February 15, 2013 | Volume 25, Issue No. 8

NATIONAL LOW INCOME HOUSING COALITION

MEMO TO MEMBERS

The Weekly Newsletter of the National Low Income Housing Coalition

NLIHC 2013 CONFERENCE

Tuesday Morning Plenary Session to Feature Panel on Federal Budget

NLIHC is pleased to announce that the breakfast plenary session on Tuesday, March 19 at its United for Action conference will be "The Federal Budget: How it Works and How to Make it Work Better for Low Income People." NLIHC President and CEO Sheila Crowley will provide an overview of the whole federal budget and how to address the disparities between housing assistance for low income people and federal subsidies for housing that benefit middle and upper income people.

Also on the panel will be Nan Roman, President and CEO of the National Alliance to End Homelessness, who will review federal programs that address homelessness. Ms. Roman is also a member of Bipartisan Policy Center Housing Commission and she will discuss how the commission's recommendations compliment the National Housing Trust Fund's housing tax reform efforts. Debbie Weinstein, Executive Director of the Coalition on Human Needs, will explain how the budget and appropriations processes interact and offer her prognosis for anti-poverty programs in the 113th Congress. Finally, Meaghan McCarthy (invited), Professional Staff (Majority), Senate Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies will provide an assessment of future funding for housing programs from the vantage point of a long time Senate staffer.

The United for Action conference will take place Sunday, March 17 through Wednesday, March 20 at the Omni Shoreham Hotel in Washington, D.C. Special rates are available for NLIHC members and low income attendees. The full schedule of workshops and events is available at http://bit.ly/VC4k5E.

To register, go to www.nlihc.org/conference. The site includes detailed information that can help you plan your participation. Or, to download a registration form, go to http://bit.ly/WrHPhK (PDF). NLIHC members receive additional discounts on conference registration.

Be sure to reserve your hotel room and plan your travel arrangements so you can take advantage of everything United for Action has to offer. Regular registration rates will end soon, and rooms are going fast at the Omni Shoreham Hotel. We anticipate sold out space, so don't delay and book your hotel room now at http://www.omnihotels.com/FindAHotel/WashingtonDCShoreham/MeetingFacilities/NLIHC2013.aspx. Plus, the room block (and special $249 rate) closes next Thursday, February 21—unless the rooms go first.

NATIONAL HOUSING TRUST FUND

Model Resolution Helps Organizations and State and Local Governments Endorse Proposal to Fund NHTF

At the request of an endorser of the campaign to secure permanent, dedicated revenue for the National Housing Trust Fund, NLIHC has developed a model resolution for use in asking governing boards of organizations or units of government to support the proposal.

The model resolution includes statements on the need to end homelessness and provides space to insert facts about the shortage of affordable housing in their states. NLIHC Outreach Associates will assist you in locating the data needed for each resolution. The resolution can be adapted to help it fit with local circumstances.

The resolution is appropriate for use with any kind of entity such as religious institutions, labor unions, businesses, foundations, and nonprofit organizations, as well state legislatures, city, county, or town councils, tribal governments, housing authorities, school boards, and behavioral health authorities. Once the resolution is passed, the information should be recorded in a specially created online form. Adoption of the resolution automatically means the entity has endorsed the proposal.

NLIHC's housing tax reform proposal would modify the mortgage interest deduction (MID) by reducing the size of a mortgage eligible for a tax break to $500,000, and by converting the deduction to a 15-20% non-refundable tax credit. It would save the federal government between $20 billion and $40 billion a year while making this tax benefit more available to the middle and lower income families who need it. Homeowners would receive a 15-20% non-refundable credit for interest on mortgages up to $500,000. Interest on second homes and home equity loans would be eligible for credit under the $500,000 cap.

Our proposal would direct the savings from MID reform be used to create a permanent dedicated source of revenue for the NHTF. The goal of the National Housing Trust Fund Campaign is to expand affordable housing options for extremely low income households by 3.5 million over ten years. This increase in available affordable housing could end homelessness in the United States.

View the model resolution template at http://nlihc.org/issues/mid/resolution. Contact outreach@nlihc.org for assistance in customizing the resolution for your community.

Record information about passage of the resolution in your community at http://bit.ly/XfWhuq.

Right to the City Joins Campaign

NLIHC is pleased to welcome Right to the City as a national organization endorsing the campaign to secure dedicated, permanent funding for the National Housing Trust Fund through housing tax reform. Right t0 the City is a national alliance of racial, economic, and environmental justice organizations that offers a "unified response to gentrification and a call to halt the displacement of low-income people, people of color, marginalized LGBTQ communities, and youths of color from their historic urban neighborhoods."

Over 800 national, state, and local organizations have endorsed the proposal and the campaign. To add your organization to the effort, go to http://bit.ly/R4CZWo or see the article about the model resolution above.

