain safe, affordable, decent homes in the communities in which they chose to live, and looks forward to working with you to achieve that goal.

SECTION 8 RENTAL ASSISTANCE

NAR believes that federally assisted-housing programs have proven records for producing and preserving affordable housing. These programs must not only be preserved but also strengthened and provided with significant additional resources. Our members are involved in the ownership and management of Section 8 properties and conventional properties that accept vouchers.

The Section 8 voucher program provides a government subsidy to bridge the gap between a low-income tenant's income and the cost of providing housing, enabling recipients to choose where they want to live. The property operator enters into a contract with the tenant and third party, usually the local housing authority, which pays the portion of the rent above the amount to which the tenant is directly obligated to the landlord, as a rental subsidy, subject to maximum fair market rents for the community. Because of the limited supply of affordable housing, each year tens of thousands of vouchers are returned, unused, to HUD because the families provided the assistance were simply unable to locate affordable housing.

One reason for the deficient supply of available and affordable rental housing is property owners' increasing unwillingness to accept housing vouchers due to the regulatory burdens associated with the program. Participation in the program requires a property owner to sacrifice many private property rights and forces the operator to comply with burdensome government regulations and procedures, which can seriously compromise the performance and financial viability of a property. These disincentives include entering into housing assistance payment contracts; amendments of landlord leases; and compliance with regulations not normally attendant in conventional housing practices. Inconsistencies across housing authorities in the administration of the program further complicate the process.

H.R. 3700 provides a number of provisions designed to streamline the process and ease participation for landlords. The bill will allow tenants in Section 8 properties to occupy their rental unit prior to the PHA inspection, if the property had been inspected in the last 24 months. This will expedite tenancy and eliminate fiscal concerns with the unit remains vacant pending the inspection. The bill also includes the language on certifications from the Stivers/Perlmutter bill that earlier passed the House. This will ease burdens on landlords and tenants alike by lengthening the time between income certifications for tenants on a fixed income. The bill also provides enhanced authority for Section 8 vouchers in Low Income Housing Tax Credit (LIHTC) properties. Lastly, the bill makes some technical changes in the Low-Income Housing Preservation and Resident Homeownership Act of 1990 (LIHPRHA) program that will ensure these units are retained as affordable.

The Section 8 voucher program allows families the freedom to make their own housing choices. However, without more flexibility in the program, families are often unable to find any housing at all. The reforms included in H.R. 3700 will remove some of these burdens, and will provide greater housing opportunity for residents.

CONCLUSION

The more than one million members of the National Association of REALTORS® support H.R. 3700, the "Housing Opportunity Through Modernization Act of 2015." The bill provides a number of important provisions that will help expand housing opportunities, while reducing costs for the federal government and the taxpayer. NAR appreciates the opportunity to testify today and stand ready to work with you on the bill's passage.

APPENDIX 1

State	Total Condo Units*	Approved Condos	Expired Projects	Rejected Applications	Withdrawn Applications	% rejected	% of approved
Alabama	188	36	116	33	3	18%	19%
Alaska	447	234	121	86	8	19%	52%
Arizona	651	100	432	97	24	15%	15%
Arkansas	53	3	40	9	1	17%	6%
California	7817	1487	4894	1005	431	13%	19%
Colorado	1866	438	1186	131	111	7%	23%
Connecticut	1634	369	1068	141	57	9%	23%
Delaware	77	22	38	15	2	19%	29%
DC	710	142	499	59	10	8%	20%
Florida	2346	198	1674	388	89	17%	8%
Georgia	794	232	444	103	17	13%	29%
Hawaii	628	36	511	69	12	11%	6%
Idaho	112	10	83	18	2	16%	9%
Illinois	3794	707	2650	364	73	10%	19%
Indiana	255	64	133	53	5	21%	25%
Iowa	339	41	238	43	18	13%	12%
Kansas	63	8	38	10	7	16%	13%
Kentucky	443	115	261	58	11	13%	26%
Louisiana	176	28	95	47	8	27%	16%
Maine	261	22	181	53	5	20%	8%
Maryland	1625	516	919	126	65	8%	32%
Massachusetts	3057	420	2251	337	49	11%	14%
Michigan	1248	291	729	201	30	16%	23%
Minnesota	1098	365	459	206	70	19%	33%
Mississippi	21	5	13	3	0	14%	24%
Missouri	399	126	165	84	27	21%	32%
Montana	330	37	255	30	10	9%	11%
Nebraska	62	6	41	12	3	19%	10%
Nevada	288	25	237	21	5	7%	9%
New Hampshire	676	154	411	96	15	14%	23%
New Jersey	1659	319	964	259	118	16%	19%
New Mexico	104	23	65	11	6	11%	22%
New York	1000	121	639	200	41	20%	12%
North Carolina	666	112	442	96	18	14%	17%
North Dakota	251	23	187	31	10	12%	9%
Ohio	1578	337	893	171	178	11%	21%
Oklahoma	191	19	137	29	6	15%	10%