Ways and Means Committee Begins Tax Reform Preparation

Ways and Means Committee Chair Dave Camp (R-MI) and Ranking Member Sander Levin (D-MI) announced on February 13 the formation of 11 working groups to examine particular aspects of the tax code in order to inform the committee's work on comprehensive tax reform.

The working groups are to reach out to "stakeholders, academics and think tanks, practitioners, the general public" as well as other Members of Congress, and "compile feedback" that will serve as the basis for a report by the Joint Committee on Taxation that is due on April 15, 2013.

Among the 11 working groups is one on real estate chaired by Representative Sam Johnson (R-TX) with Representative Bill Pascrell (D-NJ) as the vice chair.

The full committee held a hearing on the itemized deduction for charitable contributions on February 14. The hearing consisted of 42 witnesses on six panels. The witnesses included multiple representatives of United Ways, as well other educational, health, religious, and other charities. One witness was Mike King, President and CEO of Volunteers of America, an NLIHC member.

In his opening statement, Chair Camp reiterated his commitment to transparency and openness as the committee pursues comprehensive tax reform. He recalled the last major tax reform, the Tax Reform Act of 1986, and cited his predecessor, Chairman Dan Rostenkowski D-IL), as conducting that process in an open manner. He again referenced the importance of hearing from all stakeholders.

To see the announcement of the working groups, go to http://1.usa.gov/Y1XFDS.

To review the testimony at the February 14 hearing, go to http://1.usa.gov/Y1XJDG.

FEDERAL BUDGET

Sequestration Debate Continues

St. Valentine's Day, February 14, was packed with Congressional activity on sequestration, but a solution has yet to emerge. Members from both sides of the aisle were eager to critique what the sequestration portends.

The Administration is required to implement sequestration, across-the-board cuts to discretionary spending, on March 1 (see *Memo*, 2/1). These indiscriminate cuts would reduce HUD and USDA housing programs by 5.1%, according to the Center for Budget and Policy Priorities (see *Memo*, 2/8).

Nonetheless, both chambers took their scheduled President's Day break. The Senate is due back on February 25 and the House on February 26, leaving few legislative days left to break the impasse.

"Impact of Sequestration" was the title of the first hearing on in the 113th Congress for the Senate Committee on Appropriations. It was also the first hearing with the new Committee Chair, Senator Barbara Mikulski (D-MD). Nearly all members of the Committee attended the hearing. F

HUD Secretary Shaun Donovan testified that the sequester would affect hundreds of thousands of Americans who benefit from HUD programs. "Should sequestration go into effect on March 1," said Secretary Donovan, "cuts would be deeply destructive."

Secretary Donovan cited specific impacts of the sequester, including that 125,000 households would lose their housing choice vouchers, over half of which include at least one member who is elderly or who has a disability. He said that another 100,000 formerly homeless people, the majority of whom are people with disabilities, would lose their housing or shelter and be back on the streets, and that 7,300 households served by the Housing Opportunities for Persons with AIDS Program (HOPWA) would lose assistance and be at risk of homelessness. Public housing agencies would be forced to defer maintenance and repairs of deteriorating units and add to the $26 billion backlog of public housing capital repairs.

Additionally, 3,000 of the most vulnerable children would be less safe if healthy homes and lead hazard control funds were cut. Seventy-five thousand fewer households would receive foreclosure or pre-purchase housing counseling. A cut to the Community Development Block Grant would result in a loss of leveraged funds, causing loss of tens of thousands of jobs.

Super Storm Sandy recovery would also be slowed by cuts of $3 billion from the supplemental appropriations package just passed by Congress. This would eliminate assistance for 10,000 homes and small businesses in the affected region.

The sequester would also halt the housing market "at a critical recovery point," said the Secretary. He said that HUD's ability to support the recovery would be severely hampered because of staff furloughs that would affect department operations, including administration of Federal Housing Administration (FHA) loans.

When fielding questions from committee members, Secretary Donovan said that because "housing has become one of the leading factors that is driving our economy," the ripple effect of housing cuts will affect the jobs of bricklayers, plumbers, carpenters, window manufacturers, and others. Chair Mikulski said that she understood that HUD cuts would affect new housing starts, rehabilitation of existing housing, and modernization of housing, impacting the jobs of people "from the lumber yard" to those employed at large construction companies.

Secretary Donovan said the FHA is central to the housing and economic recovery and that currently almost of half of homebuyers use an FHA loan to purchase a house. FHA is responsible for 25% of multifamily construction and even a hiring freeze or furlough would cause a $3 billion loss in financing that would feed the ripple effect of job loss.