State	Total Condo Units*	Approved Condos	Expired Projects	Rejected Applications	Withdrawn Applications	% rejected	% of approved
Oregon	416	121	208	80	8	19%	29%
Pennsylvania	841	260	421	150	15	18%	31%
Rhode Island	731	70	430	66	165	9%	10%
South Carolina	224	29	141	44	10	20%	13%
South Dakota	65	11	42	11	1	17%	17%
Tennessee	537	135	306	80	17	15%	25%
Texas	1243	218	165	802	59	65%	18%
Utah	738	201	364	129	45	17%	27%
Vermont	147	14	102	26	5	18%	10%
Virginia	2265	647	1185	165	268	7%	29%
Washington	2365	499	1384	418	64	18%	21%
West Virginia	20	2	13	5	0	25%	10%
Wisconsin	671	95	415	146	16	22%	14%
Wyoming	45	2	40	2	1	4%	4%
Total	47215	9495	28725	6819	2219	14%	20%

*includes all condominium properties that have ever had or applied for FHA certification

APPENDIX 2

MSA	Median Price		
	Single Family	Aprt.-Condo-Coops	% Difference
Atlanta-Sandy Springs-Marietta, GA	$159,500	$136,300	-15%
Austin-Round Rock, TX	$240,700	$215,400	-11%
Baltimore-Towson, MD	$244,100	$195,900	-20%
Barnstable Town, MA	$345,200	$243,800	-29%
Bismarck, ND	$237,800	$175,900	-26%
Boston-Cambridge-Quincy, MA-NH	$389,800	$339,200	-13%
Boulder, CO	$390,700	$231,800	-41%
Bridgeport-Stamford-Norwalk, CT	$397,600	$224,600	-44%
Cape Coral-Fort Myers, FL	$188,700	$167,300	-11%
Chicago-Naperville-Joliet, IL	$205,900	$163,600	-21%
Cincinnati-Middletown, OH-KY-IN	$140,600	$111,200	-21%
Colorado Springs, CO	$222,300	$146,000	-34%
Columbus, OH	$156,300	$126,000	-19%
Dallas-Fort Worth-Arlington, TX	$188,300	$152,300	-19%
Greensboro-High Point, NC	$136,600	$63,800	-53%
Hartford-West Hartford-East Hartford, CT	$220,900	$143,000	-35%
Honolulu, HI	$682,800	$346,500	-49%
Houston-Baytown-Sugar Land, TX	$198,400	$149,800	-24%
Indianapolis, IN	$144,600	$124,700	-14%
Jacksonville, FL	$181,100	$115,300	-36%
Knoxville, TN	$149,700	$143,200	-4%
Las Vegas-Paradise, NV	$198,000	$100,700	-49%
Los Angeles-Long Beach-Santa Ana, CA	$449,500	$382,200	-15%
Louisville, KY-IN	$142,800	$128,500	-10%
Madison, WI	$228,200	$154,200	-32%
Manchester-Nashua, NH	$234,800	$156,600	-33%
Miami-Fort Lauderdale-Miami Beach, FL	$266,000	$144,300	-46%
Milwaukee-Waukesha-West Allis, WI	$207,800	$149,400	-28%
Myrtle Beach-Conway-North Myrtle Beach, SC-NC	$177,800	$107,000	-40%
New Haven-Milford, CT	$233,300	$140,300	-40%
New Orleans-Metairie-Kenner, LA	$165,000	$193,100	17%
New York-Wayne-White Plains, NY-NJ	$468,200	$268,900	-43%
NY: Edison, NJ	$305,100	$243,900	-20%
NY: Nassau-Suffolk, NY	$405,900	$228,000	-44%
NY: Newark-Union, NJ-PA	$381,500	$263,600	-31%
Norwich-New London, CT	$180,200	$112,700	-37%
Palm Bay-Melbourne-Titusville, FL	$137,600	$120,800	-12%

MSA	Median Price		
	Single Family	Aprt.-Condo-Coops	% Difference
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	$220,700	$176,600	-20%
Phoenix-Mesa-Scottsdale, AZ	$198,500	$109,100	-45%
Portland-South Portland-Biddeford, ME	$227,700	$209,800	-8%
Portland-Vancouver-Beaverton, OR-WA	$286,000	$187,600	-34%
Providence-New Bedford-Fall River, RI-MA	$238,800	$179,600	-25%
Reno-Sparks, NV	$247,500	$115,000	-54%
Richmond, VA	$220,200	$206,600	-6%
Rochester, NY	$125,300	$120,600	-4%
Sacramento--Arden-Arcade--Roseville, CA	$268,700	$138,900	-48%
Salt Lake City, UT	$239,100	$174,300	-27%
San Diego-Carlsbad-San Marcos, CA	$497,900	$331,800	-33%
San Francisco-Oakland-Fremont, CA	$737,600	$580,100	-21%
Sarasota-Bradenton-Venice, FL	$220,200	$166,600	-24%
Springfield, MA	$193,300	$151,300	-22%
Syracuse, NY	$125,800	$129,900	3%
Tallahassee, FL	$167,500	$80,900	-52%
Tampa-St. Petersburg-Clearwater, FL	$151,500	$106,800	-30%
Trenton-Ewing, NJ	$267,100	$186,800	-30%
Tucson, AZ	$175,800	$112,300	-36%
Virginia Beach-Norfolk-Newport News, VA-NC	$196,000	$171,000	-13%
Washington-Arlington-Alexandria, DC-VA-MD-WV	$383,800	$275,700	-28%
Wichita, KS	$125,700	$86,600	-31%
Wilmington, NC	$211,400	$143,600	-32%
Winston-Salem, NC	$135,200	$68,100	-50%
Worcester, MA	$236,100	$186,700	-21%
National average			-27%

October 21, 2015

The Honorable Blaine Luetkemeyer
Chairman
Subcommittee on Housing and Insurance
Financial Services Committee
2440 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Emanuel Cleaver
Ranking Member
Subcommittee on Housing and Insurance
Financial Services Committee
2335 Rayburn House Office Building
Washington, D.C. 20515

Dear Rep. Luetkemeyer,

Thank you for introducing H.R. 3700, a bill that would make many important changes to the Department of Housing and Urban Development's (HUD) core rental assistance programs. The proposed legislation includes many provisions that would increase the efficiency and effectiveness of critical rental assistance programs that serve extremely low-income households.

The proposed legislation includes changes to Section 8(x), the Family Unification Program (FUP), in order to make it a more effective housing resource available to young adults who have been involved with foster care. Current statute imposes limitations on the vouchers that target youth that have left foster care and those limitations can make it difficult for PHAs to administer the voucher, for young adults to find quality, affordable housing and the time they may need to engage in meaningful service programming that will result in independent living and long-term housing stability.