Daniel Werfel of the Office of Management and Budget testified that the Administration believes that "sequestration is bad policy," and that Congress should pass a bipartisan deficit reduction bill to avert sequestration. Mr. Werfel said that the cuts would affect "middle-class families, seniors and the most vulnerable," and that this is "not the way to address our collective goals of deficit reduction." Mr. Werfel said that sequestration would result in fewer teachers; less funding for children with disabilities in schools; fewer mental health programs; fewer nutrition programs; fewer food, air, and water inspections; less secure borders; less cyber security and an increase in crime on streets. The Administration is planning for the sequester, Mr. Werfel said, but there is "no amount of planning that can avoid these impacts."

Department of Education Secretary Arne Duncan, Department of Homeland Security Secretary Janet Napolitano, and Department of Defense Deputy Secretary Ashton Carter also testified on the impacts that the sequester would have on the operations of their departments, and on all Americans.

Each committee member who spoke denounced the sequester, calling it "bad policy," a "blunt tool," or "dumb." Senators Mikulski, Tom Harkin (D-IA), Jeff Merkley (D-OR), Patty Murray (D-WA), Jack Reed (D-RI), Jean Shaheen (D-NH), and Tom Udall (D-NM) all raised the impacts of the sequester on housing or homelessness during the question period.

Senator Murray entered a letter into the record that urges Congress to protect non-defense discretionary (NDD) funded programs (see *Memo*, 2/8). The letter, signed by 3,200 groups, appeared in a full-page ad in *Politico* on February 14. NLIHC joined these groups in urging Members to only implement "deficit reduction that does not include further cuts to discretionary programs."

Also on February 14, Senate Democrats released the sequestration replacement plan they developed over the last several weeks. The plan would replace the $85 billion sequester and $25 billion in additional cuts with a $110 billion package evenly split between raising revenue and targeted spending reductions. Half of the spending reductions would come from defense spending and half would come from farm subsidies. Revenues would come from a tax increase on households earning from $1 million to $2 million annually, an oil tax, and from eliminating certain corporate tax deductions. Senate Majority Leader Harry Reid (D-NV) plans to bring the bill to the Senate floor the week of February 25.

Earlier on the same day, Majority Leader Reid met with House Speaker John Boehner (R-OH), who asked that the Senate a sequestration bill that the House could consider. Speaker Boehner added a new Republican criterion for such a bill, saying that in addition to reaching the bipartisan deficit reduction goals, it would have to balance the federal budget in ten years for the House to consider the bill.

Also on February 14, Representative Chris Van Hollen (D-MD) introduced a $120 billion sequester replacement bill, H.R. 699, in the House that is consistent with the Senate proposal.

In total, eight bills to modify or replace the sequester or address spending in relation to the federal deficit were introduced in the House or the Senate during the week of February 11.

There do not seem to be a sufficient number of legislative days remaining to stop the sequester, and most Congress watchers expect it to take effect on March 1, even while efforts to replace it continue. The continuing resolution (CR) that is keeping the federal government operating expires 0n March 27. Congress must agree on FY13 spending levels by that date in order to avert a government shutdown. Congress may try to include an agreement on replacing the sequester into the legislation that provides funding for federal agencies for the rest of FY13.

View the Appropriations Committee testimony and letters at http://1.usa.gov/ZhAaJZ.

Congressional Budget Committees Begin FY14 Work

The Senate and House Committees on the Budget each held hearings on the Congressional Budget Office (CBO) report, "Budget and Economic Outlook: Fiscal Years 2013-2023" (see *Memo*, 2/8). The Senate hearing was on February 12, and the House hearing followed on February 13. CBO Director Douglas Elmendorf was the sole witness at both hearings.

Senator Patty Murray (D-WA) opened the first hearing of the Senate Budget Committee in the 113th Congress and her first as committee chair by saying that she hoped the committee would tackle fiscal and economic challenges in a balanced way for the families they represent. The Senator said that, "budgets are about families across America whose lives will be impacted by decisions we make." Senator Murray said that the committee owed it to those families to make their voices heard. Almost all members of the committee were in attendance.

Ranking Member Jeff Sessions (R-AL) took issue with what he called the Chair's "intimation that Republicans are not concerned with the poor." He said that the Republicans believe that "compassion and help for the poor amounts to more than borrowing more money." The Senator also said, "smart reforms of welfare will help more Americans rise out of poverty. That is what I want to see, more Americans out of poverty."

Mr. Elmendorf summarized his agency's report, saying that "the country continues to face very large budget and economic challenges." CBO projects there would be a more significant increase in economic growth this year if not for the anticipated "fiscal tightening." A major component of this fiscal tightening is implementing the sequester in March. Mr. Elmendorf said that the sequester represents six tenths of 1% of growth this year, which CBO estimates would represent 750,000 jobs by the fourth quarter of 2013.