Each year, nearly 23,000 young adults age out of foster care. More than one in five youth that age out of foster care will experience homeless within in a year after leaving care and one in four become involved in the justice system within two years of leaving care. The vouchers for youth that have left care provide affordable housing opportunities for young people as they are transitioning to independence. We appreciate you and your staff's consideration of modifications to Section 110 of H.R. 3700 in order to improve Youth-FUP voucher assistance. We appreciate your consideration of modifications to Section 110 of H.R. 3700 and support the proposed changes to the Family Unification program:

- Extending the age eligibility for FUP vouchers that serve young adults leaving care from 21 to 24;
- Extend housing assistance for youth receiving the FUP voucher from 18 to 36 months;
- Allow FUP voucher assistance to begin 90 days prior to a young adult leaving foster care (either through emancipation process or aging out), and incorporate the assistance into young adults' transition plan to reduce lapses in housing;
- Including language requiring HUD and HHS to issue joint guidance to both PHAs and PWCAs (public child welfare agencies) on how to improve the referral process for the FUP voucher and identify eligible recipients of FUP, align program goals and reduce lapses in housing for young persons that have been involved in foster care; and
- Allowing Public Housing Authorities to project-based Family Unification vouchers.

We greatly appreciate your recognition of how important housing is for vulnerable populations and efforts to bring attention to the housing needs of young adults transitioning out of care. We look forward to working with you and your staff as this legislation moves forward. If you have any questions, please feel free

to contact, Hilary Swab Gawrilow (hilary.gawrilow@csh.org), Director of Federal Policy at CSH (Corporation for Supportive Housing).

Sincerely,

Connecticut Coalition to End Homelessness
Council of Large Public Housing Authorities (CLPHA)
CSH (Corporation for Supportive Housing)
Kids in Crisis
National Association for the Education of Homeless Children and Youth
National Law Center on Homelessness and Poverty
reStart, Inc.
TrueColors, Inc.
Youth Villages, Inc.

Housing Assistance Council
1025 Vermont Avenue, NW, Suite 606, Washington, DC 20005, Tel.: 202-842-8600, Fax: 202-347-3441, HAC@ruralhome.org
Web site: www.ruralhome.org

October 20, 2015

The Honorable Blaine Luetkemeyer
Chairman, Subcommittee on Housing and Insurance
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Luetkemeyer:

On behalf of the Housing Assistance Council (HAC) and our SHOP program partners across the country, we are pleased that you included language in HR 3700 addressing Energy Star regulations that have long-hindered HAC and our partners in carrying out the SHOP program. HR 3700, if enacted, would allow SHOP to serve additional low-income families while maintaining a commitment to energy-efficient construction.

HAC also supports the Rural Multifamily Housing Revitalization Program authorization in HR 3700. This program is a proven tool for preserving affordable homes for low-income rural Americans, especially those that are elderly and/or disabled.

As evidenced by the above-noted provisions in HR 3700, HAC commends your efforts to ensure that HUD and USDA programs work to meet the housing needs of low-income rural Americans.

Sincerely,

Moises Loza
Executive Director

Building Rural Communities

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HAC is an equal opportunity lender

October 20, 2015

The Honorable Blaine Luetkemeyer
Chairman
Subcommittee on Housing and Insurance
House Financial Services Committee
2440 Rayburn House Office Building
Washington, DC 20515

The Honorable Emanuel Cleaver II
Ranking Member
Subcommittee on Housing and Insurance
House Financial Services Committee
2335 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Luetkemeyer and Ranking Member Cleaver:

The National Multifamily Housing Council (NMHC) and National Apartment Association (NAA) applaud you for holding a hearing on the housing programs at the Department of Housing and Urban Development (HUD) and offer our support for H.R. 3700, the "Housing Opportunity Through Modernization Act of 2015 (Housing Modernization Act)." Of special significance to our members are those elements of the legislation dealing with the Section 8 Housing Choice Voucher Program (Voucher Program). Professional apartment owners and managers, in partnership with housing program administrators, have made great strides in helping low-income families find quality affordable rental housing through the Voucher Program. It is one of the most successful private sector solutions for providing affordable rental housing for families in communities across the country.

For more than 20 years, the National Multifamily Housing Council (NMHC) and the National Apartment Association (NAA) have partnered in a joint legislative program to provide a single voice for America's apartment industry. Our combined memberships are engaged in all aspects of the apartment industry, including ownership, development, management and finance. NMHC represents the principal officers of the apartment industry's largest and most prominent firms. As a federation of nearly 170 state and local affiliates, NAA is comprised of over 68,000 members representing more than 7.86 million apartment homes throughout the United States and Canada.

NMHC/NAA strongly support the Voucher Program, which has long served as America's primary rental housing subsidy. It provides subsidized rents for low-income families in private rental housing and is a successful, scalable, private sector strategy to meet affordable housing needs. Importantly, it allows families to choose their own housing and helps reduce concentrations of poverty.

But the Voucher Program has been plagued with inefficiencies and onerous bureaucratic requirements that increase the cost to rent to voucher holders and discourage private owners from participating. Owners who do participate must sign a three-way lease with the resident and the housing authority. Further, they are subject to often cumbersome program restrictions, such as repetitive unit inspections, resident eligibility certification and other regulatory paperwork.

The Voucher Program overall has also been plagued with a flawed and volatile funding system, which undermines private sector confidence in the program. As Congress continues to focus on austerity measures and deficit reduction, insufficient funding is expected to be worse in near-term budget cycles. We appreciate the reforms included in the Housing Modernization Act and encourage you, as authorizers, to continue to institute reforms that will control costs, improving the program for both renters and property owners. Owners seek reliability and consistency

when participating in federal housing programs, particularly when it comes to funding and financing. Past disruptions in the funding formula have discouraged private sector participation and should be avoided.

NMHC/NAA strongly support the following reforms to the Voucher Program included in the Housing Modernization Act:

Streamlined Property Inspections - Improving the property inspection process is sorely needed. While some progress has been made, this legislation will allow residents immediate access to housing, as long as the property meets stringent federal guidelines. This change will continue to ensure housing quality and avoid costly delays currently associated with unit lease-ups under the voucher program.

Simplifying Income Verifications - Current law requires income verification at move-in and recertification annually. The Housing Modernization Act would effectively utilize limited resources by allowing recertification of income every three years, versus annually, for those on fixed incomes. This would allow reviews to focus on those whose incomes change on an annual basis.

Extending Contract Terms Helps Preserve Housing - Currently the initial contract term for participation in the Project-Based Section 8 program is 15 years. The Housing Modernization Act provides added flexibility for Public Housing Authorities to extend the contract term for project-based vouchers from 15 to 20 years, thereby preserving housing and providing both the resident and the owner with certainty.

Lawmakers should take action to maximize the ability of the Voucher Program to meet the affordable housing needs of the nation's citizens. Thank you for your commitment to this effort. We look forward to working with you to ensure these common sense reforms are enacted into law.

Sincerely,

Douglas M. Bibby
President
National Multifamily Housing Council

Douglas S. Culkin, CAE
President & CEO
National Apartment Association

cc: The Honorable Jeb Hensarling, Chairman, House Financial Services Committee
The Honorable Maxine Waters, Ranking Member, House Financial Services Committee
Members of the House Financial Services Committee

October 20, 2015

The Honorable Blaine Luetkemeyer
Chairman
Subcommittee on Housing and Insurance
House Financial Services Committee
2440 Rayburn House Office Building
Washington, DC 20515

The Honorable Emanuel Cleaver II
Ranking Member
Subcommittee on Housing and Insurance
House Financial Services Committee
2335 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Luetkemeyer and Ranking Member Cleaver:

The real estate industry is pleased that you are holding a hearing to address reforms of federal housing programs including Section 8 Housing Choice Vouchers (Voucher Program). Our industry believes it is imperative for Congress to pass legislation that will improve the Voucher Program for both residents and owners alike: maximizing the impact of taxpayer dollars and eliminating inefficiencies are a must. To that end, we support the proposals contained in H.R. 3700, the "Housing Opportunity Through Modernization Act of 2015 (the Housing Modernization Act)."