Chair Murray questioned Mr. Elmendorf about the sequester's effect on the economy, asking if it would be "better to replace the sequester with targeted cuts phased in at the right time" for the economy. Mr. Elmendorf agreed that the same amount of deficit reduction, phased in over time, would be better for the economy.

Senator Jeff Sessions (R-AL) questioned the CBO director about the overall trajectory of the deficit, claiming the government does not have a tax problem, but a spending problem. Senator Bernard Sanders (I-VT) delved into the source of the deficit in questioning Mr. Elmendorf. Senator Sanders asserted that part of the deficit is due to the expense of war, Medicare Part D not being paid for, and the Wall Street bail-out, and Mr. Elmendorf agreed. Mr. Elmendorf also agreed with the Senator that real unemployment is likely about 14%, not 7%. Senator Sanders concluded that the country is still in a major recession and that instead of cutting "services for children," we should address our low level of revenue.

"Before you cut a woman living in Vermont on $15,000 of Social Security income… you might want to cut loopholes for a millionaires with funds in the Cayman Islands," said the Senator. Mr. Elmendorf concurred that tax loopholes are a legitimate issue for Congress to address, saying that CBO recently outlined some of those options. Senator Jeff Merkley (D-OR) also made a statement in support of closing loopholes rather than reducing spending in a fragile economy. Senator Michael Enzi (R-WY) argued that some tax loopholes keep the nation competitive and pointed to the gap between the dedicated revenue source for Social Security and the payments as a source of the nation's financial woes.

At the House Committee on the Budget, similar questions regarding job loss, trajectory of the deficit, and economic growth were asked. In his opening statement, Committee Chair Paul Ryan (R-WI) said the country is approaching danger to the debt crisis, and that spending needs to be controlled. Chair Ryan also said that the debt crisis is putting the nation's social safety net at risk of unraveling.

Ranking Member Chris Van Hollen (D-MD), said that the committee's priorities should be expanding economic growth, job creation, expanding the middle class, and meeting commitments already made. Chair Ryan asserted that raising taxes is not sufficient to address the nation's debt crisis, while Mr. Van Hollen said that the deficit must be addressed in a balanced way.

Representatives Barbara Lee (D-CA) and Gwen Moore (D-WI) stated that fiscal policies such as the impending sequester and current expensive tax expenditures not only hurt those living in poverty but do not help them become part of the middle class. Ms. Moore expressed concern over spending on the mortgage interest tax deduction, saying that it is a regressive tax.

Representative Kathy Castor (D-FL) asked if there are policies contributing to the current and projected high unemployment rate. Mr. Elmendorf said that fiscal tightening and lack of certainty are the largest factors in unemployment.

In response to Representative John Campbell's (R-CA) question about timing of dealing with the debt and about the size of current tax expenditures, Mr. Elmendorf said that sharp declines in spending would result in the economy contracting. In discussing tax expenditures, Mr. Elmendorf said that the third largest tax expenditure is the mortgage interest deduction.

The Senate Committee on the Budget held a second hearing on February 13, "The Impact of Federal Budget Decisions on Families and Communities." Witnesses included two people who benefit from government assistance. Chair Murray opened the hearing by saying the "highest priority of the committee should be broad-based economic growth," and said she intended for the committee to put forth a pro-growth, pro-middle class budget resolution. In order to construct such a resolution, she said that the committee members "can't limit [themselves] to charts and projections; we need to also hear from families who will be affected." Chair Murray said that through her online platform, MyBudget, she has already received over 2,000 submissions from families across the country regarding their budget priorities (see *Memo*, 2/1).

Ranking Member Jeff Sessions (R-AL) said that there are 83 welfare programs that cost $750 billion per year and that it is time to review whether or not they should be funded. Senator Sessions also said that the nation has a complex welfare system that penalizes people for being employed. The Senator shared his own experience of growing up in a 900 square foot house without central air and heating, and said he used Pell grants to pay for college.

Tara Marks testified about the importance of the Supplemental Nutrition Assistance Program (SNAP) at a time when her income was so low she was unable to afford food for herself and her son. Ms. Marks returned to college using Stafford loans after getting a divorce and gaining sole custody of her eight-month old baby. She is "thankful these programs were available so I could focus on getting us out of poverty," said Ms. Marks.

Patrick Murray, a retired Marine, testified on how the government benefits he received allowed him to access quality medical care, return to school, and participate in the workforce. Mr. Murray was deployed to Iraq, where he was wounded; his leg was amputated, preventing him from returning to his profession as a firefighter. Instead, he received job training through the Department of Veterans Affairs and went to college via the 9/11 GI bill, opportunities Mr. Marks said that he would not have otherwise had. "These tools," said Mr. Marks, are a "benefit not only to an individual veteran but to the country as a whole."