Our organizations represent owners, management companies, lenders, builders and developers, housing agencies and housing cooperatives. We have long-supported the Voucher Program, which provides rental subsidies to approximately two million very low-income households who obtain housing in the private rental market. Intended to broaden the range of housing choices for families seeking affordable housing, the Voucher Program has proven to be effective in helping low-income families find decent, safe and affordable housing. In addition, Section 8 vouchers can be leveraged to build new or rehabilitate existing affordable housing, a necessity in today's tight rental markets.

However, in spite of its overall success, the Voucher Program suffers under the weight of too many inefficient and duplicative requirements. The myriad overlapping and redundant procedures have made it difficult to administer and have deterred many professional owners and operators from participating. As such, we have worked diligently with Congress for several years now to formulate common sense legislation to streamline the Voucher Program.

The Housing Modernization Act encourages efficiency within the Department of Housing and Urban Development's (HUD) rental housing programs and facilitates greater private sector participation in affordable housing overall. An important part of this effort for the Voucher Program in particular is the streamlining of federal regulations. Simplifying the rules for program participants will reduce administrative burdens and lower costs, while increasing local flexibility. This, in turn, will incentivize more owners to participate in the delivery of affordable housing.

Several provisions of the Housing Modernization Act are particularly significant:

• **Streamlining the Property Inspection Process.** Steps have already been taken to eliminate duplicative inspections through the budget process. This provision expands those efforts by permitting immediate tenant occupancy if the unit has been inspected within the past 24 months and has no life-threatening conditions. This is important for both residents and owners alike because it reduces the length of time a unit is vacant and allows tenants to move into the unit without delay.

• **Simplifying Rent and Income Calculations.** This provision significantly reduces administrative burdens by allowing for the recertification of rent and income to occur every three years rather than annually for those on fixed incomes. A stand-alone bill with this same language passed the House of Representatives earlier this year.

• **Extending the Contract Term for Project-based Vouchers from 15 to 20 Years.** This section will help facilitate the use of project-based vouchers in Low-Income Housing Tax Credit (LIHTC) properties. The rental subsidies provided by vouchers help LIHTC owners meet the need to serve extremely low-income households. The bill also makes other changes that will advance housing opportunities and ease transactional barriers.

• **Low-Income Housing Preservation and Resident Homeownership Act of 1990 (LIHPRHA).** This provision makes technical changes and important flexibilities to properties that are subject to restrictions under LIHPRHA while ensuring long-term preservation of these affordable multifamily housing properties. This same language passed the House of Representatives with strong bipartisan support earlier this year. These provisions have no budgetary impact on the Federal Government and will facilitate recapitalization of the properties by both for profit and non-profit preservation entities.

We applaud the Committee for holding this hearing. We look forward to continuing to work together as efforts to address this issue move forward.

Sincerely,

Council for Affordable and Rural Housing
Institute of Real Estate Management
LeadingAge
Mortgage Bankers Association
National Affordable Housing Management Association
National Apartment Association
National Association of Home Builders
National Association of Housing Cooperatives
National Leased Housing Association
National Multifamily Housing Council

cc: The Honorable Jeb Hensarling, Chairman, House Financial Services Committee
The Honorable Maxine Waters, Ranking Member, House Financial Services Committee
Members of the House Financial Services Committee

Realtors issue a blunt assessment of problems facing their business
By Kenneth R. Harney, June 10, 2015, The Washington Post

http://www.washingtonpost.com/realestate/realtors-issue-a-blunt-assessment-of-problems-facing-their-business/2015/06/09/7c27dbe6-0deb-11e5-adec-e82f8395c032_story.html

The National Association of Realtors commissioned and released a frank and sometimes searing assessment of top challenges facing its industry. The critiques hit everything from the professionalism and training of agents to the commissions charged consumers. (Matthew Staver/Bloomberg)

When the country's largest real estate trade group bares some of its innermost worries, should owners, sellers and buyers of homes pay attention?

Absolutely, if you want valuable insights into current issues and problems in the housing marketplace. You might even save some money or avoid a bad experience with an agent or broker.

In an unusual move for a major American trade association, the million-member National Association of Realtors has commissioned and released a frank and sometimes searing assessment of top challenges facing its industry for the next several years. The critiques hit everything from the professionalism and training of agents to the commissions charged consumers, and even the association's leadership.

To get the flavor of the report, consider these broadsides:

- "The real estate industry is saddled with a large number of part-time, untrained, unethical and/or incompetent agents. This knowledge gap threatens the credibility of the industry." Ouch!

- Low entry requirements for agents are a key problem. While other professionals often must undergo extensive education and training for thousands of hours or multiple years, realty agents need only complete 70 hours, on average, to qualify for licenses to sell homes, with the lowest state requirement for licensing at just 13 hours. Cosmetologists, by contrast, average 372 hours of training, according to the report.

- Professional, hard-working agents across the country "increasingly understand that the 'not-so-good' agents are bringing the entire industry down." Yet there "are no meaningful educational initiatives on the table to raise the national bar."

- The commissions that realty brokers and agents charge are under attack and highly vulnerable to reductions because of pressure from cost-sensitive consumers. While typical commission rates in this country are around 6 percent, fees in other developed countries are significantly lower. In the United Kingdom, they average 1 to 2 percent; in Australia, 2 to 3 percent; Belgium, 3 percent; Germany, 3 to 6 percent.

- In response to consumer demand for lower fees, "a growing new generation of brokers and agents [is] exploring . . . new business models and pricing models that will most likely become commonplace in the next 5 to 10 years." The reference here is to technology-driven discount brokers who are making inroads in many markets. Baby boomers looking to downsize and millennials seeking first homes are especially interested in shaving fees to save money.

- Realty brokerages face their own challenges, such as compliance with aggressively enforced federal regulatory policies. Among the most prominent, according to the report: the Consumer Financial Protection Bureau's anti-kickback and referral-fee rules governing brokers' financial arrangements with title companies, lenders and others. Though "most brokerage companies are either ignorant of the fact or believe they are in compliance," says the report, "most are likely in violation already."

The 160-page study — known as the DANGER report (www.dangerreport.com), or the Definitive Analysis of Negative Game Changers Emerging in Real Estate — was commissioned by NAR's "strategic thinking advisory committee" and authored by industry consultant Stefan Swanepoel of the Swanepoel /T3 Group. It is based on a survey of 7,899 Realtors and interviews with 74 top realty chief executives, plus additional research. Other problem areas it details concern multiple listing services, state Realtor associations and NAR itself.

Sara Wiskerchen, managing director of media communications for NAR, emphasized in comments to me that the DANGER study was stimulated by the "belief that it is healthy and helpful to hear what others are saying, especially those ideas that might be uncomfortable or disagreeable." The association is "neither celebrating or disappointed in the author's perspectives," she added.

What are the takeaways for consumers? Top of the list: Since the study alleges that "a large number" of realty agents lack sufficient training and competence, make sure any agent you sign up with has the experience and track record that match your objectives as a buyer or seller. Among other things, ask about advanced training and certifications the agent has earned or is pursuing.

Given the report's emphasis on the threats to traditional brokerages posed by innovative, tech-driven alternatives now growing in the market, check out their discount pricing, whether for a sale or purchase. But don't assume that cheaper is always better. Some of these firms have their own shortcomings despite their cool technology tools: Agents may not be experienced, and their marketing skills, services and local knowledge may not come close to those of top-tier traditional agents. Always negotiate commissions with whomever you work. Your goal should be to hire the most competent agent for your purposes at the most affordable fee.