Bob Greenstein of the Center on Budget and Policy Priorities testified on the importance of protecting safety-net programs for low income households. He said that one in seven Americans would be poor, but instead are lifted above the poverty line because of the safety net. Currently, 90% of benefits are distributed either to people who are unable to work because they are elderly or have disabilities, or to people who are working.

Gary Alexander, Secretary of the Pennsylvania Department of Public Welfare, said that the state's welfare programs are "a system that traps parents and children" and need reform. Mr. Alexander described what he called a "welfare cliff," the income point at which a household's efforts to increase employment income would cause them to lose benefits, lowering their combined household income from wages and benefits.

Mr. Marks said that the Pennsylvania welfare programs represent 43% of the state budget and that these funds could be used for other state activities. Mr. Alexander said fraud is being committed by a significant number of recipients of his state's welfare programs. When questioned on this by Senator Debbie Stabenow (D-MI), Mr. Greenstein said that nationally, the fraud rate of people who should not receive benefits and overpayment of benefits is a combined 3%, one fifth of the nation's tax error rate.

During questioning, Mr. Alexander also said that increased monitoring of the program by a federal agency was necessary, claiming there is currently little monitoring by federal officials.

Robert Woodson of the Center for Neighborhood Enterprise testified that he believes many government programs serving the poor are not effective. He referred to one shelter program as "bunks for drunks." Mr. Woodson emphasized that we "can't equate how much we spend on the poor with how much we help the poor."

The House and Senate Budget Committees will continue preparations for crafting FY14 budget resolutions after Congressional returns from its recess. Chair Murray said that she intends for her committee to hold another hearing the week of February 25. The Senate may act on a budget resolution as early as the first half of March.

The President's budget request to Congress, required to be submitted on the first Monday of February, is still not complete, and is expected in March.

View the Senate Budget Committee CBO testimony at http://1.usa.gov/ZhBU61.

View the House Budget Committee CBO testimony at http://1.usa.gov/ZhBUTz.

View the Senate Budget Committee Impacts testimony at http://1.usa.gov/ZhBXPe.

MORE CONGRESS

GSEs, Rural Housing on Policy Committee Agendas

The House Committee on Financial Services passed its oversight plan for the 113th Congress on a party-line vote of 33 to 27. The plan is to be submitted to both the Committee on Oversight and the Committee on Government Reform and Administration.

The nonbinding oversight plan lays out potential subjects for committee work in the broad areas under its jurisdiction. According to the plan, "the Committee will examine proposals to modify or terminate Fannie Mae's and Freddie Mac's statutory charters, harmonize their business operations, and wind down any legacy business commitments."

The plan includes oversight of a long list of housing and community development programs. In addition to oversight of the Federal Housing Administration (see article elsewhere in *Memo*), the committee plans to "continue its effort to address… the government's role in the future of affordable housing." The committee will also look at how "933 rural communities… will no longer be eligible for housing programs" under the Rural Housing Service after March 27, 2013. As a result of population changes from the 2010 Census, more than 900 rural communities would have lost their "rural" status on October 1, 2012 had Congress not intervened by inserting an extension in CR for FY13 appropriations, which expires on March 27.

Authorization of the Native American Housing Assistance and Self-Determination Act expires on October 1. The committee intends to consider reauthorization while also looking at "the reasons for the backlog of unspent funds, and whether the program is meeting its objectives."

"The Committee will consider ways to make the [Community Development Block Grant] program more effective and targeted towards extremely low income communities," the plan says.

An amendment related to veterans' housing needs, offered by Representative Al Green (D-TX), was agreed to by voice vote during the plan's markup. The amendment says the committee will monitor and promote coordination between HUD and other agencies in its work to address veterans' housing needs. The amendment also provides that the committee will continue its oversight of the HUD-Veterans Affairs Supportive Housing (HUD-VASH) program.

Also on February 14, Senate Committee on Banking, Housing and Urban Affairs Chair Tim Johnson (D-SD) unveiled his agenda for the 113th Congress. Chair Johnson's focus will be on "strengthening and sustaining the nation's economic recovery, with top priorities including: continued oversight of Wall Street Reform implementation, building bipartisan consensus on the future of housing finance, reauthorizing expiring programs within the Committee's jurisdiction, and considering the President's nominees expeditiously."

Among the committee's top priorities for the 113th Congress are stabilizing the housing market and building consensus on the future of housing finance, and promoting economic growth and access to capital in rural America and Indian Country. The committee will conduct FHA oversight and "may also consider proposals to streamline and improve the Section Eight and public housing rental housing assistance programs," as well as legislation to preserve or replace affordable assisted housing that could be lost through expiring assistance contracts or physical obsolescence.

View a webcast and all testimony from the February 14 Financial Services hearing at http://1.usa.gov/VWYcsz.

Read Senator Johnson's statement at http://1.usa.gov/Y21Lfs.

Senate Passes VAWA Reauthorization

The Senate approved the Violence Against Women Act (VAWA) reauthorization bill, S. 47, on February 12 by vote of 78–22. The legislation, among other provisions, expands housing protections for domestic violence victims who live in federally subsidized housing (see *Memo*, 2/1).

A VAWA reauthorization bill passed the Senate in the 112th Congress, but stalled in the House due to disagreement around protections for lesbian, gay, bisexual, and transgendered victims of domestic violence, protections for immigrant victims of domestic violence, and a provision that would provide tribal authorities with the ability to prosecute domestic violence cases that occur on tribal land (see *Memo*, 5/18/12).

S. 47 retains language to allow tribal authorities to prosecute domestic violence cases that occur on tribal land. This provision proved to be highly contentious in the 112th Congress, with some Republicans arguing that the provision is unconstitutional. House Majority Leader Eric Cantor has indicated that negotiations around the bill have centered on this provision. The measure does not include another controversial provision from the VAWA reauthorization bill considered in the 112th Congress: the expansion of U-visas for immigrant domestic violence victims.

Although House Republican leadership has indicated that reauthorizing VAWA is a priority this Congress, it not clear if the House will consider the Senate version of the legislation.

The full text of S. 47 is available at http://1.usa.gov/Zhzi8e.

House Panel Holds Second Hearing on Financial Health of FHA

The Federal Housing Administration's (FHA's) single family housing business was the subject of a February 13 House Committee on Financial Services hearing. HUD FHA Commissioner and Assistant Secretary for Housing Carol Galante was the sole witness for the three-hour hearing. She responded to questions about the financial health of the FHA, the probability of HUD seeking federal appropriations from Congress because of ongoing losses on FHA's single family loans, and how much mortgage insurance market share the FHA inhabits today and will in the future.

Committee Chair Jeb Hensarling (R-TX) began the hearing by saying the country needs to be on a sustainable fiscal path and, for this to occur, the country also needs a sustainable housing finance system. "I have great fear that the Federal Housing Administration as it is operating today is a detriment to both," Chair Hensarling said. Chair Hensarling described the FHA as the nation's largest mortgage insurance company and as "broke, flat broke," with projected claims far exceeding its cash on hand.

Representative Ed Perlmutter (D-CO) thanked the FHA for keeping the housing market alive during the recession and blamed practices from the George W. Bush Administration for causing the FHA's projected losses. Ms. Galante's testimony said that house prices would have fallen 25% further than they did already had it not been for FHA's presence during the recent housing crisis.

Subcommittee on Housing and Insurance Ranking Member Michael Capuano (D-MA) said it was his understanding that most of the FHA's current delinquencies are comprised of business conducted between 2007 and 2009, when mortgages with seller-funded down payments were frequently insured by the FHA. Ms. Galante confirmed this, and in her written testimony states that "if FHA had not insured any seller-funded down payment loans, the net economic value of the MMI [Mutual Mortgage Insurance] Fund would be positive $1.7 billion today." At the end of FY12, the net economic value of the MMI was negative $16.3 billion. Congress eliminated seller-funded down payment loans from the FHA program in 2008.

While Ms. Galante did not say whether the Administration will seek federal funding to back-stop the FHA from single family claims, she did testify to changes made at the FHA over the last four years. Ms. Galante referred to these as "the most sweeping changes to policy in the FHA's nearly 80 year history." The changes include improvements to FHA's monitoring and oversight of lenders, with a focus on risk management; implementation of Congress's elimination of the seller-funded down payment loans from FHA insurance products; increased down payment requirements for borrowers with credit scores below 580; increased mortgage insurance premiums; and improvements to how the FHA manages its portfolio of real estate-owned properties.

Ms. Galante was asked repeatedly about the FHA's loan limits and if she believed they should be as high as $729,750 in high-cost markets. Ms. Galante responded that she does believe that the FHA loan limits should recede over time, but that Congress needs to decide to what level and at what pace.

Some Republican Committee members made clear that they are not interested in doing away with the FHA, but seek to improve it. Representative Lynn Westmoreland (R-GA) expressed his agreement with Ms. Galante on shrinking FHA's footprint, that any changes to the housing government sponsored enterprises Fannie Mae and Freddie Mac might bring changes to the FHA, and that both want the FHA on sound financial footing.

This was the committee's second hearing on FHA issues in the 113th Congress. Another hearing is expected in the Subcommittee on Housing and Insurance in late February.

Access an archived webcast of the hearing as well as testimony at http://1.usa.gov/ZhyQa0.

HUD

HUD to Award Section 811 PRA Funds to 13 States

HUD and the Department of Health and Human Services (HHS) announced the Section 811 Project Rental Assistance (PRA) demonstration awards on February 12. The PRA NOFA was released on May 15, 2012 (see *Memo*, 5/18/2012).