Ken Harney's e-mail address is kenharney@earthlink.net.

http://www.washingtonpost.com/realestate/consumer-agency-takes-aim-at-deals-that-cost-home-buyers-extra-money/2015/10/20/3b80969a-768d-11e5-a958-d889faf561dc_story.html

Consumer agency takes aim at deals that cost home buyers extra money

The Consumer Financial Protection Bureau is warning homebuyers about what is known as "marketing services agreements" that reportedly are widespread in the real estate and settlement industries. (Consumer Financial Protection Bureau)

By Kenneth R. Harney, October 21, 2015, *Washington Post*

Home buyers usually don't have a clue about the existence of under-the-table marketing kickback deals, and they can end up paying hundreds or thousands of dollars extra at closings as a result. But now the federal government's top consumer protection agency says that too many of the customer referral games being played by some real estate brokers, mortgage lenders and title companies are illegal, and it plans to crack down on them.

That's the gist of an unusual warning issued by the Consumer Financial Protection Bureau about what is known as "marketing services agreements" that reportedly are widespread in the real estate and settlement industries.

Though there are many variations, a typical deal might work like this: A title insurance agency offers to pay real estate brokers thousands of dollars a month if the brokers steer their customers to the agency: The more referrals, the more money to the brokerage. There is no disclosure to customers that money is getting kicked back for what may be inferior services or prices.

Or a mortgage lender asks realty brokers to hand out promotional materials or help peddle its home loans. In exchange, the broker or builder could get periodic payments tied to the volume of new loans. Again, no disclosure.

While some marketing service agreements may not violate federal real estate settlement rules, the CFPB's new warning made it "crystal clear," according to the Mortgage Bankers Association, that the government "views marketing service agreements as highly risky ventures often designed to evade" the law and "hurt consumers." Pete Mills, the trade group's senior vice president, urged lenders to "reconsider existing [marketing service deals] or any plans to establish new ones."

The CFPB already has moved against some companies and reportedly has major enforcement actions in the works. In one case, Lighthouse Title of Holland, Mich., was required to pay the government $200,000 in a settlement involving allegedly illegal marketing services agreements. Earlier this year, Maryland-based NewDay Financial was hit with a $2 million civil penalty by the CFPB for allegedly illegal marketing services practices. Lighthouse and NewDay did not admit breaking the law but agreed to the settlements. Industry sources familiar with ongoing investigations expect much larger financial penalties in upcoming cases.

How common are these sub-rosa arrangements? According to attorneys and title industry experts, they are rampant in some markets. Todd Ewing, founder of Federal Title & Escrow, based in Washington, told me that in markets such as Miami, "close to 90 percent" of title agencies participate in them. In the Washington metropolitan area, it's "at least 60 percent," he said.

Ewing's firm has for years refused to take part in either marketing services or "affiliated business" deals with real estate brokers and others. He says broker demands for payments for illegal referrals can be shockingly blunt and outrageous. He recalls being asked for $15,000 a month from one brokerage — its going rate — in exchange for displaying his firm's brochures in their office and allowing him to speak with agents.

As a result of his stance, Ewing says, his firm's quotes to home purchasers for title, escrow and closing services routinely come in hundreds of dollars below those of competitors, and he actively urges clients to shop the competition and compare.

Marx Sterbcow, a nationally known legal expert on real estate settlement rules, told me that 80 percent of the marketing services arrangements that he is asked to review "don't pass the smell test" and are vulnerable to attack by the CFPB.

Tip-offs that there's a problem, according to Sterbcow: If the "marketing" is directed solely toward clients of a realty firm rather than to the general public, or the payments are far out of line with any reasonable value for the marketing services being provided, it may be in violation of federal anti-kickback requirements.

But how can home buyers get wise to any of this? There's probably no way, in most situations. But Ewing advises buyers to at least ask brokers or realty agents this question: Does your firm participate in a marketing services agreement with any of the title, mortgage, escrow or other vendors that you are recommending or that are on your list of vendors?

Whether the answer is yes or no, the best defense against getting ripped off is to shop for settlement services aggressively, get competing quotes and look for online consumer reviews and complaints. You could save a bunch of money.