Close to $98 million has been awarded to 13 state housing finance agencies to provide "rental assistance to extremely low income persons with disabilities, many of whom are transitioning out of institutional settings or are at high risk of homelessness." The states awarded funding under the PRA demonstration are California, Delaware, Georgia, Illinois, Louisiana, Massachusetts, Maryland, Minnesota, Montana, North Carolina, Pennsylvania, Texas, and Washington. The $97,849,801 in funding awarded will support 3,530 housing units for extremely low income people with disabilities.

The Frank Melville Supportive Housing Investment Act of 2010 authorized a new project rental assistance authority, which provides funding for project-based rental operating assistance for extremely low income people instead of providing both operating and capital funds to successful Section 811 applicants, as has been the practice in the Section 811 program to date (see *Memo*, 12/23/2010).

The announcement marks the first time that funds have been allocated for Section 811 based on changes made to the program in the Melville Act. The funds reinforce and support the implementation of the Supreme Court's 1999 decision in *Olmstead v. L.C.* requiring that state and local governments support people with disabilities in the most integrated setting appropriate for their needs. The awarded funds will also support the goals of *Opening Doors*, the federal strategic plan to prevent and end homelessness (see *Memo*, 6/25/10).

The list of awards is available at http://1.usa.gov/VnGsqi.

FROM THE FIELD

State Coalition Partner Applauds D.C. Mayor's Step Toward Addressing Affordable Housing Crisis

During his February 6 State of the District Address, Washington, D.C. Mayor Vincent Gray announced a commitment of $100 million to produce and preserve 10,000 units of affordable housing in addition to existing or planned projects. The mayor's address provided little detail on how the funds would be targeted, but the promise received the longest standing ovation of the event as he declared that investing in the city's most vulnerable residents, including those who are homeless or have disabilities, means preserving and expanding affordable housing.

The Coalition for Nonprofit Housing and Economic Development (CNHED), an NLIHC state coalition partner, has actively fought for more affordable housing in the District of Columbia through its Housing for All campaign. It urged the city to increase annual funding levels for affordable housing by at least $255 million. CNHED believes Mayor Gray's commitment is progress toward reaching that goal, and it will continue to press lawmakers to invest additional resources to meet the District's diverse housing needs. Specifically, it has urged lawmakers to fully fund the continuum of housing including assisted rental housing assistance for families purchasing their own homes, and funds for tenants preserving their apartment buildings.

CNHED held a January 29 rally focused on committing more resources to affordable housing programs, bringing together a diverse group of residents and political leaders. Speaking to the more than 350 attendees, Mayor Gray promised he would have a big announcement related to affordable housing in the following days. He also praised the Local Rent Supplement Program and Housing Production Trust Fund (HPTF), both successful programs that housing advocates would like to see expanded.

At nearly 7,000 adults and children, the District's homeless population is growing, according to CNHED. Of those with homes, one in five households pay more than half of its income toward housing, including 7,000 seniors. Some advocates are concerned that Mayor Gray's plan to create or preserve units will lack the subsidy needed to help the poorest residents obtain and afford a home. In a *Washington City Paper* article, CNHED Executive Director Bob Pohlman was hopeful that the administration will make an ongoing investment in housing. "Ten thousand units is a great goal, but the $100 million is the first-year installment in paying for that," Pohlman said. "We're looking for a multi-year commitment at that level to get to 10,000 units."

Advocates are concerned that the lack of affordable housing is leading to growth in the homeless population. D.C. General, a converted hospital serving as the city's shelter for homeless families, is over capacity with nearly 372 adults and 600 children housed there. According to *The Washington Post*, D.C. Council Member Jim Graham wants the city to use some of its $417 million budget surplus to aid residents with the greatest need. However, the Gray administration reports the surplus must be put toward reserve funds, meaning it cannot be used for housing vouchers or homeless services.

CNHED is working with its allies to ensure that the $100 million will target those with the greatest housing need by expanding the HPTF.

"It's great to see Mayor Gray make this commitment to funding affordable housing," said Elizabeth Falcon, CNHED's campaign organizer. "This is a priority issue for the tens of thousands of District residents who struggle with a lack of housing stability, and for all of us who want to make sure they share in the city's prosperity. This investment will start to restore housing programs hurt in the recession; hopefully, it is a sign of future investment, as well."

For more information, contact Elizabeth Falcon at efalcon@cnhed.org.

EVENTS

LeadingAge Congressional Briefing to Cover Housing, Support Programs for Elderly

LeadingAge will hold a congressional briefing, "A New Look at Care and Services for People as They Age," on February 22. The briefing will be held at 11 am in room 1539 of the Longworth House office building. Panelists will discuss federal programs that provide long-term services supports to elderly people, including the Section 202 Housing for the Elderly Program. The panelists will also discuss how policies and practices are evolving to better meet the long-term service and support needs of elderly people.

Readers should RSVP to congress@leadingage.org, and should direct any questions to Marsha Greenfield at mgreenfield@leadingage.org or 202-508-9488.

RESOURCES

Fourth Quarter Housing Vacancy Survey Shows Continued Decreases in Vacancy Rates and Homeownership Rates

The rental market continues to tighten as homeownership rates continue to decline , according to a report released recently by the Census Bureau. The Housing Vacancy Survey highlights residential vacancies and homeownership rates on a quarterly basis. National vacancy rates in the fourth quarter of 2012 were 8.7% for rental housing and 1.9% for homeowner housing. The rental vacancy rate is now 0.7 percentage points lower than the previous year, and the homeowner vacancy rate is 0.4 percentage points lower. The fourth quarter's homeownership rate of 65.4% is 0.6 percentage points lower than a year ago at that time.

Rental vacancy rates of urban (8.7%), suburban (8.6%) and locations outside Metropolitan Statistical Areas (MSAs) (9.6%) were not statistically different from each other, but vacancy rates within cities have decreased by almost a full percentage point since fourth quarter 2011, a much bigger decline than was observed in either suburbs or outside of MSAs. The homeowner vacancy rate in cities (2.5%) was higher than in suburbs (1.6%), though not statistically different from areas outside MSAs (2.1%). Homeowner vacancy rates have decreased by 0.5 percentage points in suburbs since fourth quarter 2011.

There were approximately 17.9 million vacant housing units in the fourth quarter of 2012, but just 21.5% of those units were for-rent and 8.3% were for sale. The remaining vacant units are either rented or sold but not yet occupied (5.2%), for seasonal use (24.2%) or they are being held off the market (40.7%). It is likely that many of the units being held off the market are units in foreclosure that are not being marketed.

A geographic analysis shows the rental vacancy rate was highest in the South (10.7%), though it was lower than 2011's rate of 12%. The homeowner vacancy rate was also highest in the South (2.2%). Trends show homeowner vacancy rates lower than a year ago in the Midwest and West, while rates in the Northeast and South were not statistically different from fourth quarter 2011 rates. The Midwest showed the highest homeownership rates (69.7%), while the West carried the lowest rate of homeownership (59.5%). The South displayed lower homeownership rates than the fourth quarter of 2011, while rates in other regions were not statistically different from those of the preceding year.

A new feature of the fourth quarter 2012 data publication is the Time Series/ Trend Charts application. This online tool allows users to compile data from the Housing Vacancies and Homeownership survey as well as other reports and surveys released by the Census Bureau. Users can custom select years, categories and geographic characteristics to view data in table, bar chart or line chart form.

Residential Vacancies and Homeownership in the Fourth Quarter 2012, along with the new Time Series/Trend Charts application, can be found at http://www.census.gov/housing/hvs/

NATIONAL LOW INCOME HOUSING COALITION

MEMO TO MEMBERS

February 15, 2013
Volume 18, Issue No. 8

FACT OF THE WEEK

Homeownership Rates Drop for All Races, Especially for Hispanics

Homeownership Rates by Race, 2005 – 2012*

	2012	**2011**	**2010**	**2009**	**2008**
Non-Hispanic white alone	73.6%	73.7%	74.2%	74.5%	74.8%
Black alone	44.5	45.1	44.8	46.0	46.8
All other races	55.2	56.5	57.7	58.4	58.3
Hispanic (of any race)	45.0	46.6	46.8	48.4	48.6

*Based on fourth quarter rates

Source: Census Bureau (2013). *Residential Vacancies and Homeownership in the Fourth Quarter 2012*. Retrieved from: http://www.icphusa.org/index.asp?page=16&report=103.

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ABOUT NLIHC

The National Low Income Housing Coalition is dedicated solely to achieving equitable federal policy that assures affordable, accessible, and healthy homes for the people with the lowest incomes in the United States.

Established in 1974 by Cushing N. Dolbeare, NLIHC educates, organizes, and advocates to ensure decent, affordable housing within healthy neighborhoods for everyone.

TELL YOUR FRIENDS!

NLIHC membership is the best way to stay informed about affordable housing issues, keep in touch with advocates around the country, and support NLIHC's work.

NLIHC membership information is available at www.nlihc.org/join. You can also e-mail us at outreach@nlihc.org or call 202-662-1530 to request membership materials to distribute at meetings and conferences.

Follow @NLIHC on Twitter!

Become a fan of NLIHC on Facebook!

Check out NLIHC's blog, *On the Home Front*, at www.nlihc.wordpress.com!